

Neutral Citation Number: [2020] EWHC 2564 (IPEC)

Claim No. IP-2019-000069

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY ENTERPRISE COURT

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 2 October 2020

Before :

Miss Recorder Amanda Michaels
(sitting as a Judge of the Intellectual Property Enterprise Court)

Between :

- (1) PLITEQ INC
(2) PLITEQ (UK) LIMITED

Claimants

-and-

- (1) IKOUSTIC LIMITED
(2) MR RICKY LEE PARSONS

Defendants

Michael Silverleaf QC and **Tom St Quintin** (instructed by **Brandsmiths**) for the Claimants
Chris Aikens (instructed by **Appleyard Lees IP LLP**) for the Defendants

Hearing dates: 23 and 24 June 2020 (trial held remotely, by Microsoft Teams)

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

JUDGMENT

Miss Recorder Amanda Michaels:

1. This is a case of trade mark infringement and passing off which raises some unusual issues. The trade marks used by the parties for their respective products are not said to be similar or confusing. Instead, the Claimants allege that the Defendants used the Claimants' trade marks in order to sell their own goods under their own distinct trade marks, and that this amounted to infringement by "bait and switch" selling. They also complain of passing off. The Defendants' case is that they were making legitimate use of the Claimants' marks in relation to genuine goods.
2. The trial was heard remotely over video-link, and I am grateful to everyone concerned for their efforts in setting up the hearing, including by attending a pre-trial case management conference, sorting out the electronic documents and ensuring that the trial ran to time. Whilst we experienced intermittent issues with internet connections, and there were some issues with using the electronic bundles, it seems to me that those difficulties did not derail the proceedings.

Background

3. The Claimants are members of the same group of companies. The First Claimant is incorporated in Canada and designs, makes and sells a range of acoustic damping and sound control products. It was founded in 2006 by Paul Downey who remains its CEO. It is the proprietor of the four registered trade marks ("the Marks") relied upon in these proceedings:
 - a. UKTM 3246779, registered as of 28 July 2017: GENIECLIP
 - b. UKTM 3246778, registered as of 28 July 2017: GENIEMAT
 - c. EUTM 7592892, registered as of 10 February 2009: GENIECLIP and
 - d. EUTM 8501918, registered as of 20 August 2009: GENIEMAT.

The Marks are all registered for a range of goods, in particular goods in Class 17. The GENIECLIP mark specifications include construction clips of various materials for fixing panels to walls, etc, and the GENIEMAT mark specifications include acoustic mats.

4. The Second Claimant was incorporated in March 2011 and became the First Claimant's UK licensee, under an informal licence. A formal licence was executed in writing dated 10 April 2019, doubtless in contemplation of these proceedings. There was no dispute as to the nature of the goods sold by the Claimants under the Marks. They have two key product lines designed to reduce sound transmission in buildings. First, the Claimants sell clips and brackets under the GENIECLIP Marks. The clips are made of moulded rubber and steel and are used to attach plasterboard to either wall or floor-ceiling assemblies by means of a "furring" or "top-hat" channel clipped into them, which holds the plasterboard. They are used to dampen sound travelling through walls and floors/ceilings. The Claimant sells a number of products under the

GENIEMAT Marks, broadly speaking, a rubber mat product with different acoustic characteristics. It is typically installed on top of or between hard surfaces such as concrete or wooden floors, again to dampen or prevent sound travelling in buildings.

5. The Claimants started to market and sell both GENIECLIP and GENIEMAT products in the UK in around 2009 or 2010 (the exact date is unclear, but not of significance). After the Second Claimant was incorporated in March 2011, Simon Jones was employed as its managing director, but it seems that Mr Downey has been the sole registered director of the Second Claimant throughout. Mr Downey gave evidence about the marketing and distribution channels used by the Claimants, which was not disputed by the Defendants. He said that GENIECLIP and GENIEMAT products have been very successful, and that the Claimants have spent significant sums advertising and promoting them in the UK since 2011, in architectural, construction, hospitality, fitness and building trade publications. As a result, according to Mr Downey, the Marks have become well-known to professionals in the construction business, such as architects, engineers and noise consultants, so that GENIECLIP and GENIEMAT products are specified by name in the building specifications of commercial building projects. Mr Downey also said that the Claimants' goods had been tested and certified, and from 2017 the test results were available to specifiers on Pliteq's EchoOne web platform. I do not think that any of those facts was contested by the Defendants. Currently some 380 professionals have access to EchoOne in the UK. It seems to me that the target customers for the Claimant's products are acoustic consultants and the other professionals mentioned above. Mr Downey accepted in cross-examination that such customers would specify use of a GENIEMAT or GENIECLIP product in the light of the technical reports on the products and a contractor would not normally substitute another product, or would do so only after checking its properties with care.
6. In 2011 Mr Downey asked Mr Jones to seek out potential distributors in the UK. This led to a meeting with the Defendants in late October 2011. At that stage, the First Defendant, iKoustic Ltd, was a relatively new business, which had been incorporated on 14 October 2010. Mr Ricky Parsons, the Second Defendant, was and remains its sole director and shareholder. I think that it was common ground that at that early stage in iKoustic's business it was mainly supplying acoustic products made by third parties to small businesses or domestic customers. Mr Parsons said that he sold a combination of goods for use in a novel arrangement which he had designed to improve acoustic performance. He also said that he dealt in products from different suppliers, and that iKoustic's business model was to provide customers with free technical advice. Although at trial the Claimants expressed doubts about Mr Parsons' technical expertise as an acoustic engineer, which he explained was self-taught, plainly they were sufficiently impressed by him and his company in 2011 to agree that iKoustic should become one of its distributors, and it traded successfully as such distributor from 2012 until 2018. Indeed, according to Mr Windle, now the managing director of the Second Claimant, iKoustic became a key distributor for Pliteq in the UK. Mr Parsons said that iKoustic marketed the Claimants' products at its own cost.
7. Mr Downey said that between 2012 and 2016 iKoustic placed regular orders with the Claimants for 19 different product lines, six GENIECLIP products and thirteen GENIEMAT products. The first order was placed in January 2012 and the last on 27 November 2018. In the last year of the distributorship, that is between September

2017 and November 2018, 93,932 products were supplied to iKoustic with a total order value of some £365,000. Mr Windle indicated that this represented a significant proportion of the Claimants' UK sales.

8. After iKoustic became a distributor of the Claimants' goods, it began to supply larger customers than before, especially where GENIECLIP and GENIEMAT products were identified in building specifications. In some such cases at least, the customers were referred to iKoustic by the Claimants and Mr Parsons accepted that the Claimants' advertising therefore benefited iKoustic indirectly, at least to some extent. No written terms were agreed between the parties. The Claimants relied at trial upon certain of their standard terms and conditions of sale, and I do not think that it was disputed that (in principle) those Ts & Cs applied, although it was also common ground that Mr Jones had agreed to supply goods to iKoustic at a significant discount from the Claimants' standard prices.
9. At no point was iKoustic an exclusive distributor for the Claimants' products, and at times the same goods were supplied in the UK directly by the Claimants, or by other distributors such as Travis Perkins. Equally, there was no express agreement between the parties that iKoustic should not stock products competing with the Claimants' products. Mr Downey contended that iKoustic was contractually obliged not to sell competing products, or that such exclusivity had been understood by the parties, but he conceded that this was not agreed with iKoustic, or even discussed with Mr Parsons. I find that there was no obligation of exclusivity imposed on iKoustic. Mr Parsons said that he had in fact sold competing products to the Claimants' goods at various times. That statement was challenged in cross-examination, but I was not able to conclude from the evidence before me whether or not that was the case, nor do I think it a point of any real significance.
10. The relationship between the parties appears to have started to break down at some point in 2017 and certainly there were problems (evidenced for example by the transcript of a telephone call between Mr Parsons and Mr Jones) in March 2018. The reasons why it broke down were hotly disputed between the parties and a fair amount of time was spent exploring this at trial.
11. Mr Parsons' evidence was that he felt that he was being unfairly treated by the Claimants in various ways. There were some problems with the quality of some GENIEMAT products. These seem to have been most acute in mid-2018 when some products had to be returned to the Second Claimant. A further significant problem related to the pricing of the goods supplied to iKoustic by the Second Claimant. As I have mentioned, Mr Parsons had negotiated discounts with Mr Jones from the Claimants' list prices. The Claimants suggested that Mr Parsons would have known that he was getting an exceptionally good deal, but I am not persuaded that there was any evidence that he did know it. That point arose from an unpleaded and unproved allegation that Mr Jones and Mr Parsons' friendship had led him to give over-favourable treatment to Mr Parsons. Be that as it may, in about September 2018, the Claimants sought to require iKoustic to pay their standard list prices for new orders, doubtless so as to increase the Claimants' profits on the goods. Although these included some discounts for larger orders, at least some of the new prices were higher than those paid previously. Mr Parsons objected to this, stating that this excluded iKoustic from bidding for key projects, despite the Claimants' attempt to persuade him that the Defendants would still be able to make a substantial profit on distributing the

goods. According to Mr Parsons, there were then instances of the Claimants approaching existing iKoustic customers, and undercutting iKoustic's prices, reinforcing his disenchantment with the Claimants. He complained about this in telephone conversations with Mr Jones.

12. Without carrying out a detailed analysis, I cannot decide whether iKoustic had reasonable grounds to complain about the Claimants' activities in 2018. However, I do not consider that it is necessary for me to reach a concluded view on this unpleaded point. The Claimants said that the Defendants' behaviour was driven by an unjustified sense of unfair treatment, which drove the manner in which they chose to launch iKoustic's new products, but the Claimants accepted that this was 'peripheral' to the issues in dispute before me. In my view the Defendants were right to say that the reasons why the parties ceased trading together were immaterial to the allegations of trade mark infringement and passing off.
13. In about March or April 2018 (again, the exact date is not significant), iKoustic decided to begin making and selling its own alternative products to the GENIEMAT and GENIECLIP. It adopted the names MuteMat and MuteClip for those products, having sold some rather different acoustic products under the MuteMat name for some years. There is of course no suggestion that those names are confusingly similar to the Claimants' Marks.
14. In about October 2018, iKoustic started to offer MuteMat products to existing customers. Mr Parsons' evidence was that he recalled speaking to two of his existing customers about it, whilst the documents show that on 15 October 2018 he emailed a client, Mr Scott-Darling, informing him of the new products and comparing them favourably to the Claimants' products. iKoustic's sales manager, Mr Woodhouse, also contacted existing clients. iKoustic took its first order for MuteMat products on 19 October 2018. They were not then in stock and were not delivered until December 2018. In the meantime, in late November 2018, iKoustic had placed at least one further order with the Second Claimant and was holding fairly substantial numbers of GENIEMAT and GENIECLIP products.
15. It appears that Mr Parsons had told Mr Jones of his intention to source competing products to the GENIEMAT and GENIECLIP at some point in 2018. It seems likely that Mr Jones did not inform his colleagues of that intention, in light of a discussion between Mr Jones and Mr Parsons on 1 February 2019, a transcript of which was disclosed. There was insufficient evidence to satisfy me whether Mr Parsons knew or intended that Mr Jones would not pass the information about his intentions on to any other officer of the Claimants. Again, this seems to me an irrelevance.
16. On 1 February 2019, Mr Parsons called Mr Jones and told him that he was launching the new products. He said that he would be happy still to co-market the Claimants' products, but that was for the Claimants to decide. Mr Jones acknowledged that Mr Parsons had told him that he was intending to do that, and suggested that Mr Downey would object to iKoustic selling competing products. Mr Parsons said that he needed to continue marketing the Claimants' products, so as to sell out the stock he was holding, which he thought was several months' worth of goods. Mr Jones indicated that he would not have a problem with that, but thought that Mr Downey would do.

17. Mr Parsons followed up that call with an email dated 1 February to Mr Johnson (the Second Claimant's national sales director for the UK) copied to Mr Jones, saying that iKoustic was intending to sell its own range of products. He also wrote that he intended to "sell out" iKoustic's stock of the Claimants' products, alongside the Defendants' products. Mr Johnson's initial reaction by email on 1 February was that there was nothing objectionable in that proposal and that he saw no reason to cut the ties between the parties completely.
18. Some further discussions took place by email and at a meeting attended by Mr Parsons, Mr Johnson, and Mr Jones on 5 February. On 6 February, apparently following the intervention of Mr Downey, Mr Johnson emailed Mr Parsons and demanded that all use of the Marks be removed from the iKoustic website and all use of the Marks must cease. Mr Downey's view was that iKoustic should not sell any competing products until it had sold all the Pliteq goods – that was contrary to the understanding he thought the Claimants had with iKoustic. At that point, the Claimants said that they would not take back iKoustic's stock of the GENIEMAT and GENIECLIP products.
19. On 8 February, Appleyard Lees LLP wrote on behalf of iKoustic to the Claimants complaining of groundless threats of trade mark infringement, and saying "Our client has in its possession GenieClip and GenieMat products manufactured by you and sold to our client in the UK. It is accordingly entitled to describe and sell those products using your trade marks. We respectfully refer you to sections 11(2)(b) and 12(1) of the Trade Marks Act 1994." That is, in essence, the case which the Defendants continue to run.
20. In Appleyard Lees' letter of 8 February, the Defendants offered to sell back the GENIECLIP and GENIEMAT products to the Claimants. Mr Windle wrote back the same day offering (subject to payment of an outstanding invoice by iKoustic) to take back the products at 75% of the original price, a reduction stated to cover the Claimants' restocking costs, and reflecting the provisions of the Claimants' Ts & Cs for products returned at a customer's request.
21. The MuteMat and MuteClip products were launched on the iKoustic website in early February 2019. The first sale of MuteClips was made on 13 February 2019.
22. There was further correspondence between the parties. The Claimants' then solicitors explained on 22 February that there was no objection to use of Google ads whilst iKoustic held "sufficient stock to fulfil an average order" but not otherwise. However, matters were not resolved, and the claim form was issued on 25 April 2019. Correspondence followed in which offers were made on each side, including an offer made on 1 May by the Defendants to give undertakings and to return the stock at cost price, but no agreement was reached. iKoustic therefore remained in possession of the goods and continued to sell the remaining stock. Mr Parsons accepted that had the stock gone back to the Claimants, this dispute might never have arisen, but it does not seem to me that this affects the issues I have to decide one way or another. Some of the emails disclosed by the Defendants show that an attempt was made to sell certain of the Claimants' products in March 2019 "as an end of line" or excess stock, and then again as a small bundle of remaining stock, in November 2019. There was no evidence before me to explain why the whole of the stock was not disposed of at that time. iKoustic continued to offer Genie products for sale, and sold the last of the

GENIECLIPs in November and the last of the GENIEMAT products in December 2019.

