

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
PATENTS COURT

Rolls Building
Fetter Lane, London, EC4A 1NL

Date: 27 July 2012

Before :

THE HON MR JUSTICE ARNOLD

Between :

**BAYERISCHE MOTOREN WERKE
AKTIENGESELLSCHAFT**

Claimant

- and -

**(1) ROUND AND METAL LIMITED
(2) PHILIP DAVID GROSS**

Defendants

Piers Acland QC and Hugo Cuddigan (instructed by **Mishcon de Reya**) for the **Claimant**
Mark Platts-Mills QC and Jonathan Hill (instructed by **Simons Muirhead & Burton**) for the **Defendants**

Hearing dates: 5-6, 10 July 2012

Judgment

MR JUSTICE ARNOLD :

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Introduction

1. The First Defendant ("R & M") imports and sells replica alloy wheels for motor cars, including replicas of alloy wheels designed by the Claimant ("BMW") for BMW and MINI cars. BMW claims that R & M has thereby infringed several of BMW's Community Registered Designs. R & M denies infringement. Who is right depends on the correct interpretation of Article 110(1) of the Council Regulation 6/2002/EC of 12 December 2001 on Community designs ("the Community Designs Regulation"), which is the principal issue in these proceedings.
2. BMW also advances subsidiary claims that R & M has infringed a number of BMW's Community Trade Marks and committed passing off. R & M denies that its acts amount to either infringement or passing off.
3. There is no dispute that the Second Defendant, known as David Gross, is jointly liable for any infringements of BMW's rights that R & M has committed.
4. R & M has a number of counterclaims, in particular for relief in respect of (i) the detention by the UK Border Agency at BMW's behest of a consignment of alloy wheels in June 2011 and (ii) a letter before action sent by BMW's solicitors to R & M and others on 22 June 2011. It is common ground that these counterclaims only arise if BMW is unsuccessful in its claims.

The witnesses

5. BMW called two witnesses. The first was Roy Hurst. From 1996-2009 he worked for a BMW dealership in Bournemouth, first as a Parts Adviser and then as Parts Manager. In this role, he was in contact with bodyshops (including BMW and BMW-approved bodyshops), trade and counter customers and independent repairers. In 2009

he joined BMW Group UK (a wholly-owned subsidiary of BMW) as an Accessories Consultant. Since September 2010 he has been employed by BMW Group UK as Retail Sales Development Manager for Parts and Accessories. I found Mr Hurst to be a knowledgeable and reliable witness. It is not a criticism of him to say that he inevitably tended to see matters from BMW's perspective.

6. The second witness was Bettina May. She has been employed by BMW as Legal Counsel for Intellectual Property Law with particular responsibility for the UK and Ireland. Some of her evidence was really hearsay evidence, but subject to that she was a reliable witness.
7. The Defendants' only witness was David Gross. Cross-examination revealed that some of the evidence contained in his first witness statement was untrue. I am not sure that Mr Gross intended to mislead the court, but I do think he approached the preparation of his statement in a rather cavalier manner. I have therefore treated his evidence with some caution.

BMW's Community Registered Designs

8. BMW alleges infringement of four Community Registered Designs of which it is the registered proprietor ("the Community Registered Designs"). The first is Community Registered Design No. 000032438-0004 registered as of 19 May 2003 in respect of "wheel for motor vehicle" for the following design (for convenience, I shall reproduce only one of the representations for each Design):



9. The second is Community Registered Design No. 000304274-0004 registered as of 3 March 2005 in respect of "wheels for motor vehicles" for the following design:



10. The third is Community Registered Design No. 000609458-0006 registered as of 16 October 2006 in respect of "wheels for motor vehicles" for the following design:



11. The fourth is Community Registered Design No. 000936281-0005 registered as of 19 May 2008 in respect of “wheels for motor vehicles” for the following design:



BMW’s claim for infringement of its Community Registered Designs

Legal context

12. *The Community Design Regulation.* The regulation includes the following recitals:

“(9) The substantive provisions of this Regulation on design law should be aligned with the respective provisions in Directive 98/71/EC.

...

(13) Full-scale approximation of the laws of the Member States on the use of protected designs for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the design is applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance the protected design is dependent, could not be achieved through Directive 98/71/EC. Within the framework of the conciliation procedure on the said Directive, the Commission undertook to review the consequences of the provisions of that Directive three years after the deadline for transposition of the Directive in particular for the industrial sectors which are most affected. Under these circumstances, it is appropriate not to confer any protection as a Community design for a design which is applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance the design is dependent and which is used for the purpose of the repair of a complex product so as to restore its original appearance, until the Council has decided its policy on this issue on the basis of a Commission proposal.”

13. The Regulation includes the following substantive provisions:

“Article 3

Definitions

For the purposes of this Regulation:

...

- (c) ‘complex product’ means a product which is composed of multiple components which can be replaced permitting disassembly and re-assembly of the product.

...

Article 19

Rights conferred by the Community design

1. A registered Community design shall confer on its holder the exclusive right to use it and to prevent any third party not having his consent from using it. The aforementioned use shall cover, in particular, the making, offering, putting on the market, importing, exporting or using of a product in which the design is incorporated or to which it is applied, or stocking such a product for those purposes.

...

Article 20

Limitation of the rights conferred by a Community design

1. The rights conferred by a Community design shall not be exercised in respect of:

[various acts]

2. In addition, the rights conferred by a Community design shall not be exercised in respect of:

[various acts]

...

Article 110

Transitional provision

1. Until such time as amendments to this Regulation enter into force on a proposal from the Commission on this subject, protection as a Community design shall not exist for a design

which constitutes a component part of a complex product used within the meaning of Article 19(1) for the purpose of the repair of that complex product so as to restore its original appearance.

2. The proposal from the Commission referred to in paragraph 1 shall be submitted together with, and take into consideration, any changes which the Commission shall propose on the same subject pursuant to Article 18 of Directive 98/71/EC.”
14. *The Designs Directive*. Recital (19) of European Parliament and Council Directive 98/71/EC of 13 October 1998 on the legal protection of designs (“the Designs Directive”) is in the following terms:

“Whereas the rapid adoption of this Directive has become a matter of urgency for a number of industrial sectors; whereas full-scale approximation of the laws of the Member States on the use of protected designs for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the product incorporating the design or to which the design is applied constitutes a component part of a complex product upon whose appearance the protected design is dependent, cannot be introduced at the present stage; whereas the lack of full-scale approximation of the laws of the Member States on the use of protected designs for such repair of a complex product should not constitute an obstacle to the approximation of those other national provisions of design law which most directly affect the functioning of the internal market; whereas for this reason Member States should in the meantime maintain in force any provisions in conformity with the Treaty relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance, or, if they introduce any new provisions relating to such use, the purpose of these provisions should be only to liberalise the market in such parts; whereas those Member States which, on the date of entry into force of this Directive, do not provide for protection for designs of component parts are not required to introduce registration of designs for such parts; whereas three years after the implementation date the Commission should submit an analysis of the consequences of the provisions of this Directive for Community industry, for consumers, for competition and for the functioning of the internal market; whereas, in respect of component parts of complex products, the analysis should, in particular, consider harmonisation on the basis of possible options, including a remuneration system and a limited term of exclusivity; whereas, at the latest one year after the submission of its analysis, the Commission should, after consultation with the parties most affected, propose to the European Parliament and the Council any changes to this Directive needed to

complete the internal market in respect of component parts of complex products, and any other changes which it considers necessary”.

15. Articles 14 and 18 of the Directive provide:

“Article 14

Transitional provision

Until such time as amendments to this Directive are adopted on a proposal from the Commission in accordance with the provisions of Article 18, Member States shall maintain in force their existing legal provisions relating to the use of the design of a component part used for the purpose of the repair of a complex product so as to restore its original appearance and shall introduce changes to those provisions only if the purpose is to liberalise the market for such parts.

...

Article 18

Revision

Three years after the implementation date specified in Article 19, the Commission shall submit an analysis of the consequences of the provisions of this Directive for Community industry, in particular the industrial sectors which are most affected, particularly manufacturers of complex products and component parts, for consumers, for competition and for the functioning of the internal market. At the latest one year later the Commission shall propose to the European Parliament and the Council any changes to this Directive needed to complete the internal market in respect of component parts of complex products and any other changes which it considers necessary in light of its consultations with the parties most affected.”

16. The Directive was accompanied by the following statement by the Commission regarding Article 18:

“Immediately following the date of adoption of the Directive, and without prejudice to Article 18, the Commission proposes to launch a consultation exercise involving manufacturers of complex products and of component parts in the motor vehicles sector. The aim of this consultation will be to arrive at a voluntary agreement between the parties involved on the protection of designs in cases where the product incorporating the design or to which the design is applied constitutes a

component part of a complex product upon whose appearance the protected design is dependent.