23. There was, therefore, a period of around a year (from late 2018 to December 2019) when iKoustic was selling both parties' products, and from February 2019 onwards such sales were made without the Claimants' consent. The nub of the Claimant's complaint is that during this period the Defendants used the Marks for the purpose of selling iKoustic's rather than the Claimants' products, using the Marks in various ways on pages of its website and also in keywords/sponsored adverts on Google to attract custom which was diverted to iKoustic's own goods. Use of the Marks was a cover for sales of iKoustic's competing goods and so was an infringement.
24. The earliest pleaded instance of infringement is from 20 February 2019. A lengthy schedule ("the Schedule") was annexed to the Claimants' skeleton argument for trial, which was said to show occasions when the Defendants sought to supply Mute products to customers who had approached them for the Claimants' goods. The Schedule also included references to numerous other matters and items of correspondence, and Mr Silverleaf QC accepted in opening that some of the early entries showed what he termed "proper conduct." Although some of the matters listed in the Schedule go back to late 2018, and some of the transactions on which Mr Parsons was cross-examined go back to January 2019, in all the circumstances it does not seem to me that the Claimants were seriously suggesting that there was any infringement prior to February 2019.
25. The claim was amended in December 2019 to allege that Mr Parsons was jointly liable with iKoustic for having personally undertaken or authorised all of the acts of which the Claimants complain in these proceedings. Joint liability was admitted for the purposes of these proceedings.

The witnesses

26. The Claimants called two witnesses. Robert Windle is the managing director of the Second Claimant. He joined the company only in July 2018, and worked alongside Simon Jones until Mr Jones left the company in May 2019. The Claimants' second witness was Mr Downey, the founder of the Canadian business and CEO of the First Claimant. Both gentlemen gave evidence from their own homes. The Defendants made no criticism of their evidence. In my view, Mr Windle was a clear and straightforward witness. Mr Downey had a tendency to answer questions laterally, so as to make the points he thought were important, and took a rather partisan view of the various points, such as the attempts to settle the dispute, but in my view nothing turns on that evidence. I accept that he was a truthful witness.
27. The only witness for the Defendants was Mr Parsons. He gave his evidence from a room at his solicitors' offices. Two members of his solicitors' team were in the room with him, but the video showed them sitting behind Mr Parsons, and at right angles to him, in a manner which was not only compliant with social distancing requirements but showed that they were not in Mr Parsons' sight. Quite rightly, in my view, no objection was raised to that arrangement.
28. By the time of the trial Mr Parsons had filed 4 witness statements and he was cross-examined at length (by IPEC standards) by Mr Silverleaf QC. Mr Silverleaf submitted

that Mr Parsons was a thoroughly unreliable witness who made things up as he went along, and would not accept that his recollection was wrong even when it was contradicted by documentary evidence. He said that I could not rely on his uncorroborated evidence. I think that this criticism is rather unfair to Mr Parsons, who was cross-examined on a variety of topics. In my view, he was the kind of witness who would have benefited, had the trial been held in court, from help in finding his way around the bundles. Certainly, he struggled a good deal with the mechanics of using the e-bundle, which (as I also found) did not always operate as smoothly we might have wished, so that references frequently had to be repeated or amended before he could find the appropriate page. This was obviously stressful for him, and I formed the view that this affected his ability to concentrate upon the questions, and probably explained some of the answers which Mr Silverleaf submitted were evasive.

29. The Claimants expressed particular concerns about parts of Mr Parsons' 2nd witness statement, and I discuss this below. They also criticised Mr Parsons for not giving satisfactory answers to questions about transactions and provided me with a list of transcript references identifying some allegedly unreliable answers. In some instances Mr Parsons appeared to me to be trying to answer questions about matters which were not within his direct knowledge, but which he felt he should have been able to deal with, or which he was seeking to recall after some period of time, such as the Trobridge sale discussed below. In my view the criticism which can properly be made of his evidence is that he should have accepted that he did not know of or could not recall these matters. I take the view that for the most part he tried – with varying levels of success - to give correct answers to a large number of questions, many on topics which he had no reason to know would be raised by the Claimants. On other matters, such as iKoustic's issues with access to the Claimants' EchoOne system, he was less convincing and had a tendency to exaggerate the Defendants' complaints about the Claimants, no doubt because he felt aggrieved by the Claimants' approach to the dispute.
30. By contrast, I was struck by Mr Parsons' willingness to admit that he was aware in around February 2019 that there were methods which iKoustic might have used to exclude specific web pages from the Google dynamic ads service, a matter which he cannot have failed to understand was an important plank of the Claimants' case. All in all, I conclude that Mr Parsons was not the fundamentally dishonest witness claimed by the Claimants. However, Mr Parsons' recollection of the dates of various events was unreliable. For instance, his evidence was that he first contacted the Claimants in September 2012 and placed the first order shortly afterwards but the documents showed that the contact was made in October 2011, and a late disclosed document showed that the first order was placed in January 2012. I do not consider that this casts doubt on his overall veracity, especially as Mr Downey too thought that the first order had been placed in late 2012, but I conclude that Mr Parson's recollection of matters of that kind required corroboration where such details mattered.

The issues before me

31. The List of Issues was:

Trade Mark Infringement

- (1) (a) Has the Defendants' use of the Signs ["GENIEMAT" and "GENIECLIP"] at all times been in relation to goods which have been put on the market in the European Economic Area under the Trade Marks by the First Claimant or with its consent?
- (b) If so, does the First Claimant have legitimate reasons to oppose the further commercialisation of those goods in the ways complained of in the Amended Particulars of Claim?
- (2) Has the Defendants' use of the Signs had any effect on the functions of the Trade Marks?
- (3) Has the Defendants' use of the Signs taken unfair advantage of the distinctive character or repute of the Trade Marks?
- (4) Was the Defendants' use of the Signs with due cause?

Passing Off

- (5) Are the Claimants owners of a separate and distinct goodwill in and to the products shown in the photographs of the Claimants' products?
- (6) Have the Defendants made an actionable misrepresentation by their use of the Signs?
- (7) Have the Defendants made an actionable misrepresentation by using a photograph of the Claimants' goods in connection with the Defendants' product?

Relief

- (8) Effect of section 25 of the Act/Article 27 of EUTMR.

The allegations of trade mark infringement

32. The Claimant concentrated at trial upon the allegations of trade mark infringement and especially the allegation of infringement under s 10(1) of the Trade Marks Act 1994 ("the Act") and Article 9(2)(a) of Regulation No 207/2009 ("the EUTMR"). Mr Silverleaf QC submitted that this was a straightforward case of use by the Defendants of the Marks for the purpose of promoting and selling their own products. The claim of and defence to infringement was (in summary form) pleaded as follows:

- a) The Defendants used sponsored Google ads. See Annex A. There was no claim that the advertisements were confusing or deceptive. Instead, the complaint was about what happened once the user landed on iKoustic's website. The Defendants admitted having made some use of the Marks as keywords but said that the advertisements were generated by Google's "dynamic ads" service, in which the keyword was chosen by Google, not by the Defendants. This was not their use of the Marks.
- b) The Claimants complained of instances when the landing page was either an "Existing Customers Login" page, with contact details, or a page for the particular product stating that it was unavailable to buy online, with a Contact link. Examples were pleaded at various dates in 2019. See Annex B. These were admitted. The Defendants said that when a product was out of stock the relevant webpage would be removed, and the search engine result would default to the Existing Customers Login page, which shows neither side's products. A product would be shown as unavailable to buy online in particular where advice was required before purchase.
- c) The Claimants alleged that a list of the Defendants' own products was displayed on the site to potential customers of the Claimants' goods. The Defendants said that such a list was only displayed when a customer clicked on/hovered over a

- “Products” tab on the main menu of the website. Alternatively, their products were at times displayed beneath the Claimants’ product under the heading “Related Products,” which was said to be a legitimate advertisement for a competing product.
- d) The Claimants complained that in late September 2019 the website was changed to show the FF10 mat in stock, though no stock was then held by iKoustic. It is now accepted that throughout 2019 iKoustic had a single roll of FF10 in stock and the change to the site was not pursued as an infringement.
- e) The Claimants complained about a blogpost on the iKoustic website on 30 September 2019 which said, “The wall below shows how the cutting-edge technology of a Genie Clip works ... iKoustic is one of only two suppliers of this technique in the UK.” The Claimants pleaded that at that date, iKoustic was not a supplier of GenieClips. This point was not pursued at trial. The Claimants also complained that on the same date a webpage stated that iKoustic no longer stocked the GENIECLIP, but included a link to the MuteClip, described as iKoustic’s new alternative isolation clip. See Annex C. The Defendants said that when that post was on the site, they still had GenieClips in stock and that it would be plain to a customer that an alternative product was on offer.
- f) The Claimants concentrated at trial on the claim that iKoustic was luring internet users into purchasing its products, by advertising the Claimants’ products when it was unable to provide them. Its use of the Marks was for the purpose of selling iKoustic’s goods. This was denied. The Defendants said that the Marks were used only to advertise and sell the Claimants’ products and when they were not in stock the products were not displayed on the iKoustic website. A purchaser would have to consciously select a link containing the MuteMat/MuteClip name to purchase those goods, so that no-one would be confused into doing so.
- g) The Claimants alleged that similar “bait and switch” tactics were used directly to consumers, and gave examples. This was alleged to damage the origin function by encouraging purchasers to use the Marks to identify competing products, genericising the Mark, and to damage the advertising and investment functions of the Marks. The Defendants denied that they had used the Marks inappropriately and denied any impact on any of the Marks’ functions. All of the Defendants’ uses fell within the exhaustion defence of section 12(1) of the Act/Article 15(1) of the EUTMR. In the Reply, the Claimants denied that those defences applied, as they had legitimate grounds to oppose the further commercialisation of their goods.
- h) The Claimants alleged that the Defendants’ use of the Marks infringed under s 10(3) /Article 9 (2)(c) as it took unfair advantage of them, due to the “bait and switch” selling, whether or not the alternative trade origin was discernible. This was denied and the Defendants claimed due cause to use the Claimants’ Marks to sell the Claimants’ products.
33. Mr Aikens complained on behalf of the Defendants, with some justification, that the Claimants had changed their case as they went along. He said that the Claimants had failed to identify examples of alleged instances of infringement in addition to the limited number of instances pleaded, so that the Defendants did not know the case they had to meet. Mr Windle’s witness statement listed eight inquiries to iKoustic via

its website's Jivochat facility, but did not explain whether these were all said to show infringement, how or why. That was compounded by the identification by the Claimants, in the Schedule, of numerous documents said to be relevant to alleged product substitution or infringement, which did not show how or why any one example was said to show infringing use. This all meant, said Mr Aikens, that Mr Parsons would be hard pressed to deal with any of these numerous new examples that might be put to him in cross-examination. I think that was indeed the case, as I have said, and I therefore feel it would be wrong to place much weight upon many of Mr Parsons' answers to questions in cross-examination about particular transactions or chains of correspondence. It is safer to rely upon what can be seen in the documents before me. And, indeed, most of the items in the Schedule were not put to Mr Parsons.

34. Similarly, the Claimants referred during the trial to a Google Shopping campaign launched by Mr Parsons, who accepted in cross examination that this generated some ads. This use was unpleaded, and I was not told whether or how it differed from the general run of dynamic ads. In post-trial submissions, the Claimants also referred me to iKoustic's YouTube advertisement(s). There was no pleaded case as to how these may have infringed. Though mentioned by Mr Windle and Mr Parsons in their witness statements, these adverts were not dealt with at trial. I do not consider it appropriate to deal further with either point.
35. Mr Aikens also complained that the Claimants appeared to wish to bolster their case under s 10(3) by alleging that the Defendants had misled customers by use of misrepresentative or misleading comparative test results. This was dealt with at length in the Claimants' skeleton argument. I agree that the Claimants were in that respect seeking to run a broad and wholly unpleaded case, which would have called for evidence which was not before me, possibly including expert evidence. In the event, after I expressed my concerns about it, this line was not pursued further with Mr Parsons in evidence, or by Mr Silverleaf QC in closing. I do not propose to deal further with it in this judgment.