The Commission will coordinate the consultation exercise and will report regularly to the Parliament and the Council on its progress. The consulted parties will be invited by the Commission to consider a range of possible options on which to base a voluntary agreement, including a remuneration system and a system based on a limited period of design protection.”

17. *TRIPS*. Articles 25 and 26 of the Agreement on Trade-related Aspects of Intellectual Property Rights (commonly known as “TRIPS”) which forms Annex 1C to the Agreement establishing the World Trade Organisation signed in Morocco on 15 April 1994, to which the European Union and all its Member States are parties, provide as follows:

“*Article 25*

Requirements for Protection

1. Members shall provide for the protection of independently created industrial designs that are new or original. Members may provide that designs are not new or original if they do not significantly differ from known designs or combinations of known design features. Members may provide that such protection shall not extend to designs dictated essentially by technical or functional considerations.
2. Each Member shall ensure that requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, do not unreasonably impair the opportunity to seek and obtain such protection. Members shall be free to meet this obligation through industrial design law or through copyright law.

Article 26

Protection

1. The owner of a protected industrial design shall have the right to prevent third parties not having the owner's consent from making, selling or importing articles bearing or embodying a design which is a copy, or substantially a copy, of the protected design, when such acts are undertaken for commercial purposes.
2. Members may provide limited exceptions to the protection of industrial designs, provided that such exceptions do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the

legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.

3. The duration of protection available shall amount to at least 10 years.”

The legislative history of recital (13) and Article 110

18. As I shall explain below, both sides rely on the rather tortuous legislative history of recital (13) and Article 110 of the Community Designs Regulation. It is therefore necessary to set this out.

19. In its initial proposals for the Directive and the Regulation dated 3 December 1993 ([1993] OJ C 345/14 and [1994] OJ C 29/20 respectively), the Commission put forward a limited period of protection of three years for spare parts: see Article 14 of the proposed Directive and Article 23 of the proposed Regulation. These articles provided that the rights conferred by registration could not be exercised after that period where:

“(a) the product incorporating the design or to which the design is applied is a part of a complex product upon whose appearance the protected design is dependent;

(b) the purpose of such use is to permit the repair of the complex product so as to restore its original appearance;

...”

20. In its Explanatory Memorandum (COM (93) 342 final) the Commission explained the rationale for these provisions as follows:

“The purpose of this provision is to avoid the creation of captive markets in certain spare parts.

...

If ... the part in question is external and is meant to be seen, and if, further, in the eyes of the end consumer, it ideally should match the overall appearance of the complex product, then access to reproduction of dimensions and other mechanical interconnection elements would be insufficient in themselves to allow for competition in the parts in question. The consumer, having bought a long lasting and perhaps expensive product (for example a car) would, for external parts, indefinitely be tied to the manufacturer of the complex product.

...

The provision makes an inroad into the rights of the rightholder and it should therefore be applicable only under strict conditions.

....

... the design in question must be applied to a product, which is a part of a complex product upon whose appearance it is dependent. The condition is fulfilled, for example, by the design of a car door, which is conceived to match other doors of the car and the whole car body, but not necessarily all other parts serving an ornamental purpose.

Further, the purpose of the reproduction must be to allow repair in the sense of restoring the original appearance of the complex product....”

21. At the first reading on 12 October 1995 the European Parliament proposed that Article 14 of the Directive should provide for the rightholder to be remunerated for any repair use. On 21 February 1996 the Commission adopted an amended proposal (COM(6) 66 final) for a Directive which contained additional proposals as to the means for calculating the appropriate remuneration and a statement that the derogation for the purposes of repair should not apply if the defendant was unable or unwilling to pay.

22. On 17 June 1997 the Council adopted its common position ([1997] OJ C 237/1), in which it suggested that this area should not be harmonised pending further discussions. Accordingly, it proposed a new recital (19) and a revised Article 14 as follows:

“(19) ... whereas a full-scale approximation of the laws of the Member States on the use of protected designs for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the product incorporating the design or to which the design is applied constitutes a component part of a complex product upon whose appearance the protected design is dependent, cannot be introduced at the present stage...

Article 14

Transitional provision

Until such time as amendments to this Directive are adopted upon a proposal by the Commission in accordance with the provisions of Article 18, Member States may maintain in force or introduce any provisions affecting the use of a protected design for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the product incorporating the design or to which the design is applied constitutes a component part of a complex product upon whose appearance the protected design is dependent.”

23. Neither the Commission in its response to the Council’s position dated 17 June 1997 nor the Parliament in its second reading vote on 22 October 1997 accepted the

Council's proposal. In its opinion on the Parliament's amendments dated 21 November 1997 (COM(97) 622 final), the Commission accepted the Parliament's amendment number 10 to the common position, which re-instated the repair clause as revised by the Commission.

24. Accordingly, the dispute was referred to the Conciliation Committee, which on 24 June 1998 adopted the so-called "freeze-plus" compromise found in Article 14 of the final Directive (C/98/224). As part of the agreement, the Commission undertook to undertake a consultation exercise immediately after the adoption of the Directive:

"... involving the manufacturers of complex products and the component parts thereof in the motor vehicle sector. The purpose of the consultation exercise will be to arrive at a voluntary agreement among the parties concerned, about the protection of designs in cases where the product incorporating the design or to which the design is applied constitutes a component part of a complex product upon whose appearance the protected design is dependent."

25. Following the enactment of the Directive, the Commission adopted an amended proposal for the Regulation on 21 June 1999 (COM(1999) 310 final). In its Explanatory Memorandum the Commission set out the legislative history of the Directive culminating in the agreement reached by the Conciliation Committee. The Commission went on:

"Given that full harmonization of the design laws of the Member States on the spare parts issue could not yet be introduced at the present stage, it would not seem appropriate nor realistic to expect that such harmonization could be achieved through the Regulation.

For these reasons, the amended proposal excludes, for the time being, the registration of the design of a component part of a complex product upon whose appearance the design of the component part is dependent (Article 10a). A proposal with regard to the use and protection of spare parts under this Regulation, shall be submitted by the Commission in parallel with the proposal, which the Commission shall make to complete the internal market in respect of spare parts within the framework of the Design Directive.

...

It should be stressed that the suggested approach does not deprive the designers of spare parts from the filing of applications for the registration of their design in all circumstances.

First, spare parts, the design of which is not dependent on the appearance of the complex product can be filed for registration,

if they fulfil the conditions set out in Article 4 of this Regulation.

Second, where the design of a given spare part cannot be registered as a Community design, pursuant to Article 10a, applications for the registration of such design may be filed in those Member States, which continue to provide such possibility, in accordance with Article 14 of the Directive.”

26. Recital 12 and Article 10a of the proposed Regulation were in the following terms:

“(12) Whereas full-scale approximation of the laws of the Member States on the use of protected designs of component parts of complex products for repair purposes could not be achieved through Directive 98/71/EC ... whereas under these circumstances, it is appropriate to exclude the design of component parts of complex products from protection of under this Regulation until the Council has decided its policy on this issue on the basis of a Commission proposal;

Article 10a

Transitional provision

Until such time as amendments to this Regulation are adopted on a proposal from the Commission on this subject, a Community design shall not exist in a design applied to or incorporated in a product, which constitutes a component part of a complex product upon whose appearance the design is dependent.”

27. On 16 June 2000 the Parliament voted to amend Article 10a to read as follows ([2001] OJ C 67/339):

“Until such time as amendments to this Regulation are adopted on a proposal from the Commission on this subject, protection as a Community design may not be enjoyed by a design applied to or incorporated in a product, which constitutes a component part of a complex product upon whose appearance the design is dependent and which may be used for the purpose of permitting the repair of that complex product so as to restore its original appearance.”

28. On 20 October 2000 the Commission submitted a revised amended proposal, although this was not formally adopted until 23 November 2000 (COM(2000) 660 final/2).