The law

36. There was no dispute between the parties as to the essential elements of trade mark infringement under s 10(1)/Article 9(2)(a):
 - a. There must be use of a sign by a third party within the relevant territory.
 - b. The use must be in the course of trade.
 - c. The use must be without the consent of the proprietor of the trade mark.
 - d. The use must be of a sign which is identical to the trade mark.
 - e. The use must be (a) in relation to goods or services (b) which are identical to those for which the trade mark is registered.
 - f. The use must affect, or be liable to affect, one of the functions of the trade mark.
37. The Claimants said that all of the conditions were met, and relied upon damage to the origin, advertising and investment functions. The Defendants did not accept that they

had made use of the Marks by use of the Google dynamic ads service, but otherwise accepted that the first 5 conditions were met here. They denied that their uses of the Marks were liable to affect any of the functions of the trade mark.

38. The functions of trade marks were restated by the CJEU in Case C-129/17, *Mitsubishi v Duma*, EU:C:2018:594, [2018] ETMR 37:

“35 ... it must be borne in mind that the essential function of a trade mark is to guarantee the identity of the origin of the marked goods or service to the consumer or end user by enabling him to distinguish the goods or service from others which have another origin (judgment of 23 March 2010, *Google France and Google*, C-236/08 to C-238/08, EU:C:2010:159, paragraph 82 and the case-law cited). It serves in particular to 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, which it does in order to fulfil its essential role in the system of undistorted competition (see, to that effect, the judgments of 12 November 2002, *Arsenal Football Club*, C-206/01, EU:C:2002:651, paragraph 48, and of 12 July 2011, *L’Oréal and Others*, C-324/09, EU:C:2011:474, paragraph 80).

36 The function of investment of the mark includes the possibility for the proprietor of a mark to employ it in order to acquire or preserve a reputation capable of attracting customers and retaining their loyalty, by means of various commercial techniques. Thus, when the use by a third party, such as a competitor of the trade mark proprietor, of a sign identical to the trade mark in relation to goods or services identical with those for which the mark is registered substantially interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party’s use adversely affects that function of the trade mark. The proprietor is, as a consequence, entitled to prevent such use under Article 5(1)(a) of Directive 2008/95 or, in the case of an EU trade mark, under Article 9(1)(a) of Regulation No 207/2009 (see, to that effect, the judgment of 22 September 2011, *Interflora and Interflora British Unit*, C-323/09, EU:C:2011:604, paragraphs 60 to 62).

37 As to the function of the advertising of the mark, it is that of using a mark for advertising purposes designed to inform and persuade consumers. Accordingly, the proprietor of a trade mark is, in particular, entitled to prohibit a third party from using, without the proprietor’s consent, a sign identical with its trade mark in relation to goods or services which are identical with those for which that trade mark is registered, where that use adversely affects the proprietor’s use of its mark as a factor in sales promotion or as an instrument of commercial strategy (see, to that effect, the judgment of 23 March 2010, *Google France and Google*, C-236/08 to C-238/08, EU:C:2010:159, paragraphs 91 and 92).”

39. In Case C-323/09 *Interflora* the CJEU had also said of the investment functions:

“63 In a situation in which the trade mark already enjoys such a reputation, the investment function is adversely affected where use by a third party of a sign identical with that mark in relation to identical goods or services affects that reputation and thereby jeopardises its maintenance. As the Court has already held,

the proprietor of a trade mark must be able, by virtue of the exclusive right conferred upon it by the mark, to prevent such use (*L'Oréal SA v eBay International AG* (C-324/09) [2011] E.T.M.R. 52 at [83]).

64 However, it cannot be accepted that the proprietor of a trade mark may—in conditions of fair competition that respect the trade mark's function as an indication of origin—prevent a competitor from using a sign identical with that trade mark in relation to goods or services identical with those for which the mark is registered, if the only consequence of that use is to oblige the proprietor of that trade mark to adapt its efforts to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Likewise, the fact that that use may prompt some consumers to switch from goods or services bearing that trade mark cannot be successfully relied on by the proprietor of the mark.”

40. Subsequently, in *Interflora* in the Court of Appeal ([2014] EWCA Civ 1403; [2015] FSR 10) when considering the CJEU's guidance, Kitchin LJ said:

“92 ..., although the protection afforded by art.5(1)(a) is “absolute”, the exercise of the right conferred is reserved for cases in which the use of the sign by a third party adversely affects or is liable adversely to affect one of the functions of the trade mark, and that is so whether that function is the essential function indicating the origin of the goods or services covered by the mark, or one of the other functions, such as that of guaranteeing the quality of the goods or services concerned or that of communication, investment or advertising.

...

97 Guidance on the effect on advertising function is set forth in the decision from [54]–[59]. The Court restated that the use of a sign identical to another person's trade mark in the Google referencing service did not adversely affect the advertising function of that mark, even though it might have repercussions on the use of the mark in advertising. In this connection the Court recognised that the use of such a sign as a keyword meant that the proprietor of the trade mark might have to pay a higher price per click than the competitor if it wished to ensure that its advertisement appeared before that of the competitor. But this did not necessarily mean that the trade mark's advertising function was adversely affected

“57. However, the mere fact that the use, by a third party, of a sign identical with a trade mark in relation to goods or services identical with those for which that mark is registered obliges the proprietor of that mark to intensify its advertising in order to maintain or enhance its profile with consumers is not a sufficient basis, in every case, for concluding that the trade mark's advertising function is adversely affected. In that regard, although the trade mark is an essential element in the system of undistorted competition which European law seeks to establish (see, in particular, Case C-59/08 *Copad SA v Christian Dior Couture SA* [2009] E.C.R. I-3421; [2009] F.S.R. 22 at [22]), its purpose is not, however, to protect its proprietor against practices inherent in competition.

58. Internet advertising on the basis of keywords corresponding to trade marks constitutes such a practice in that its aim, as a general rule, is merely to offer internet users alternatives to the goods or services of the proprietors of those trade marks (see, to that effect, *Google France* [2010] R.P.C. 19 at [69]).

59. The selection of a sign identical with another person's trade mark, in a referencing service with the characteristics of “AdWords”, does not, moreover,

have the effect of denying the proprietor of that trade mark the opportunity of using its mark effectively to inform and win over consumers (see, in that regard, *Google France* [2010] R.P.C. 19 at [96] and [97]).”

98 Again this is a significant passage for it shows an appreciation by the Court that

internet advertising using keywords which are identical to trade marks is not an inherently objectionable practice. On the contrary, its aim is, in general, to offer to internet users alternatives to the goods or services of trade mark proprietors and it is not the purpose of trade marks to protect their proprietors from fair competition.

...

100. ...the investment function does not provide a means to protect trade mark proprietors against the effects of fair competition, even if such competition means that these proprietors have to adapt their efforts to acquire or preserve a reputation capable of attracting and retaining customers ...

...

135 ...the Court has now held in a long line of decisions that the right under art.5(1)(a) (and art.9(1)(a)), though “absolute”, is conferred to enable the trade mark proprietor to protect his interests as proprietor, that is to ensure the trade mark can fulfil its functions. The exercise of the right must therefore be reserved to cases in which a third party’s use of the sign adversely affects, or is liable adversely to affect, one of those functions.”

41. Whilst a case of infringement under section 10(3) and Article 9(2)(c) was pleaded, in their skeleton argument the Claimants said that given the admission of double identity, this basis of infringement was unlikely to add anything. The only points raised were those which I have discussed and rejected at paragraph 35 above, and an allegation of taking unfair advantage as part of the Claimants’ position on section 12(2)/Article 15(2), discussed below.

Bait and switch selling

42. Although the Claimants described this as a case of “classic” bait and switch selling, they did not direct me to any authority in which such selling was held to amount to trade mark infringement. They said that the proper analysis is that bait and switch selling is an infringement because it amounts to use of the Claimants’ mark to sell the Defendants’ goods and, therefore, is use in relation to the Defendants’ goods.
43. The Claimants’ skeleton suggested that being known as a distributor of the Claimants’ successful products gave a commercial benefit to the Defendants once they had launched their own competing products. I think that is probably accepted by the Defendants, but in any event, it seems to me to be inevitable, given the parties’ prior commercial relationship. The Marks were established brands and iKoustic was a longstanding and very successful distributor for those goods. A number of documents show that customers who had previously bought the Claimants’ products from iKoustic unsurprisingly continued to contact it seeking further supplies, at which point, in some cases at least, they were offered the Defendants’ goods.
44. The Claimants accepted that as a matter of law there is nothing wrong in principle with the Defendants offering potential customers an alternative product to that which they were originally seeking. As I have said, no obligation of exclusivity had been

imposed upon iKoustic, nor were the Defendants precluded from contacting customers who had previously bought the Claimants' products from them to offer them iKoustic alternative products. Nevertheless, the Claimants submitted that such conduct "becomes impermissible ...where it uses the Claimants' marks for the real purpose of promoting and selling the Defendants' alternative goods." They claimed that the Defendants could have sold the goods back to the Claimants, but chose to keep them "as a justification for continuing to list them on iKoustic's website" and to bid on them as online search terms. This enabled iKoustic to attract custom which could be diverted to the MuteClip/MuteMat products. The Claimants alleged that the use of the Marks continued for months after iKoustic ceased to have "sufficient stock to meet any significant orders" at which point it was inevitable that customers seeking the Claimants' goods would be served with the Mute products instead. Therefore, they said, any such use of the Marks was an infringement; it was bait and switch selling, and did not fall within the exhaustion defences.

45. A definition of "bait and switch" conduct was given by Arnold J (as he then was) in the context of a wider discussion of initial interest confusion, that is to say where customers do not remain confused at the time of any sale, in *Och-Ziff Management Europe Ltd v Och Capital LLP* [2010] EWHC 2599 (Ch)[2011] F.S.R. 11. The facts of that case were, of course, very different from the facts here. Indeed, Mr Silverleaf QC accepted that the concept of initial interest confusion is not relevant here because no confusion is alleged.

46. In *Och Ziff* Arnold J considered whether "bait and switch" constituted both trade mark infringement and passing off. Dealing with infringement he said:

"82 ... the defendant deliberately uses the claimant's trade mark as a bait to attract the consumer's attention, and then exploits the opportunity thus created to switch the consumer's purchasing intention to his own product or service."

Arnold J described initial interest confusion more generally at [87] as

"87 ... confusion on the part of the public as to the trade origin of the goods or services in relation to which the impugned sign has been used arising from use of the sign prior to purchase of those goods or services, and in particular confusion arising from use of the sign in advertising or promotional materials.

88 Before turning to the arguments on article 9(1)(b), it is important to bear in mind that in double identity cases falling within article 9(1)(a) a likelihood of confusion is presumed ... In general, it is therefore immaterial whether there is a likelihood of confusion in fact, although the jurisprudence of the Court of Justice does require that there be an effect on the one of the functions of the trade mark... In a double identity "bait-and-switch" case, such an effect will not be hard to find."

He went on

"90. Counsel for the defendants pointed out that "initial interest confusion" can encompass a range of different situations and submitted that it was important to differentiate between them. In particular, he argued that it was important to distinguish between situations in which the user of the sign was intentionally targeting the trade mark proprietor's customers and situations where initial interest confusion was caused entirely innocently. He did not dispute that "bait-and-switch" use of a similar sign should be actionable, but submitted that this did not militate the conclusion that it should be actionable under art.9(1)(b). Instead, he submitted that this would be more appropriately dealt with under art.9(1)(c).

He argued that “likelihood of confusion” was restricted to confusion at the point of sale.

...

93. In *Whirlpool Corp v Kenwood Ltd* [2008] EWHC 1930 (Ch); [2009] R.P.C. 2; [2009] E.T.M.R. 5, Whirlpool was the proprietor of a Community trade mark for a representation of a food mixer. It claimed that Kenwood had infringed the trade mark by marketing a similar design of mixer pursuant to art.9(1)(b) and (c). Geoffrey Hobbs QC sitting as a Deputy High Court Judge held at [75]:

“It is sufficient for the purposes of Art.9(1)(b) to establish the existence of a likelihood of confusion in only part of the Community. The concept of ‘using in the course of trade’ is amplified by Art.9(2) in a way that appears to make it sufficient for the purpose of establishing liability under Art.9(1)(b) for there to be ‘a likelihood of confusion on the part of the public’ at any material stage or in relation to any material aspect of the commercialisation of the sign in question. From that I think it follows that ‘bait and switch’ selling can be prevented under Art.9(1)(b) on the basis that the process of buying goods or services should, from selection through to purchase, be free of the distorting effects of confusion. I mention that because Whirlpool’s claim under Art.9(1)(b) relied on the proposition that there would be a likelihood of confusion unless and until the branding of the kMix as a KENWOOD product impinged upon the consciousness of interested consumers: the shape and appearance of the kMix would initially tell them it was a ‘KitchenAid’ product and the KENWOOD branding would not tell them otherwise until after they had gone down the road of selection with a view to purchase. It is possible for a claim to succeed on that basis. However, I do not accept that in the present case there will be any initial confusion in the mind of the relevant average consumer. There will, in my view, be nothing more than an awareness that the product they are looking at is not the one it reminds them of.”

The principal authority cited in fn.56 was *BP v Kelly*. The judgment of the Court of Appeal ([2009] EWCA Civ 753, [2010] R.P.C. 2) did not touch upon this question.”

47. *BP Amoco v John Kelly Ltd* [2002] FSR 5, mentioned by Arnold J, was a claim for trade mark infringement and passing off where the defendant had adopted get-up for its petrol stations which was predominantly green, the colour registered and used by BP for its petrol stations. The Court of Appeal of Northern Ireland held that there was infringement under s 10(2) as there was a likelihood of confusion, especially when drivers travelling at speed first saw a service station, when they would see the green colour but not the defendant’s other distinguishing indicia.