29. In the meantime there was disagreement between the Member States on the Council. In an attempt to resolve this, on 6 July 2000 the Presidency proposed a compromise (10093/00) as follows:

“(12) Whereas full-scale approximation of the laws of the Member States on the use of protected designs for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the design is applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance the protected design is dependent could not be achieved through Directive 98/71/EC ... whereas under these circumstances, it is appropriate not to confer a right on a design created by this Regulation where it is applied to or incorporated in a product which constitutes a component part of a complex product upon whose appearance the protected design is dependent and which is used for the purpose of the repair of a complex product so as to restore its appearance until the Council has decided its policy on this issue on the basis of a Commission proposal;

Article 127a

Transitional provision

1. Until such time as amendments to this Regulation are adopted on a proposal from the Commission on this subject, a Community design shall not confer the right of preventing the acts referred to in Article 20 where a design is applied to or incorporated in a product, which constitutes a component part of a complex product upon whose appearance the design is dependent and is used for the purpose of permitting the repair of that complex product so as to restore its appearance.
 2. The proposal from the Commission, referred to in paragraph 1, shall be submitted together with, and take into consideration, any changes which the Commission shall propose on the same subject pursuant to Article 18 of Directive 98/71/EC on the legal protection of designs.”
30. The Presidency explained its reasoning for this proposal as follows:
- “The wording of Recital 12 and Article 10a (renumbered) is taken from European Parliament amendments 6 and 12 and make it possible to meet the expectations of many delegations which have asked for Article 10a to be aligned on Article 14 of the Directive, since the wording of Article 10a is liable to exclude more component parts from protection than that of Article 14. This amendment also makes it possible not to prejudice the solution to be put forward in the Commission proposal referred to in the Recital and Article concerned. It removes any ambiguity as to the Office’s power to carry out an examination in this respect. Such component parts may be the subject of applications for designs, may be registered, but may not be invoked before the courts if the use made of them by the

presumed infringer is for purposes of repair so as to restore the original appearance to the complex product.”

31. On 19 October 2000 the Presidency asked the Permanent Representatives Committee to consider three alternatives (12420/00). Alternative 1 was the Commission’s amended proposal (paragraph 26 above). Alternative 2 was the Presidency’s compromise proposal (paragraph 29 above). Alternative 3 was a proposal by the Irish delegation, as follows:

“Article 10a/127a

Transitional provision

1. Until such time as amendments to this Regulation are adopted on a proposal from the Commission on this subject, protection as a Community design shall not exist for a design which constitutes a component part of a complex product used for the purpose of permitting the repair of that complex product so as to restore its appearance.
2. The proposal from the Commission, referred to in paragraph 1, shall be submitted together with, and take into consideration, any changes which the Commission shall propose on the same subject pursuant to Article 18 of Directive 98/71/EC on the legal protection of designs.”

32. In its introduction to the three alternatives the Presidency stated:

“The great majority of delegations called for the wording of Article 10a and recital 12 to be more closely aligned on Article 14 of the Directive, since the text proposed by the Commission was liable to exclude from protection more component parts than those referred to in the latter Article. These delegations argued that spare parts should be excluded from the protection offered under the Regulation only where they were used to repair a complex product so as to restore its original appearance.”

33. The Presidency also explained that some delegations took the view that the Article should not prohibit registration of such parts during the transitional period, whereas other delegations took the opposite view.
34. After the meeting of the Permanent Representatives Committee on 25 October 2000, the Presidency circulated a second compromise proposal on 30 October 2000 (12811/00) which included a recital (renumbered as recital (13)) adapted from alternative 2 and an Article 127a adapted from alternative 3. This version of Article 127a included a new paragraph 1a which stated that, until the Regulation was amended, the grounds of invalidity provided for in what was then Article 27 should be supplemented by the ground that the design could not be protected pursuant to paragraph 1.

35. A number of delegations opposed the introduction of Article 127a(1a), and on 9 November 2000 the Presidency asked the Permanent Representatives Committee to consider a third compromise proposal (13103/00). In this proposal recital (13) was unchanged and paragraph 1a was deleted from Article 127a.
36. On 24 November 2000 the Presidency summarised the position which had been reached as follows (13749/00) (footnotes omitted):

“In the light of the compromise solution reached between the European Parliament and the Council within the framework of Directive 98/71/EC on the legal protection of design, which defers for the time being full harmonisation of the national laws on designs in respect of spare parts, the Permanent Representatives Committee drew up, pending a harmonised solution under the Directive, a transitional provision excluding, during the transitional period, the protection as a Community design of a component part of a complex product which has been manufactured or used for the purpose of permitting the repair of such product so as to restore its original appearance (see Article 127a, recital 13 and statement in Annex I to this report). Consequently, registration of a spare part as a Community design is not excluded and may be invoked against a third party using the spare part design in a rival complex product but may not be invoked against the manufacture or use of the spare part design for the purpose of repairing the complex product itself.”