48. The Court of Appeal considered initial interest confusion in *Interflora*. Kitchin LJ said:

“154 As the passage of the main judgment we have cited immediately above makes clear, the judge considered the doctrine of initial interest confusion in some detail in his judgment in *Och-Ziff Management Europe Ltd v OCH Capital Ltd* [2010] EWHC 2599 (Ch); [2011] E.T.M.R. 1. As he there explained, initial interest confusion is an expression which derives from US trade mark law and has been used to encompass a range of situations, and the doctrine it identifies is highly

controversial. For the purposes of that decision, he defined it (at [87]) as confusion on the part of the public as to the trade origin of the goods or services in relation to which the impugned sign has been used arising from use of the sign prior to purchase of those goods or services, and in particular confusion arising from use of the sign in promotional or advertising materials. He went on to hold (at [101]) that, as so defined, it was actionable under art.9(1)(b) of the Regulation.

155 In our judgment it is not helpful to seek to import the doctrine of initial interest confusion into EU trade mark law, at least so far as it applies to the use of a sign the same as or similar to a trade mark as a keyword in an internet referencing service, and it has the potential positively to mislead. We say that for the following reasons. The Court of Justice has already enunciated in clear and unambiguous terms the test that must be applied under the Directive and the Regulation in determining whether the accused sign has an adverse effect on the origin function of the trade mark. As we have seen, it did so first in *Google France* in addressing art.5(1)(a) of the Directive (and art.9(1)(a) of the Regulation) and then again in *BergSpechte* and *Portakabin* in addressing both art.5(1)(a) and (b) (art.9(1)(a) and (b)). In either case it must be shown that the advertisement does not enable an average internet user, or enables that user only with difficulty, to ascertain whether the goods or services referred to therein originate from the trade mark proprietor or an undertaking economically connected to it or, on the contrary, originate from a third party. Of course, art.5(1)(a) and art.9(1)(a) also afford protection against use in this way of a sign identical to the trade mark if that use is liable adversely to affect one of the other functions of a trade mark, as the Court elaborated in its decision in *Interflora (CJEU)*.

156 These tests have been formulated by the Court with great care and reflect the importance of trade marks in developing a system of undistorted competition whilst recognising that their purpose is not to protect their proprietors against fair competition. Moreover, the Court has acknowledged that internet advertising on the basis of keywords corresponding to trade marks is not inherently objectionable because its purpose is, in general, to offer to internet users alternatives to the goods or services of the trade mark proprietors. The tests enunciated by the Court therefore incorporate appropriate checks and balances. In particular, the national court is required to consider the matter from the perspective of *the average consumer*, a concept we have discussed, and to decide whether the advertiser has *enabled* that average consumer to ascertain the origin of the advertised goods or services and so make an informed decision. We would emphasise it is not the duty of such advertisers to *avoid* confusion.

157 Returning now to the doctrine of initial interest confusion, it is, as the judge recognised, highly controversial and, as he also recognised, it has been applied to a range of situations in which a sign which is the same as or similar to a registered trade mark is used by a third party in advertisements for goods or services for which it is registered. They extend from, at one end of the spectrum, initial attraction of consumers based upon some kind of association of advertised goods or services with those of the trade mark proprietor or even mere diversion, to, at the other end of the spectrum, initial confusion which gives rise to a real risk that consumers will actually buy the advertised goods or services even though they know they are not the goods or services of the trade mark proprietor.

Second, and significantly, it does not incorporate the checks and balances to which we have referred.

158 In our view the doctrine of initial interest confusion is therefore an unnecessary and potentially misleading gloss on the tests the Court has articulated and we think it should perform no part of the analysis of our national courts in claims of the kind before us. We consider the judge was therefore wrong to approach the matter as he did.”

49. The Court of Appeal’s reasoning in *Interflora* was not expressed to cover all kinds of infringement, but plainly I must consider carefully whether any bait and switch selling in this case amounted to an infringement, and if so, why.

50. *Cosmetic Warriors Limited v Amazon.co.uk Ltd* [2014] EWHC 1316 (Ch), cited by the Claimants on the s 25 issue (Issue 8 above), was a case in which bait and switch selling led to a finding of trade mark infringement. It was decided prior to the *Interflora* appeal discussed above. The infringement claim was based *inter alia* upon allegations that by buying the registered mark LUSH as a keyword for Google AdWords, the defendants had led people searching for “lush” or “lush bath products” to be directed to the Amazon site, where they would be offered only competing goods, as no genuine LUSH goods were or had been sold by Amazon. Infringement was also alleged through various uses of the Mark on the website, including in drop-down menus, leading to pages which displayed the word LUSH, but which were for other goods. Mr John Baldwin QC sitting as a Deputy Judge of the Chancery Division held that these were indeed infringing acts. As to the adword use he said:

“39. Mr Bloch QC, counsel for Lush, submitted the matter was straightforward. Not only could the average consumer not tell without difficulty (cf *Google France* at [84] and [29.5] above) that the goods referred to in the ad did not come from Lush, but he was positively being told that the goods did come from Lush and these genuine goods could be bought on Amazon.

40. Mr Carr QC, counsel for Amazon, contended however that the matter was not so simple. He submitted that sponsored ads were a familiar feature of life to the internet user, that if that user were at all interested in the ad he would click through and in a moment he would learn that the goods had nothing to do with Lush at all. Further, he submitted that the reference in *Google France* to the concept of “without difficulty” embraced the notion of some inquiry being made, albeit not an inquiry of any difficulty. That simple inquiry would reveal that Amazon was not offering Lush goods but was offering equivalents.

41. Mr Carr argued that this was not a case of infringement as a result of initial interest confusion of the “bait and switch” variety (cf. *Och-Ziff Management Europe Ltd v Och Capital LLP* [2010] EWHC 2599 (Ch); [2011] F.S.R. 11 at [79]–[101] per Arnold J.), the reasons being (i) the ease with which a consumer can click away from Amazon as soon as he realises he is not being offered products of interest – contrast, for example, the physical situation of a consumer having been lured into a shop, and (ii) the familiarity the consumer has with sponsored ads including the fact that many sponsored ads are ads for competitor products.

42. In my judgment, Lush establishes infringement with respect to this class of case. I consider that the average consumer seeing the [Google] ad [...] would expect to find Lush soap available on the Amazon site and would expect to find it at a competitive price. Moreover, I consider that it is likely that if he were looking

for Lush soap and did not find it immediately on the Amazon site, then he would persevere somewhat before giving up. My reason is that the consumer is likely to think that Amazon is a reliable supplier of a very wide range of goods and he would not expect Amazon to be advertising Lush soap for purchase if it were not in fact available for purchase. Thus, on the facts of this case, I reject Mr Carr's argument to the effect that the average consumer would, without difficulty, ascertain that the goods referred to by the ad were not the goods of or connected with Lush, the claimants."

51. As for the use of the Lush trade mark on the Amazon site, Mr Baldwin QC concluded that this was also an infringement:
"68. ... Amazon assumes the consumer is looking for Lush products, or, at least, intended to search for Lush products and thereafter, without a further indication that such products are not available, offers competing products to the consumer. In these circumstances I do not consider the average consumer would ascertain without difficulty that the products he is shown are not the Lush products of the claimants. Indeed, in my judgment it illustrates that Amazon is using the Lush trade mark as a generic indicator of a class of goods, conduct which attacks head on the ability of the mark to act as a guarantee of origin in the claimants and nobody else."
52. Bait and switch selling is better known in passing off than in the context of trade mark infringement. However, the Claimants' complaint in passing off is rather limited and is not pleaded on the basis of bait and switch. In the circumstances, I was not referred to any authorities relating to bait and switch amounting to passing off, although for completeness I note that it was considered in *Och Ziff* at [156]-[157].

The merits of the case on infringement

Use of the Marks

53. The Claimants' complaints related to uses of the Marks on the internet (in advertisements and on iKoustic's website) and uses directly to consumers.

The Google advertisements

54. The Defendants accepted that they had purchased Google adwords including the Marks and that this constituted use of the Marks, in the light in particular of Joined Cases C-236/08, C-237/08 and C-238/08, *Google France*, EU:C:2010:159, [2010] R.P.C. 19 at [51]-[52] and Case C-323/09, *Interflora* EU:C:2011:604, at [30]-[31]. However, little time was given to the use of the adwords at trial as the Claimants accepted that the text of the adverts was "Google France compliant." Instead, the parties concentrated upon the Google dynamic ads also used by iKoustic.
55. The Defendants admitted that iKoustic had paid for the Google dynamic ads service but said that the references to Google searches in the Amended Particulars of Claim arose from Google's own generation of the wording of the ads rather than from bidding on specific search terms. The Defendants described this as a fundamentally different process to the generation of a sponsored ad as a result of use of a keyword. Instead of selecting a Mark as a keyword, dynamic ads are generated through Google's analysis of the content of the iKoustic website and other parameters,

including the browsing history of the person searching which, according to Mr Parsons, could affect the wording of the ad Google generates. The Defendants did not accept that use of this service constituted use by them of the Marks, on the basis that the ads were generated by Google's algorithms, rather than by a positive choice of a Mark as a keyword by the Defendants.

56. At trial, the Claimants produced a document from Google showing that iKoustic could have selected the pages of the website which were to be available for matching (indeed, the Claimants submitted that they had to do that), or could have negatively matched key words, and so could have controlled – positively or negatively - which products were advertised. In particular, iKoustic could have excluded an individual webpage from being advertised if the product had become unavailable. Mr Parsons was shown the Google document and accepted that he had been aware that there were ways to exclude webpages, although he did not know what they were at the time.
57. The Claimants referred me to *Mitsubishi (supra)* at [38]-[39] on the meaning of use of a mark in relation to goods. They submitted that what is required is “active behaviour in the context of a commercial activity” and said that was what the Defendants had done here, in relation to use of the dynamic ads service. Case C-684/19 *mk advokaten GbR v MBK Rechtsanwälte GbR*, EU:C:2020:519, [2020] ETMR 49 was decided shortly after the trial, and I am grateful to counsel for the additional submissions they sent to me in writing after I drew it to their attention on this point. Proceedings were brought against mk advokaten for alleged breach of an order not to use the mark MBK, after a Google search using the mark led to the display of advertisements for the firm on third party referencing websites. mk advokaten had withdrawn its own uses of the mark online. The CJEU held:
- “21 ..., where a person operating in the course of trade orders, from the operator of a referencing website, the publication of an advertisement the display of which contains or is triggered by a sign which is identical with or similar to another person's trade mark, that person must be considered to be using that sign, within the meaning of Article 5(1) of Directive 2008/95 (see, to that effect, judgment of 3 March 2016, Daimler, C-179/15, EU:C:2016:134, paragraphs 29 and 30).
- 22 By contrast, that person cannot be held liable, under Article 5(1) of Directive 2008/95, for the independent actions of other economic operators, such as those of referencing website operators with whom that person has no direct or indirect dealings and who do not act by order and on behalf of that person, but on their own initiative and in their own name (see, by analogy, judgment of 3 March 2016, Daimler, C-179/15, EU:C:2016:134, paragraphs 36 and 37).
- 23 The term 'using' in Article 5(1) of Directive 2009/95 involves active conduct and direct or indirect control of the act constituting the use.
- ...
- 27 In that regard, it must be noted that, in a situation where the website operators reproduce an advertisement on their own initiative and in their own name, the economic operator whose goods or services are thus promoted cannot be regarded as their customer.
- 30 Finally, as regards the fact, referred to in the order for reference, that, in the case which gave rise to the judgment of 3 March 2016, *Daimler* (C-179/15) EU:C:2016:134, the advertisement which infringed another person's trade mark was initially lawful, whereas the advertisement at issue in the dispute in the main

proceedings infringed another person's trade mark from the outset, it is sufficient to note that that circumstance is irrelevant as regards the only question under consideration in the present reference for a preliminary ruling, which is, where an advertisement infringing another person's trade mark is reproduced, who is using the sign which is identical with or similar to that mark."

58. In [36] of the judgment in *Daimler*, [2016] ETMR 27, the CJEU had said, similarly "an advertiser cannot be held liable for the independent actions of other economic operators, such as those of referencing website operators with whom the advertiser has no direct or indirect dealings and who do not act by order and on behalf of that advertiser, but on their own initiative and in their own name."
59. Mr Aikens submitted that as the Defendants had removed the relevant product pages from iKoustic's website when it ran out of particular goods, the use of a Mark in an ad generated by the dynamic ads service from a deleted page could not be said to result from use of the Mark by the Defendants. The Defendants should not be found to have infringed where such an ad was not generated by current use of a Mark but only due to a time lag between the page being taken down and the site being "crawled" by the search engine. In my judgment, the difficulty for the Defendants is that despite taking down the particular webpage they had done nothing to block it from the dynamic ads service. As a result, this case is not like *Daimler*, where after determination of the contract between Daimler and the defendant, the latter had taken all reasonable steps to get third parties to take down or amend advertisements which used the mark, or like *mk advokaten*, where the advert had been reproduced without the defendant's consent. Instead, here the adverts complained of were generated by the Defendants' use of the Google service, not by a third party on its own initiative. The Defendants employed Google to produce the ads for it, and had they wished to do so they could have controlled the material to be included or excluded in adverts. The availability of negative matching in particular meant that these Defendants had the capacity to control of the use of the Marks generated by the dynamic ads services. Mr Parsons was asked about his knowledge of negative matching and said that he was aware that there were methods to do that, even if he was not aware of the mechanism for negative matching in the document shown to him at trial. Google was acting on the Defendants' behalf. I am therefore satisfied that use of the Marks in those ads, even without positive choice of the terms, did amount to use by the Defendants.
60. In *Google France*, the CJEU explained when use of a mark in an internet advertisement might infringe:
"84. The function of indicating the origin of the mark is adversely affected if the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the trade mark or an undertaking economically connected to it or, on the contrary, originate from a third party (see, to that effect, *Céline*, para.27 and the case-law cited).
85. In such a situation, which is, moreover, characterised by the fact that the ad in question appears immediately after entry of the trade mark as a search term by the internet user concerned and is displayed at a point when the trade mark is, in its capacity as a search term, also displayed on the screen, the internet user may err as to the origin of the goods or services in question. In those circumstances, the use by the third party of the sign identical with the mark as a keyword triggering

the display of that ad is liable to create the impression that there is a material link in the course of trade between the goods or services in question and the proprietor of the trade mark (see, by way of analogy, *Arsenal Football Club Plc v Reed* (C-20/01) [2002] E.C.R. I-10273; [2003] R.P.C. 9, para.56, and Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar národní podnik* (C-245/02) [2004] E.C.R. I-10989; [2005] E.T.M.R. 27, para.60).

86. Still with regard to adverse effect on the function of indicating origin, it is worthwhile noting that the need for transparency in the display of advertisements on the internet is emphasised in the European Union legislation on electronic commerce. Having regard to the interests of fair trading and consumer protection, referred to in recital 29 in the preamble to Directive 2000/31, Art.6 of that Directive lays down the rule that the natural or legal person on whose behalf a commercial communication which is part of an information society service is made must be clearly identifiable.

87. Although it thus proves to be the case that advertisers on the internet can, as appropriate, be made liable under rules governing other areas of law, such as the rules on unfair competition, the fact nonetheless remains that the allegedly unlawful use on the internet of signs identical with, or similar to, trade marks lends itself to examination from the perspective of trade-mark law. Having regard to the essential function of a trade mark, which, in the area of electronic commerce, consists in particular in enabling internet users browsing the ads displayed in response to a search relating to a specific trade mark to distinguish the goods or services of the proprietor of that mark from those which have a different origin, that proprietor must be entitled to prohibit the display of third-party ads which internet users may erroneously perceive as emanating from that proprietor.”

61. The Claimants accept that this is not a case in which the advertisements generated by use of Google adwords or the use of Google dynamic advertising are unclear or misleading on their face, as described in *Google France*, and explained by the Court of Appeal in [98] of *Interflora*. The advertisements *are* for the Claimants’ products, whether the terms were dictated by the Defendants or the Google dynamic ads process. Their complaint was that the advertisements enticed potential customers for the Claimants’ goods to the Defendants’ website, and then to contact iKoustic, which would seek to supply the Defendants’ goods instead. The customer was deceived into making contact with iKoustic, so that the Defendants could sell him their own goods. The Claimants complained of the legacy effect discussed above, but more importantly alleged that the Defendants continued to advertise goods for sale by reference to the Marks when they had insufficient stocks of them to satisfy normal orders, which they said also led to switch selling.
62. Mr Parsons produced spreadsheets showing that far fewer click-throughs to the iKoustic website were generated by use of the Marks than by searches on more descriptive keywords like “soundproofing walls.” His first spreadsheet showed that where such a search term had been used (such as “genie clips soundproofing”) that phrase had not been chosen as a keyword by the Defendants but was dynamically matched by Google. A second spreadsheet with his 4th witness statement showed more accurately the number of clicks through to the iKoustic website generated by these ads, a total of some 650 clicks.

Use of the Marks on iKoustic's website

63. As I have said, the Defendants' pleaded position was that as goods became unavailable, the relevant pages were removed from iKoustic's website. In his 2nd witness statement, Mr Parsons set out a rather more complicated picture. On the one hand, he confirmed that as iKoustic sold out of a particular product or decided it was unable to sell its remaining stock, the relevant pages were removed from the website. Where a search engine produced a link to a page that had been taken down, this would default to the Existing Customers Login page. One such example related to the GENIEMAT FIT08. The Amended Particulars of Claim referred to a search in February 2019 for this product (Annex A) leading to the Existing Customers Login page (like that at Annex B). At the time iKoustic thought it had none of the product in stock (a stray roll was found in a stocktake in late 2019). I consider that use of the Mark in the search result amounted to use of it by the Defendants, although the advertisement did not link to a display of the Mark on the iKoustic website.
64. The position was different where iKoustic had stock left of a particular product. Mr Parsons said that as stocks were depleted the individual products became more difficult to sell as the stock was held in quantities which meant it was suitable only for certain projects. Due to his concerns that an order might be placed online which could not be fulfilled, the pages relating to such products on the website were changed to say "This product is not available to buy online." See an example of such a page at Annex B. That was the position for instance for the GENIEMAT FF10 from February 2019, pleaded as infringing at that date in the Amended Particulars of Claim. The Defendants said that the particular search results relied upon by the Claimants in relation to this product were natural search results, not prompted by the Defendants' use of the Google ad services, (though possibly one was generated through Shopping) but in any event, it is clear that a search using the Mark with the product code could have led to links to the relevant pages of the iKoustic website which displayed the Mark.
65. Mr Parsons said that the purpose of saying that the product was not available to buy online was to ensure that a potential customer would contact iKoustic to discuss the project and the quantities required. Mr Parsons also justified the use of such a notice by saying that the goods are technical products and required bespoke guidance to the customer. Mr Parsons said that if a customer wanted more stock than iKoustic could supply, they would be asked whether they would accept an alternative product, i.e. the MuteClip or MuteMat products, and there were examples of this happening in the documentary evidence. Mr Parsons did not accept that the stock levels made it impossible to sell off the remaining stock, but only that, realistically, iKoustic could not supply customers needing larger quantities of products. The same message was also used in at least one instance, on 5 December 2019, in relation to a MuteMat product, which in my judgement confirms that the Defendants may have had a genuine commercial reason for placing such a notice on a product webpage, unconnected with their use of the Marks.
66. The Claimants relied heavily upon these parts of Mr Parsons' witness statement, suggesting that the inconsistencies in Mr Parsons' evidence showed that he was lying as to his motivation and that his witness statement showed that the Defendants were not using the Marks for the purpose of selling the Claimants' goods - the real purpose was to sell the Defendants' competing products. They suggested that the purpose of

requiring a customer to contact iKoustic rather than buy Genie goods online was to enable the Defendants to try to switch sell the customer the Defendants' own goods.

67. I do have one concern about Mr Parsons' explanation that a product would be shown as unavailable to buy online where bespoke technical advice was required before purchase. It seems to me that if technical advice were required that would always have been the case, and so that explanation cannot have applied to products which were originally made available to buy online. However, I do not believe that any such products were identified by the Claimants nor was this point about the need for technical advice dealt with in any detail in evidence, so it is hard to draw any conclusions about the legitimacy of this usage. I accept that it is unhelpful that the alternative explanation about stock levels given by Mr Parsons was not pleaded, but I do not consider that Mr Parsons' 2nd witness statement contradicted the Defendants' case or showed that he was trying to mislead the Court.
68. In around April 2019 the iKoustic website was updated to show that the GENIECLIP product was not available to buy online, apparently because the clips have to be used with furring channels which were no longer in stock. However, some clips which remained in stock were eventually sold to a customer which had sufficient stock of the furring channels in December 2019, and Mr Parsons said that all references to the Marks on the website were then removed. The Claimants complained in the Amended Particulars of Claim, however, about one particular use of the GENIECLIP Mark on the website. This was seen on 30 October 2019; I do not know when the page went up. This is the use shown in Annex C of a page for GENIECLIPS, which in addition to saying that the product was not available to buy online, said that GENIECLIPS were no longer stocked and invited the customer to contact iKoustic: "Click Here (<http://www.ikoustic.co.uk/products/wall/muteclip>) to find out about iKoustic's new alternative sound isolation clip. If you only want GenieClip® and are not interested in the alternative sorry we couldn't help you." This is all rather odd. The webpage wrongly makes it sound as if no GENIECLIPS were then in stock. A customer looking at that page of the website could not have known that there was any residual stock. They might then have contacted the Defendants, or clicked through to the MuteClip page, or tried to buy GENIECLIPS elsewhere. Although Mr Parsons' spreadsheets show some clicks being generated on searches for GENIECLIPS, I cannot tell whether anyone contacted the Defendants via this particular page when it took that form.
69. In his 2nd witness statement Mr Parsons also said "iKoustic held residual amounts of GenieMat products which it had purchased and was entitled to sell but was required to hold in reserve for marketing purposes." He did not explain what he meant by being "required" to hold those products, nor what marketing purposes he had in mind, but went on to say that iKoustic did not market residual stock "until I determined I needed to sell my remaining stock." These comments were not clarified in the oral evidence, and I cannot draw any firm conclusions from them.
70. I understand the Claimants' suspicions in the light of the various explanations given by Mr Parsons, but, weighing up all of the evidence, I do not accept that Mr Parsons' evidence showed that iKoustic's use of the Marks was a sham, aimed at attracting custom for its own goods. It seems to me that changes to individual webpages may, as he said, have reflected the reality that iKoustic was running low on stock of particular product lines.

Other uses – direct to customers

71. I deal below with the Claimants' complaints about the use of the Marks in dealings with the Defendants' customers where iKoustic allegedly switched or sought to switch customers who were enquiring for the Claimants' products to the Defendants' alternative.

Infringement

72. As I understand it, the Claimants do not suggest that it was an infringement for iKoustic to use the Claimants' Marks in, say, December 2018, when it was holding a reasonable amount of stock, although it had begun to offer its own products to customers. If they do allege that this was an infringement, it does not seem to me to be correct. At that time iKoustic had thousands of the Claimants' products in stock, so in my view it was entitled to use the Marks to sell them, and the Claimants accepted that the adverts returned by searches using the Marks were intended specifically to refer to the Claimants' goods. Indeed, the Schedule shows that iKoustic did sell quantities of the Claimants' goods between November 2018 and April 2019.
73. The Claimants put their case of infringement on two bases.
- a) First, they said that the Defendants' motivation in using the Marks was not genuinely to sell their stocks of the Claimants' goods, but to attract custom for their competing goods. I think it was common ground that this question was to be judged by reference to whether the average consumer would see the advertisement/use of the Mark as distinguishing the Claimants' or someone else's goods, and the average consumer of the Claimant's goods was agreed to be a professional rather than a domestic customer. Mr Downey accepted that the small domestic customers served by iKoustic would be less likely to know of the Claimants' goods by name, and would be more likely than professionals to find their way to the iKoustic website by use of generic search terms rather than use of the Marks.
 - b) Secondly, the Claimants said that the exhaustion defence could not apply where the Defendants had no stock of goods bearing the Marks, or insufficient stock to satisfy a normal order.
74. The Claimants alleged that whilst the webpages or adverts were advertising a particular product by reference to the Mark, this was a sham because the Defendants had no intention of providing those goods. Mr Parsons denied this. He said that when stock ran out of a product, the webpage for it was removed and I do not think that this was disputed. When that had happened the only use of the Marks in relation to such goods was through the failure to negative match terms in the dynamic ads service. Given the Defendants' prompt removal of the pages from the website, it does not seem to me that the failure to use the negative matching facility shows that the Defendants' real motivation was to continue to attract custom for their goods by use of the Marks on those pages, as opposed to carelessness or a lack of full understanding of the failure to negative match those pages. I discuss this further below in relation to the section 12/Article 15 defence.

75. The exception lies in the page shown at Annex C, which in my judgment invited customers to choose MuteClips instead of GENIECLIPs and so could be seen as use in relation to the MuteClips. Nevertheless, the average consumer seeing the explanation on that page and the link to the MuteClip page cannot but have realised that this was a reference to an alternative to the Claimants' goods. No-one clicking through from that page would have been confused as to what they were doing or as to the trade origin of the MuteClips.
76. By contrast, as already discussed, where stocks of a particular product ran low, the message was displayed on the relevant webpage stating that the product could not be sold online. Mr Parsons said that if an inquiry was made by a customer a discussion would be held as to whether there were sufficient stocks to assist. If not, he and his staff would ask whether the client was interested in an alternative product and only then offer an alternative product.

Bait and switch selling?