Recital (13) and Article 127a were in the same form as in the third proposal.

37. The only outstanding point was a reservation by the Italian delegation concerning the words “manufactured or used” in Article 127a(1). The Presidency suggested that those words be replaced with “used within the meaning of Article 20(1)”, and asked the Council to take a decision. The Council approved the Presidency’s proposal, which after renumbering became the final version of recital (13) and Article 110.

The proposal for an amending Directive

38. BMW also relies upon the Commission’s subsequent proposals for a Directive to amend the Designs Directive. Again, it is therefore necessary to set these out.
39. In its Explanatory Memorandum dated 14 September 2004 (COM(2004) 582 final) the Commission began by explaining the context of the proposal:

“This proposal concerns design protection of spare parts intended to restore the appearance of complex products such as motor vehicles. It aims to complete the Internal Market through the process of liberalisation begun and partially achieved in Directive 98/71/EC, so as to increase competition and offer consumers greater choice as to the source of spare parts used for repair purposes. At the same time it maintains the overall incentive for investment in design as it does not affect design

protection for new parts incorporated at the manufacturing stage of a complex product.

The current situation of different, opposed regimes of design protection for spare parts where 9 Member States have liberalised and 16 Member States extend design protection to spare parts is totally unsatisfactory from an internal market point of view. In the automotive sector, which is the sector most affected, there is a single market for new cars but no single market for their spare parts. Automotive spare parts currently cannot be freely produced and traded within the Community. Due to this fragmentation and the uncertainty about the evolution of the Community's design regime citizens are insecure as to whether or not and in which Member State the purchase of certain spare parts is lawful, and they are deprived in parts of the Community of choosing between competing spare parts. For the same reason, parts producers, especially SMEs, cannot use the economies of scale offered by a single market and they are discouraged from generating investment and employment which they might otherwise do."

40. The Commission then explained that it had carried out a detailed study of spare parts which was described in the Extended Impact Assessment. It summarised the findings as follows:

"The analysis of a sample of prices for 11 spare parts for 20 car models in 9 Member States and Norway, of which 6 countries grant design protection for these parts and 4 do not, reveals that prices for 10 of these parts are significantly higher in Member States with design protection than in Member States without. The only part for which the price is not significantly higher is the radiator – but that part does not benefit from design protection as it is not part of the outer skin of a car. For the other parts, bumpers, doors, wings, lamps, lids and bonnets, prices were between 6.4% and 10.3% higher in Member States granting design protection. These results show that vehicle manufacturers as the right holders exercise considerable market power in these Member States to the detriment of consumers."

41. Having referred to the legislative history of the Designs Directive, the Commission went on:

"The primary market for component parts concerns their incorporation at the initial manufacturing and production stage of a complex product. Once that complex product is sold to a consumer and used, it can suffer accidents, breakdowns or damages and parts may have to be replaced or repaired. This constitutes the secondary market or aftermarket for spare parts. The same part might enter the market as an initial component (new part) in the primary market or as a spare part in the

secondary market. However it is only the secondary market (aftermarket) which is affected by the current proposal.

Not all the spare parts on the market will be affected by this proposal. The spare parts concerned are defined as ‘a component part used for the purpose of the repair of a complex product so as to restore its original appearance’. A complex product is a product composed of different components or parts that can be replaced or repaired in case of damage with a spare part. There are spare parts for which it is not imperative that the original design feature is used to restore the original appearance of the product, for example because it has a standard shape or function. There are other spare parts for which the design is necessary to restore the original function or appearance of the product, in other words, the part or component of the complex product can only be replaced by a spare part identical to the original part. These are often called ‘must match’ spare parts and only they are the subject matter of this proposal.”

42. Having summarised the current laws of the Member States following transposition of the Designs Directive, the Commission observed:

“An important parallel development is that legislation on the unitary Community design administered by the Office for Harmonisation in the Internal Market (Alicante) went a stage further towards liberalisation of the secondary market with Article 110(1) of Council Regulation (EC) No 6/2002 on Community designs. This provides that ‘protection as a Community design shall not exist for a design which constitutes a component part of a complex product used ... for the purpose of repair of that complex product so as to restore its original appearance’. In other words there is no protection available under the Community design regime (as opposed to national design rights) for ‘must-match’ spare parts in the aftermarket. That test has been taken as a basis for the current proposal addressing national regimes.”