77. Various instances of alleged switch selling were identified in the Amended Particulars of Claim. Some of these (for instance, an allegation of an attempt to switch sell to an architect, Ms Humphries) were not pursued at trial, but as I have said above, other transactions were the subject of cross-examination and listed in the Schedule. The Schedule refers to a large number of incidents, inquiries and sales which were said to demonstrate how the alleged switch selling was done. Only a small selection of these were considered during the trial. I have looked at documents relating to a number of other transactions identified in the evidence and Schedule, bearing carefully in mind that in some instances I had only the Claimant's comments in the Schedule and had not heard the Defendants at all on the details of or impact of these documents.
78. First, it does not seem to me that the documents relied upon by the Claimants show that all of the transactions or inquiries flowed from any use of the Marks by the Defendants. Indeed, the first example discussed by Mr Silverleaf in opening appeared to me to relate to an inquiry in January 2019 for a third party product, Regupol. At that stage, iKoustic suggested using GENIEMAT products and sought additional supplies from the Claimants. The new products were mentioned, but not available. This does not seem to me to show switch selling of MuteMat for GENIEMAT or even an attempt to switch. In another example from January 2019, Mr Silverleaf QC asserted that the customer, Mr Jasbro, had asked for GENIEMAT. This was not at all clear from the documents, but inferred because Mr Woodhouse sent him a quote for "a couple of options" including the Claimants' goods, as well as for a "more cost-effective option, MuteMat." Mr Jasbro chose the GENIEMAT. There is nothing to show how he came to contact iKoustic, and whether that was due to use of the Mark by the Defendants. In any event, at that time the Defendants had enough stock of the GENIEMAT RS10 for Mr Jasbro's needs. In my view there was no bait, and no switch, but a transparent offer of both parties' goods.
79. It is clear that existing customers would email iKoustic with inquiries or to place orders, and in my view the Claimants have not proved that all such contacts were made due to use of the Marks by the Defendants at that time; rather, customers approached iKoustic knowing it had previously been a supplier of the Claimants' goods. For example, in January 2018, a Ms Jandu had been given a quote for GenieClips and channels. She emailed in May 2019 asking for an updated quote. She

was offered MuteClips instead. It is unclear whether she bought them, but so far as I can see the documents do not show that her approach to iKoustic arose out of use of the Marks by the Defendants in May 2019.

80. Other inquiries for the Claimants' products did come through the iKoustic website, but the Defendants' response was not simply always to offer a Mute product, and it is not always clear whether any sale followed. In some cases, people were told (for example, in an email dated 11 October 2019 to a Mr Bargh) that iKoustic was no longer a distributor of the goods, without mention of the Mute product. Other customers inquiring for the Claimants' goods were told that they were unavailable or that stocks were low. For example, Mr Windle's witness statement listed an inquiry about the product's decibel rating which came from a webpage advertising the GENIEMAT RST05. At that time, in April 2019, iKoustic had 47 rolls of RST05 in stock. The customer was given the requested data but told "we are running stock down on this particular product range since we launched our own range." Information was given about the MUTEMAT. When the customer did not get back to iKoustic, Mr Woodhouse emailed to say "Let us know if you have any current projects that require GenieMat® RST05, as we do have a few hundred m² left. Once this stock has gone, we won't be bringing any back in." Mr Windle accepted that this amounted to no more than iKoustic trying to sell off its old stock of the Claimants' products and promoting their new replacements.
81. Another unpleaded instance of alleged infringement raised in Mr Windle's witness statement arose from an email from Mr Woodhouse to a potential customer in February 2019 clearly offering three alternative solutions, including two GENIECLIP products and one MuteClip product. The inquiry came through the website, but it is not clear whether or not it arose from use of the Marks, or whether the customer asked for the Claimants' goods, as the subject line of the email is just "ikoustic soundproofing." The links given in the email supposedly to the GENIECLIP products were actually links to a MuteClip page on the iKoustic website. Mr Parsons ascribed this to teething troubles when the new products were put onto the system and various references to the Marks were taken off it. He said that no sales arose from it. It seems to me that if the recipient of that email had tried to click on a GENIECLIP link and been presented with a MuteClip page, he would have been bound to realise that it was an incorrect link to a different product. In my view it is unlikely that this was a deliberate ploy by the Defendants to sell only MuteClips, given that they quoted for two GENIECLIP products. The email itself appears to me to be another example of the Defendants offering competing products alongside the Claimants' goods, but otherwise does not seem to me to fall clearly within any of the kinds of acts alleged to infringe in the pleadings. I am not persuaded that this was an example of use of the GENIECLIP Marks in relation to MuteClips, as the reference to GENIECLIPS appears to have been a genuine reference to the Claimant's goods, though coupled with the wrong link, which used the MuteClip name for MuteClip products.
82. A similar complaint, again unpleaded, was that a "case study" on the iKoustic website, most probably put up in February 2019, described the use of MuteClips, when the clips used in late 2018 must have been GENIECLIPS. The case study on iKoustic's website stated "We specified the use of our Acoustic Isolation Clip and Channel system" without reference to the Marks, and giving links to the pages for MuteClips. Mr Parsons thought that this happened because at that time the

Defendants had been asked to remove references to the Marks from the website. Whether or not that was the correct explanation, and whether or not it was appropriate to suggest that MuteClips were used when they were not, I am not persuaded that this incident showed any use of the Marks by the Defendants, still less any infringing use.

83. Three cases where iKoustic offered customers the Mute products as an alternative to the Claimants' goods were explored in cross-examination with Mr Parsons and relied upon by the Claimants in closing. The Claimants submitted that the Defendants' products were substituted for the Claimants' goods in these cases without the substitution being made clear to the customer. These were:

- a) A sale of MuteMat to Rainbow Master Builders in January 2019: on 28 January 2019, an email was sent to Mr Woodhouse by Mr Dabrowski of RMB (plainly an existing customer or contact as they were on first name terms) to order 200m² 5mm GENIEMAT. Mr Woodhouse replied the following day explaining that the price of GENIEMAT had increased, and quoting for "a couple of options" namely the GENIEMAT and the cheaper MuteMat alternative. A flurry of emails followed between Mr Woodhouse and a Mr Walczak, apparently an employee of Mr Dabrowski's company. The client bought the MuteMat. It is abundantly clear from an email from Mr Walczak sent on 29 January that he appreciated that this was a different product.
- b) A sale of MuteMat to Baillie Homes again in January 2019: an existing customer Mr Baillie asked for a quote for GENIEMAT RST05 and was sent a quote both for the GENIEMAT and for MuteMat. At that time, iKoustic had more than enough RST05 to have supplied it to the customer had he chosen to buy it. The email from Mr Youngson of iKoustic made it clear that the latter was a new product, and described it as cheaper and better performing than the GENIEMAT. Mr Baillie bought the MuteMat. In my view, the emails show that he understood that this was a different product from the GENIEMAT.
- c) A sale of MuteClips to a Mr Trobridge, a domestic, repeat customer, in February 2019: Mr Silverleaf QC cross-examined Mr Parsons about this sale on the basis that the original specification for the work given on 3 January 2019 included both GENIECLIPS and furring channels, but MuteClips were supplied instead.

The evidence does not show how it was that Mr Trobridge was offered or chose to buy the Claimants' goods, so there was no "bait" shown, but there was use of the Marks at least in the specification. In cross-examination, Mr Parsons said that he recalled the sale and the change was made for technical reasons. Both parties submitted brief additional points in writing about this transaction. The Defendants said that the MuteClips were supplied because Mr Trobridge wished to cut the costs of the project, and it is clear from the email exchanges that Mr Trobridge was price sensitive as well as rather unhappy about some delays in installation. In various emails in January, Mr Woodhouse said that they might use a cheaper GENIECLIP, or he suggested "If the new clips are in stock, we will swap to the new clips and refund the difference." Those emails could only have made sense to Mr Trobridge if someone from iKoustic had told him about the new products, presumably in a telephone call or visit.

The Claimants contended that Mr Parsons' explanation for the substitution was not consistent with the documents and there was no evidence that the nature of the substitution was made clear to Mr Trobridge or that he was told that the new clips were of different trade origin. They suggested that this meant that there was infringement by substitution after sale, but I am satisfied that the substitution would have been clear to the customer, and he would have realised that the goods were of a different trade origin, from the emails and from the credit note he received following supply of “our more competitively priced MuteClip XP and MuteClip Channels.”

Alternatively, the Claimants said that this was infringement by use of the Claimants' Mark in relation to its goods in circumstances where the intention was, having made a sale using the Mark, to substitute the Defendants' goods, so that the Claimants could object to the re-commercialisation of their goods under Article 15(2) of the EUTMR. I consider this point below in relation to the Article 15 defence.

- d) After receipt of the draft of this judgment, the Claimants invited me to deal with an additional example of alleged switching. Cambridge Garden Studios appears to have placed an online order for 195 GenieClips, and some furring channels on 12 April 2019, and paid by credit card. iKoustic did not have sufficient stock to satisfy that order. The invoice shows that the customer was supplied with MuteClips and channels, and states “Original online order was £2,333.57. Materials were altered and refund of £219.67 was refunded back to card by RW.” RW was plainly a reference to Mr Woodhouse. Mr Parsons was cross-examined about this. He appeared not to be familiar with the transaction, which was unpleaded and not referred to in the evidence, though identified in the Schedule. He said that there would have been a telephone call to the customer about the order. The Claimants submitted that this explanation was unconvincing, and this was one of the instances in which (they said) Mr Parsons was making things up as he went along. However, Mr Parsons was not taken to a copy of an email also dated 12 April 2019, sent by Mr Woodhouse to Cambridge Garden Studios, in which he referred to a telephone conversation with them, as well as to the alteration in the order and the refund. In the circumstances, it seems to me that the substitution was more likely than not agreed with the customer, and the Claimants have not proved that the MuteClips were substituted for the GenieClips without the client's knowledge and consent.
84. If bait and switch selling amounts to infringement because, as Mr Hobbs put it in *Whirlpool*, “the process of buying goods or services should, from selection through to purchase, be free of the distorting effects of confusion” or, alternatively, bait and switch selling is a sub-set of initial interest confusion, I am not persuaded that there is any infringement by bait and switch selling here, especially as the Claimants conceded that this was not a case in which there was any confusion. That concession seems to me to be realistic in the light of the examples described above. In cases in which an existing customer contacted iKoustic thinking that it was a distributor of the Claimant's goods, the documents show that iKoustic made it clear to customers either that they had ceased to be a distributor for Pliteq, or that they were offering them an alternative product. Certainly, that was the case for at least three examples put to Mr Parsons in cross-examination discussed in the last paragraph above.

85. In cases in which a customer got to the iKoustic website via a search engine, having used a search term including one of the Marks, faced with either the contact page or the message that the products were unavailable to buy online and having decided to pursue it by contacting iKoustic, the documents which I have seen again appear to show the customer being offered various alternatives, in terms which should have made clear to them that an alternative product was being offered to them.
86. In my view, the infringements alleged here are not “classic” bait and switch selling. The case can be distinguished on the facts from the types of bait and switch infringements found by Mr Baldwin QC in *Cosmetic Warriors*. In that case, Amazon had no Lush goods at all to sell, and never had stocked them. It was not using the mark in relation to the claimant’s goods, but just to stimulate interest in its competing products. Furthermore, the fact that Amazon did not have genuine Lush goods to sell would not have been apparent to the average consumer (see [42]). Here, iKoustic did have a stock of genuine goods bearing the Marks used in most of its dynamic ads (the exception being where the ads had not kept up with changes made to the website when products were out of stock) and on its website and relies on the exhaustion defence. Further, I am satisfied that the average consumer would have understood from the various communications from the Defendants (including the webpage at Annex C) that the Defendants were offering an alternative product to the Claimants’ goods.
87. Bait and switch aside, the question remains whether any of the Defendants’ uses of the Marks infringed because they affected the origin, advertising and investment functions of the Marks. I keep in mind Arnold J’s observation in *Och Ziff* at [88] that in a double identity bait and switch case an effect on one of the functions of the trade mark will not be hard to find. The Claimants said that all three functions were affected by the Defendants’ uses of the Marks.
88. First, the Claimants submitted that damage to the origin function was inevitable when there was substitution of goods without the customer’s agreement or knowledge. That may be right as a proposition of law, but I am satisfied that the customers who bought Mute products in the examples discussed above were or would have been aware that they had a different origin to the Claimants’ goods. The Claimants’ submissions amounted to saying that offering any competing products to a potential purchaser affects the origin function, even where the consumer understands that he is buying a substitute. I do not accept that is right. It does not seem to me that the origin function is harmed when alternative products are offered to a customer who has inquired about goods by reference to a mark; at least in the absence of any obligation to sell the Claimants’ goods exclusively, this seems to me to be an everyday and unobjectionable commercial reality. Mr Silverleaf QC gave an example of advertising Adidas trainers but supplying Puma trainers, which he said would be use of the mark Adidas in relation to Puma goods. However, it is commonplace to be offered alternatives to goods one has asked to see, or looked at on a website, and the fact that a shop or other outlet may have advertised its stock of goods by reference to a registered mark does not necessarily mean that there is any infringement in advertising, offering for sale or selling other branded goods as an alternative to the product requested. A consumer might well ask for Adidas trainers but be happy to buy trainers of another make. Such sales would not, it seems to me, affect the origin function of the Mark unless the

substitute goods were supplied without the proposed substitution being drawn to the customer's attention, which I find was not the case here.