43. The Commission went on to say that it had come to the conclusion that the only effective way in which to achieve an internal market was to exclude design protection in the aftermarket for spare parts. Accordingly, it proposed a Directive to amend the Designs Directive. Recital (2) of the proposed amending Directive was in the following terms:

“Whereas the differences in the laws of the Member States on the use of protected designs for the purpose of permitting the repair of a complex product so as to restore its original appearance, where the product incorporating the design or to which the design is applied constitutes a component part of a complex product upon whose appearance the protected design is dependent, directly affect the establishment and functioning of the internal market as regards goods embodying designs;

whereas such differences can distort competition within the internal market”.

44. Article 14 of the Designs Directive was to be replaced with the following Article:
- “1. Protection as a design shall not exist for a design which constitutes a component part of a complex product used within the meaning of Article 12(1) of this Directive, for the purpose of the repair of that complex product so as to restore its original appearance.
 2. Member States shall ensure that consumers are duly informed about the origin of spare parts so that they can make an informed choice between competing spare parts”
45. Turning to the Extended Impact Assessment itself, section 4.1.4 contains an analysis of research and development expenditure which distinguishes between expenditure on “designing the ‘outer skin’ of a car which could be subject to design protection” and expenditure on “designing other components and materials such as ... alloy wheels”.
46. No agreement was reached on the Commission’s proposals, and nearly eight years later legislation is still awaited.

Interpretation of Article 110(1)

47. As noted above, the principal issue in these proceedings concerns the interpretation of Article 110(1). This involves four main sub-issues as follows:
- i) Does Article 110(1) exclude the relevant features of designs to which it applies from protection or does it amount to a defence in respect of certain acts which would otherwise be infringements? The relevance of this question is to the burden of proof: does the onus lie on BMW to establish that Article 110(1) does not apply to the circumstances of the present case or does it lie on the Defendants to establish that it does apply?
 - ii) Does Article 110(1) only apply where the design of the component part is dependent on the appearance of the complex product?
 - iii) What is meant by “used ... for the purpose of the repair of that complex product”: how does one determine what the purpose is?
 - iv) What is meant by “so as to restore its original appearance”: is this restricted to the appearance of the car when originally manufactured?
48. *Burden of proof.* The Defendants contend that Article 110(1) operates as an exclusion from the protection of the right conferred by registration, and thus the onus lies on BMW to establish the Defendants’ acts fall within the scope of the right. BMW contends that it operates a defence and thus the onus lies on the Defendants to establish that it applies in the circumstances of the present case.
49. In support of the Defendants’ interpretation, counsel for the Defendants made the following points. First, he pointed to the wording of Article 110(1) itself, and in

particular the words “protection for a Community design shall not exist”, and argued that this showed that the right was excluded. Secondly, he pointed to the wording of recital (13), and in particular the words “not to confer any protection as a Community design”, and advanced the same argument. Thirdly, he pointed to the contrast between the wording of Article 110(1) and that of Article 20, which he submitted clearly created a series of defences. Fourthly, he argued that this interpretation was supported by the legislative history. Fifthly, he submitted that it was supported by the commentaries in *Copinger & James on Copyright* (16th ed) at §13-254 and Sykes, *Intellectual Property in Designs* at §4.14, although he accepted that Laddie, Prescott and Vitoria, *The Modern Law of Copyright and Designs* (4th ed) at §54.18 supported BMW’s interpretation.