89. Alternatively, if the Marks were used to refer to the Defendants' goods I accept that in the light of the authorities I have cited above the origin function would be adversely affected. The existence of any such infringement is, therefore, inextricably linked to the exhaustion defences upon which the Defendants rely and to the analysis of the facts – was the Defendants' use of the Marks made in relation to the Claimants' goods?
90. As to the advertising and investment functions, the Claimants acknowledged that at [57]-[59] of *Interflora*, the CJEU held that the advertising function was not adversely affected by keyword use. Otherwise, they submitted that iKoustic's conduct undermined both the advertising and investment functions of the Marks because it used the Marks to attract custom for its own products, impairing the ability of the Marks to enable the Claimants to maintain customer loyalty. The Defendants contended there could be no effect on the advertising or investment functions where the customer was fully aware of the source of the goods; the investment function does not protect trade mark proprietors against the effects of fair competition, even if such competition means that they have to adapt their efforts to preserve a reputation capable of attracting and retaining customers.
91. I am not persuaded that the Defendants' use of the Marks affected the advertising function, as it does not seem to me that was any evidence that their use affected the Claimants' use of the Marks as a factor in sales promotion or as an instrument of commercial strategy. As for the investment function, bearing in mind the passages from the judgments of the CJEU in *Mitsubishi* and *Interflora* set out above, I think it fair to infer that any use of the Marks by the Defendants in relation to their goods, rather than the Claimants' goods, might substantially interfere with the Claimants' use of the Marks to preserve a reputation attracting consumers and retain their loyalty. The investment function might therefore be affected, unless the Defendants were competing fairly, and the only consequence of their use was (as stated in [64] of *Interflora*) to oblige the Claimants to adapt its efforts to protect its Marks' reputation. The fact that some consumers might switch to the Defendants' goods would not, in circumstances of fair competition, infringe the investment function. The only example of use which it seems to me was not fair competition was the page shown at Annex C, which effectively advertises MuteClips by use of the GenieClip Mark and this use could therefore have interfered with its investment function.
92. The ad generated for the GENIEMAT FIT08 would have fallen into a separate category from the other uses described above, if generated at a time when the Defendants had no stock of that product. It seems that the Defendants thought they had no stock of the goods, but the Schedule suggests they may have had a stray roll in their possession. Nevertheless, as the ad linked to a webpage which made no use of the GENIEMAT Mark, I am not persuaded that it affected any of the functions of the Mark. The Schedule identified a single quote being given for the product in January 2019, which does not appear to be linked to the ad. On balance, I do not think that the ad has been shown to have affected the Marks' functions so as to be an infringement.
93. Otherwise, I conclude that the question of the infringement of the Marks again turns upon whether or not the Defendants were using them in relation to the Claimants'

goods. If they were, then that would be fair competition, and would not be liable to affect the investment function. That issue applies equally to the applicability of the exhaustion defences relied upon by the Defendants.

The section 12/Article 15 defences

94. The Defendants relied upon the exhaustion of the Claimants' trade mark rights, saying that their use of the Marks fell within section 12(1) of the Act and Article 15(1) of the EUTMR. These provisions are in essentially the same terms. The latter provides;

Article 15

Exhaustion of the rights conferred by an EU trade mark

1. An EU trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the European Economic Area under that trade mark by the proprietor or with his consent.
 2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.
95. The Defendants claimed that all of their uses of the Marks were made in relation to the Claimants' goods, the trade mark rights in which had been exhausted by their sale to iKoustic. The Claimants denied this, again on the basis that the Defendants' motivation for using the Marks was to attract customers in and sell them their own goods.
96. The Claimants attacked Mr Parsons' credibility because, they said, the entire case as to the Defendants' motivation for using the Marks depended upon it, but went on to accept that whether he was subjectively dishonest was not the point, as the honesty of use of the Marks should be objectively assessed. I am not persuaded that the Defendants' motivation is either relevant or significant, in particular because in my view the possibility of relying upon the defence does not depend upon the question of the Defendants' motivation for using the Marks, but only upon the objective question of fact: were the Marks being used in relation to goods previously put on the market with the consent of the proprietor? The Claimants cited no authority for the proposition that the Defendants' motivation might preclude their reliance upon the defence and there is nothing in the section/Article to suggest this. That can be contrasted in particular with the defence in section 11(2), which explicitly requires a defendant to use the mark consistently with honest practices. On the other hand, I will consider whether the Defendants' motivation for using the Marks may be relevant to the consideration of whether the Claimants have legitimate reasons to oppose the resale of the goods bearing the Marks.
97. If I am wrong about the relevance of motivation to the application of the defence, in any event I am not persuaded that the Defendants' motivation in using the Marks was only or principally to attract custom for iKoustic's own goods. The Claimants' suspicions about the Defendants' true motivation in continuing to hold their goods and use the Marks when they had only small stocks of them are understandable. One

factor which supports their case is that when in March a number of GenieClips were sold to a customer as an “end of line,” iKoustic kept a small number of certain clips (for instance, it sold 600 of its 648 LB2 clips). However, a number of other facts point against the Claimants’ case. It does not seem to me to be consistent with the sales of the Claimants’ goods by iKoustic throughout 2019, or with the kind of transactions discussed at paragraphs 78, 80 and 82 above, nor with the removal of pages from the website as particular goods became unavailable. The Defendants’ open offer on 1 May 2019 to cease all use of the Marks if the Claimant bought back their remaining stock at cost also seems to me to suggest that their motivation was more to avoid making a loss on those goods than to exploit the Marks so as to help them launch their own Mute goods. I therefore reject the claim that the Defendants’ real motive was to use the Marks to sell Mute products. I consider that again there is one exception to that finding, in the single webpage shown at Annex C. It seems to me that the wording of that page, whilst it used the GENIECLIP Mark to identify the Claimants’ products, was designed to persuade the customer to look at the MuteClip alternatives. However, on balance, as this approach appears to be out of line with the rest of the Defendants’ behaviour, it does not affect my overall view about their motivation.

98. In the Amended Particulars of Claim, the Claimants complained of links to competing products on webpages for their goods. The fact that a customer attracted to the iKoustic site on the basis that it stocked the Claimants’ products might be able to navigate from a page for goods bearing a Mark to another page showing the Defendants’ products (for instance by clicking on a link for one of the “Related Products” on a GENIEMAT product page) does not, in my judgment, preclude the application of the defence. The Defendants made the point that if that constituted trade mark infringement, no retailer could advertise goods under one mark but offer products from different undertakings on its website. As the Claimants accepted at trial, the customer would not be confused in these circumstances, but it would be clear that they were being offered alternative products. Mr Downey accepted that where a product had been specified, a contractor would need to check that an alternative was acceptable, and such customers would be unlikely to switch easily from one acoustic product to another. Similarly, if a customer was offered both parties’ products after having asked for goods bearing one of the Marks, which plainly happened on some occasions, in my judgment that does not mean that the use of the marks was not made in relation to the Claimants’ goods, so as to disapply the defence.
99. The Claimants alleged that from some unspecified date the Marks were no longer really used in relation to their goods, in respect of which the trade mark rights had been exhausted, but to attract custom for the Defendants’ own goods. They posited a variety of situations in which use of a registered mark might be an infringement, such as when the defendant holds no stock of the claimant’s goods, as was the case in *Cosmetic Warriors*, or has no available stock of them, both being cases in which it seems to me no exhaustion defence would apply (unless perhaps the lack of stock was temporary).
100. The Claimants submitted that the defence would not apply in two other situations. First, where a defendant holds stock of the marked goods, but in quantities such that an average order, or some normal orders, cannot be fulfilled. Secondly, where stock was held but kept “only for the purpose of using the trade mark to create or preserve

an attraction for customers of its retail business.” No authority was cited for these two propositions.

Limited stock

101. I am not convinced by the Claimants’ argument that the exhaustion defences cannot apply where a defendant has limited stock of the marked goods. This, it seems to me, adds a significant limitation to the defences which cannot be imported into the wording of the provisions. The sole question is whether the use of the mark relates to goods which have already been placed on the market by the proprietor or with his consent and would be seen by the average consumer as relating to the claimant’s goods. Otherwise, all resellers of marked goods would run the risk that at some indeterminate point the defence would become unavailable to them, simply because they had sold some but not all of their stock of the products. In my view, the rights in all of the Claimants’ goods held by iKoustic had been exhausted, and the defences apply in principle to the alleged infringements.
102. It is necessary to consider separately whether the use of GENIECLIP on the webpage shown in Annex C falls within the defence. In my view, use of the Mark to announce that a product is out of stock and to advertise the availability of an alternative product does not objectively amount to use in relation to goods in relation to which the Claimants’ rights have been exhausted. This did not amount to use of the Mark by the Defendants in order to recommercialise the Claimants’ goods. Hence, I conclude that the exhaustion defence does not apply to that webpage.
103. Furthermore, in my judgment the Claimants have not made good the allegation that the Defendants in this case were holding stock in quantities such that an *average* order, or some *normal* orders, could not be fulfilled. The Claimants submitted that an advert directed to an average consumer who wishes to purchase more goods than available would not be use in relation to the Claimants’ goods which have been put on the market, so the defence would not arise. However, the Claimants did not provide any evidence as to when the use of the Marks by iKoustic ceased to be legitimate and, because an average order could not be met, became an illegitimate and infringing use, the real purpose of which was to attract custom for the Defendants' products. There was no evidence as to when the stock of any one of their range of products reached the level which the Claimants said was too low to justify use of the Marks. Yet the size of an average or normal order would presumably have varied depending upon whether the customer was the kind of commercial customer upon which the Claimants concentrated, or the domestic customers also serviced by iKoustic.
104. Mr Silverleaf QC sought to rely upon Mr Parsons’ acceptance in cross-examination that clips have to be used with furring channels, so that once the channels have gone it is harder to sell the clips. However, Mr Parsons also explained that in such circumstances the clips might be sold to a customer who had a stock of channels, as was eventually done. It does not seem to me that the concession went anywhere near satisfying the problem of not knowing what an “ordinary” order was.
105. The Schedule, which I understand is accurate as to stock levels, shows that the amount of stock of some of the Claimants' products held by iKoustic reduced significantly between about March and July 2019, and all tailed off to nil by the end of the year. Stock levels for some products reduced earlier than for others, yet there

was no evidence as to the point at which, according to the Claimants, stock levels for any one product line fell below the minimum numbers which the Claimants accept represented a commercially realistic stock holding. For example, on 10 December 2018 iKoustic held 34 rolls of the RST10 GenieMat. By 6 February 2019 that had dropped to 10 rolls. There was no evidence before me to suggest that 10 rolls was insufficient to supply the average customer; on the contrary, the Schedule mentions a request for 8 rolls of RST05 on 11 March 2019 (presumably they were not sold) and shows the remaining 10 rolls being sold to an existing customer on 8 October 2019.

106. The Claimants relied heavily upon the fact that from January 2019 iKoustic held a single roll of the FF10 GenieMat. It seems that it remained on the iKoustic website, though marked as not available to buy online, for most of 2019, a point complained about in the Amended Particulars of Claim, which also complained about the webpage later being changed to show the product available for online purchase. Mr Silverleaf QC said in opening that it was clear that the first time iKoustic had an inquiry for such a small quantity, it sold that roll. He submitted that the product was kept up on the website for months when inquiries were generated by that webpage, enabling iKoustic to sell its own products as a substitute. Mr Parsons accepts that there were difficulties selling just one roll, but it was sold on 5 November 2019. The Claimants did not adduce any evidence that a single roll would not satisfy a normal or average order. In the circumstances, I am not satisfied that the fact that the Defendants held only a single roll of FF10 meant that use of the Mark was illegitimate, even applying the Claimants' test for disapplying the exhaustion defence.
107. The Claimants argued that as a matter of construction the defence could not apply if the Marks were used in part in relation to their goods and in part so as to sell the Defendants' goods. This does not seem to me to be a natural construction of the provisions nor did the Claimant explain how one would distinguish between such uses. I reject this submission.
108. The Claimants also put forward various alternative scenarios, when goods were not completely out of stock, which they said would lead to infringement, but those points seem to me to collapse in the light of the issue I have identified at paragraph 103 above. In the circumstances, I do not consider that the Claimants have proved any infringement in this way.
109. The Claimants submitted that, objectively considered, once iKoustic had determined that it would offer its products in place of the advertised Genie products "where it was unable to supply any responding customer's requirements" it was using the Marks in relation to its own goods, whatever the advertisements said. That submission goes further than the case based upon iKoustic's inability to satisfy an average or normal order, and for all the reasons given above, I reject it.
110. I conclude that the exhaustion defences of section 12/Article 15 apply in principle to any infringing uses of the Marks, save the webpage use at Annex C, unless the Claimants have legitimate reasons to oppose the use of their Marks.

Legitimate reasons to oppose use of the Marks

111. The Claimants say that they had legitimate reasons to oppose the use of their Marks, for when the Defendants continued to advertise/list their products on iKoustic's

website this was not done legitimately to attract custom for those products, at least when customers could not "in reality" be supplied with the Claimants' products but only with the Defendants' products. This was said to affect both the advertising and investment functions of the Marks by drawing away custom and impairing the ability of Marks to maintain customer loyalty. This amounted to a legitimate reason to object to the recommercialisation of the remaining Genie products in this way.

112. The Claimants referred me to several decisions of the CJEU on recommercialisation. In Case C-337/95 *Parfums Christian Dior v Evora* EU:C:1997:517, [1997] E.C.R. I-6013, [1998] RPC 166, the objection was to the use of the mark in advertising the resale of genuine Dior products by a chemist chain not part of the Dior selective distribution network. The CJEU held:

“43. The damage done to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of Article 7(2) of the Directive, allowing the proprietor to oppose further commercialisation of goods which have been put on the market in the Community by him or with his consent. According to the case-law of the Court concerning the repackaging of trade-marked goods, the owner of a trade mark has a legitimate interest, related to the specific subject-matter of the trade mark right, in being able to oppose the commercialisation of those goods if the presentation of the repackaged goods is liable to damage the reputation of the trade mark (*Bristol-Myers Squibb*, cited above, paragraph 75).

...

45. As regards the instant case, which concerns prestigious, luxury goods, the reseller must not act unfairly in relation to the legitimate interests of the trade mark owner. He must therefore endeavour to prevent his advertising from affecting the value of the trade mark by detracting from the allure and prestigious image of the goods in question and from their aura of luxury.

...

48. In view of the foregoing, the answer to be given to the third, fourth and fifth questions must be that the proprietor of a trade mark may not rely on Article 7(2) of the Directive to oppose the use of the trade mark, by a reseller who habitually markets articles of the same kind, but not necessarily of the same quality, as the trade-marked goods, in ways customary in the reseller's sector of trade, for the purpose of bringing to the public's attention the further commercialisation of those goods, unless it is established that, given the specific circumstances of the case, the use of the trade mark for this purpose seriously damages the reputation of the trade mark.”

113. In Case C-59/08 *Copad v Dior* EU:C:2009: [2009] F.S.R. 22 genuine Dior lingerie was sold in breach of contract by an approved distributor to a discount retailer. The CJEU was asked whether, where a licensee who puts luxury goods on the market in breach of the licence agreement is deemed to have done so with the consent of the proprietor, that proprietor can nevertheless rely on that clause to oppose further commercialisation of the goods. It held:

“54. In this respect, it must first be recalled that, according to the settled case law of the court referred to in [19] of the present judgment, use of the adverb “especially” in para.2 of art.7 of the Directive indicates that alteration or impairment of the condition of marked goods is given only as an example of what may constitute legitimate reasons (*Bristol Myers Squibb* at [26] and [39], and *Parfums Christian Dior* at [42]).

55. Accordingly, the court has already held that damage done to the reputation of a trade mark may, in principle, be a legitimate reason, within the meaning of art.7(2) of the Directive, allowing the proprietor of the mark to oppose further commercialisation of luxury goods which have been put on the market in the EEA by him or with his consent (see *Parfums Christian Dior* at [43], and *Bayerische Motorenwerke AG v Deenik* (C-63/97) [1999] E.C.R. I-905; [1999] E.T.M.R. 339 at [49]).

56. It follows that where a licensee sells goods to a discount store in contravention of a provision in the licence agreement, such as the one at issue in the main proceedings, a balance must be struck between, on the one hand, the legitimate interest of the proprietor of the trade mark covered by the licence agreement in being protected against a discount store which does not form part of the selective distribution network using that trade mark for commercial purposes in a manner which could damage the reputation of that trade mark and, on the other hand, the discount store's legitimate interest in being able to resell the goods in question by using methods which are customary in its sector of trade (see, by analogy, *Parfums Christian Dior* at [44]).”

114. In *Brealey v Nomination di Antonio e Paolo Gensini SNC* [2020] EWCA Civ 103, [2020] FSR 28 (and the IPEC decision below reported at [2019] FSR 23) the claimants sold charm bracelets comprising individual links which could be detached and re-linked in any order. They alleged trade mark infringement by the defendant's sale of genuine but disassembled links which were sold alongside the defendant's own goods, and it was held that consumers would be confused as to whether the latter were also Nomination's goods. That use of the mark was not made in relation to the genuine goods and so was an infringement. As for use in relation to the genuine goods, the Defendants relied upon the Article 15 defence and appealed against the judge's finding that the Claimants had legitimate reasons to object to the recommercialisation of the genuine goods. It was held that Article 15(2) applied, due to the inferior way in which the defendants supplied the goods. HHJ Hacon at first instance was satisfied that the elegant packaging of the claimant's bracelets conveyed an image of luxury to purchasers which increased the marks' reputation. The receipt of the defendant's products in a small blister pack or polythene bag was likely to damage that reputation. His finding that the Article 15 defence did not apply to the defendant's sales was upheld by the Court of Appeal, which also accepted that there is no real distinction to be made between “damage” and “serious damage” in *Evora and Copad* (see CA at [23]).

115. The Claimants submitted that legitimate reasons do not only arise through damage (serious or otherwise) to the reputation of trade marks that have an aura of luxury, or a prestigious reputation. They referred me to Case C 558/08 *Portakabin Ltd v Primakabin BV* EU:C:2010:416, [2010] E.T.M.R. 52

“78 It follows from the foregoing that a trade mark proprietor is not entitled to prohibit an advertiser from advertising, on the basis of a keyword identical with, or similar to, that trade mark, which the advertiser has chosen for an internet referencing service without the consent of the proprietor, the resale of second-hand

goods originally placed on the market in the EEA under that trade mark by the proprietor or with his consent, unless there are legitimate reasons, within the

meaning of art.7(2) of Directive 89/104, which would justify that proprietor's opposition to such advertising.

79 Such a legitimate reason exists, inter alia, when the advertiser's use of a sign identical with, or similar to, a trade mark seriously damages the reputation of that mark (*Parfums Christian Dior* [1998] E.T.M.R. 26 at [46], and *BMW* [1999] E.T.M.R. 339 at [49]).

80 The fact that the reseller, through its advertising based on a sign identical with, or similar to, the trade mark, gives the impression that there is a commercial connection between the reseller and the trade mark proprietor, and in particular that the reseller's business is affiliated to the proprietor's distribution network or that there is a special relationship between the two undertakings, also constitutes a legitimate reason within the meaning of art.7(2) of Directive 89/104 . Advertising which is liable to give such an impression is not essential to the further commercialisation of goods placed on the market under the trade mark by its proprietor or with his consent or, therefore, to the purpose of the exhaustion rule laid down in art.7 of Directive 89/104 (see, to that effect, *BMW* [1999] E.T.M.R. 339 at [51] and [52], and *Boehringer Ingelheim KG v Swingward Ltd* (C-348/04) [2007] E.C.R. I-3391; [2007] E.T.M.R. 71 at [46])."

116. That passage identifies another specific way in which damage may be suffered, that is, by a false implication of a trade connection with the trade mark. The Claimants submitted that the categories of legitimate reasons are not closed. They suggested in particular that there is no reason why unfair advantage of reputation should not also amount to a legitimate reason, in light of *Evora* at [45] and *Portakabin* at [80], and indeed in light of Article 9(2)(c).
117. The Claimants also drew my attention to the question of where the burden of proof lies in relation to the defence by reference to *Boehringer Ingelheim*. However, the most helpful authority in my view is *Brearley*, where Arnold LJ held:
- "25 ... Counsel for JSC pointed out that the CJEU had gone on in *Copad* to hold at [59] that the trade mark proprietor could oppose the resale of goods "only if it can be *established* that, taking into the particular circumstances of the case, such resale damages the reputation of the trade mark [emphasis added]". He submitted that, first, the burden of proof lay on the trade mark proprietor in this respect, and secondly, damage to reputation must be established. I am content to assume that both submissions are correct, but this does not assist JSC.
26. So far as the first point is concerned, there was debate before the judge as to whether there was an initial burden on JSC to show that the packaging was not liable to damage the reputation of the Trade Marks (as suggested by Case C-348/04 *Boehringer Ingelheim KG v Swingward Ltd* [EU:C:2007:249]), but as can be seen the judge simply asked himself whether it was likely that the packaging would damage their reputation. Turning to the second point, as counsel accepted, English procedural law takes facts as established if they are more likely than not, and the judge concluded that damage to the reputation of the Trade Marks was likely."

Similarly, I do not think anything turns on the question of the burden of proof here.

118. The Defendants countered the allegation that the Claimants had legitimate reasons to oppose the recommercialisation of the goods by saying that the Marks were used in relation to goods which had already been put on the market so that they had due cause to use the Marks. I have discussed the evidence to that effect above. I do not consider that there is any evidence before me to show that the Marks or their reputation have been damaged by the further commercialisation of the Claimants' goods by the Defendants. I accept that the categories of legitimate reasons to oppose the resale of the Claimants' products may not be closed, however the kinds of reasons identified in the case law mentioned above seem to me to be far from the facts of this case. The goods were not being sold through an inappropriate outlet or marketed in an inappropriate or damaging manner, liable to damage the reputation of the Marks, but by a distributor previously approved by the Claimants. There is no likelihood of damage to the Marks' reputation. Nor was there any false implication of a trade connection with the trade mark or any evidence of confusion of as to origin.
119. The Claimants submitted that the Defendants had nevertheless been taking unfair advantage of the use of the Marks, which meant that Article 15(2) would apply. The Claimants submitted that [80] of *Portakabin* (above) meant that advertising that takes unfair advantage of reputation is not "essential" to the further commercialisation of the goods. The basis of that argument was, it seems to me, that no recommercialisation should have been allowed where iKoustic was selling goods under other marks in parallel to and in competition with the Claimants' goods. That argument might have had some force had the Claimants proved that during the term of the distributorship iKoustic had been required to sell exclusively the Claimants' goods. However, as I have said above, that was not the case. Moreover, Mr Parsons claimed to have been selling third party goods throughout (although the Claimants suggested that they were not directly competitive goods, despite the inquiry discussed at paragraph 78 above).
120. In my view, the fact that Mr Parsons raised the question of co-marketing the Claimants' goods and his MuteMat/MuteClip goods only in February 2019, and did not tell anyone at Pliteq about this earlier, apart from Mr Jones, was not because he considered that he was not entitled to sell them in parallel, but because he anticipated that Mr Downey's response to his new products would be to refuse to continue supplying goods to iKoustic. Both Mr Jones and Mr Johnson of Pliteq were prepared to agree to Mr Parsons' indication that he would like to sell the goods in parallel, and this in my judgment supports my view that merely selling competing goods does not amount to taking an unfair advantage in this case. I conclude that the Defendants were not taking unfair advantage of the Marks by offering competing goods to customers inquiring about the Claimant's goods. If they were selling genuine goods it seems to me the Defendants had due cause to use the Marks so there would be no infringement under Article 9(1)(c). I therefore reject this alternative basis for seeking to apply Article 15(2).
121. I have considered whether the Defendants' motivation for using the Marks might be relevant to the consideration of whether the Claimants have legitimate reasons to oppose the resale of the goods bearing the Marks. It does not seem to me that it is, but this argument raises the same points discussed above as to whether iKoustic was only holding token stock for the purpose of taking advantage of the Marks to switch selling

Mute goods. In all the circumstances, the Defendants' motivation appears to me to be irrelevant.

122. Lastly, there is the specific allegation in relation to the sale to Mr Trobridge, in which the supply of the Claimants' products was changed to the Defendants.' The documents shown to me do not seem to me to show how or why it was that Mr Trobridge first chose or agreed to buy the GENECLIPS, so it is not possible to assess whether any unfair advantage was taken by use of the Marks.
123. In the circumstances, therefore, in my judgment there are no legitimate reasons here to oppose the further commercialisation of the Claimants' goods by the Defendants, so as to disapply the section 12(2) and Article 15(1) defences.
124. The claim of trade mark infringement accordingly fails, save in respect of the single webpage use shown at Annex C.

Passing off

125. There were two pleaded aspects to the claim for passing off. First, the Claimants alleged that by using the names GENIEMAT and GENIECLIP the Defendants had misrepresented that their Mute products were those of or associated or connected with the Claimants. The Claimants accepted that it was unlikely that this element of the passing off case added anything to the registered trade mark infringement case. I agree. In my view there was no operative misrepresentation when the Defendants' goods were offered for sale or supplied. In the light of my finding above that the Defendants were transparently offering alternative products to the Claimants' goods, I am satisfied that this part of the passing off claim must fail.
126. Secondly, the Claimants complained of the use by the Defendants of a single photograph on the iKoustic website of the GenieMat FF25 product, when offering for sale the MuteMat USP 600-17 and MuteMat USP 750-08 products. The use was admitted, but ascribed to error. Passing off was denied.
127. The Claimants claimed to own a separate and distinct goodwill and reputation in and relating to the products shown in photographs of their products, as "the goodwill and reputation that properly belongs to the party which designed, manufactured, and constructed the products shown in such photographs." They relied upon use of their photographs on their website in brochures and advertising materials. However, there was no evidence that customers or potential customers identified the Claimants' products by reference to their appearance or in reliance upon the photographs, and this would seem improbable where customers are professionals seeking a particular technical product. Neither Mr Downey nor Mr Windle dealt with the alleged goodwill in the photographs in their witness statements, so there was no more than the Amended Particulars of Claim to support this claim. Furthermore, there was no evidence of use of the particular photograph copied by the Defendants; the types of images used were shown in a brochure annexed to the Amended Particulars of Claim, but I could not see that the particular photograph in issue appeared anywhere in it.

128. In the circumstances, the Claimants had to fall back upon the claim that the necessary goodwill was both generated and misappropriated by showing the wrong photograph to the potential customer. They invited me to apply *Bristol Conservatories v Conservatories Custom Built* [1989] RPC 455 in which the defendant had shown customers photographs of the claimant's conservatories as if they were their own goods. Ralph Gibson LJ held at page 465, that
- “the judge was wrong, I think, to proceed on the basis that the plaintiffs were not alleging that they have a goodwill which was affected by the use of the photographs. In truth, ... the goodwill was asserted and demonstrated as the photographs were shown and was at the same moment misappropriated by Custom Built.”
129. *Bristol Conservatories* would suggest that goodwill could have been generated in the photograph copied by the Defendants when it was put up on the website. However, it seems to me extremely doubtful that goodwill was generated in that way here. A purchaser of a conservatory would be bound to be influenced by the images shown to him, given the nature of the product, but it does not seem likely to me, nor was there any evidence to suggest, that a banal photograph of the purely functional GENIEMAT would generate goodwill, as opposed to the name and/or the technical description of the product. On balance, I consider that the Claimants have not proved that this was a misrepresentation. If I am wrong on that, I am comforted by the view that any such misrepresentation would not, realistically, have led to any damage to the Claimant's goodwill.
130. In my view, this aspect of the passing off claim also fails.
131. I think it is unnecessary for me to deal with the Issue relating to section 25 of the Act, which in any event might be better left for arguments as to relief, as Mr Aikens suggested.

Annex A



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Annex B



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GenieMat FF10

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