50. In support of BMW’s interpretation, counsel for BMW made the following points. First, he submitted that it was clear from the wording of Article 110(1) and in particular the words “used ... for the purpose of the repair of that complex product so as to restore its original appearance” that Article 110(1) did not prevent registration of the design, but only its enforcement in certain circumstances. Secondly, he advanced the same submission in relation to the wording of recital (13). Thirdly, he disputed that there was any real difference between Article 110(1) and Article 20. Fourthly, he argued that the legislative history supported BMW’s interpretation. Fifthly, he disputed that *Copinger* or Sykes provided any clear support for the Defendants’ interpretation, and relied upon Laddie Prescott & Vitoria as supporting BMW’s interpretation. (I would add that BMW’s interpretation also receives support from Musker, *Community Design Law: Principles and Practice* at §2-669.) Sixthly, he cited three decisions of Community Design Courts in which it had been held that the burden of proof lay upon the defendant: see *Bayerische Motoren Werke AG v Avalini* (Case 7205/2008, Ordinary Court of Venice, 28 November 2008) at page 2 of the translation; *Bayerische Motoren Werke AG v I Wheel srl* (Case 7492/10, Court of Milan Intellectual Property Section, 10 February 2011) at paragraph J; and *Audi AG v Pneusgarda srl* (Case 24209/12, Court of Milan Intellectual Property Section, 11 June 2012) at page 3 of the translation.
51. Although the wording of Article 110(1) is not entirely clear in this respect, I consider that it is much more consistent with BMW’s interpretation than the Defendants’. It seems clear that Article 110(1) does not prevent registration of designs of component parts of complex products. Thus, as is common ground, none of the grounds of invalidity specified in Article 25 of the Community Designs Regulation corresponds to Article 110(1). Furthermore, I did not understand counsel for the Defendants to dispute that Article 110(1) has no application where the component product is sold as part of the complex product. Rather, it only applies where the component part is “used ... for the purpose of the repair of that complex product”. It follows that Article 110(1) operates as an exception to the right conferred by registration in particular circumstances of use of the design. Accordingly there is no material distinction between Article 110(1) and Article 20. This reading of Article 110(1) is supported by the legislative history: see in particular paragraphs 30, 32-36 above. I therefore conclude that the burden lies on the Defendants to establish that the exception applies. This conclusion is consistent with that reached in the cases cited by counsel for BMW.

52. For what it is worth, I would add that the UK Government evidently understood Article 14 of the Designs Directive in the same way when it came to implement it by the Registered Designs Regulations 2001, SI 2001/3949. These amended the Registered Designs Act 1949 to abolish the “must match” exclusion contained in section 1(1)(b)(ii), and inserted new section 7A(5) as follows:

“The right in a registered design of a component part which may be used for the purpose of the repair of a complex product so as to restore its original appearance is not infringed by the use for that purpose of any design protected by the registration.”

53. *Dependency*. This is probably the most important sub-issue of the four. BMW contends that Article 110(1) only applies where the design of the component part is dependent on the appearance of the complex product. The Defendants dispute this.
54. As is common ground, recital (13) refers to “a component part of a complex product *upon whose appearance the design is dependent*”, but the italicised words do not appear in Article 110(1) itself. The same disparity of wording appears in recital (19) and Article 14 of the Designs Directive. The parties draw opposite conclusions from this. BMW contend that Article 110(1) is to be interpreted in accordance with recital (13), and thus as restricted to component parts whose design is dependent on the appearance of the complex product. The Defendants contend that the inclusion of the italicised words in recital (13) was an accidental result of the legislative history, that what matters is the wording of Article 110(1) itself and that the omission of the italicised words from Article 110(1) should be given effect to.
55. Counsel for BMW argued that the legislative history supported BMW’s interpretation, and not the Defendants’. He also submitted that BMW’s interpretation was supported by the Commission’s proposal for an amending Directive, by Article 26(2) of TRIPS and by the consistent case law of other Community Design Courts.
56. In my view the starting point must be the terms of the Community Designs Regulation itself. A European regulation falls to be interpreted according to principles of interpretation of European Union legislation developed by the Court of Justice of the European Union. The basic rule of interpretation, which has been frequently reiterated by the CJEU, is that stated in e.g. Case C-306/05 *Sociedad General de Autores y Editores de España v Rafael Hoteles SA* [2006] ECR I-11519 at [34]:

“According to settled case-law, in interpreting a provision of Community law it is necessary to consider not only its wording, but also the context in which it occurs and the objectives pursued by the rules of which it is part (see, in particular, Case C-156/98 *Germany v Commission* [2000] ECR I-6857, paragraph 50, and Case C-53/05 *Commission v Portugal* [2006] ECR I-6215, paragraph 20)”.

As is well known, in applying this rule the CJEU routinely refers to the recitals of the measure as well as its operative provisions and frequently refers to pre-legislative materials such as the Explanatory Memoranda which accompany the Commission’s legislative proposals.

57. It follows that Article 110(1) must be construed in accordance with recital (13). In my judgment that means that Article 110(1) should be interpreted as being restricted to component parts which are dependent on the appearance of the complex product.
58. This reading of Article 110(1) is supported by the case law cited by counsel for BMW. This comprises no less than 20 judgments in 16 cases concerning replica alloy wheels. Slightly curiously, all the decisions are of Spanish and Italian courts. In Spain the leading case is *Bayerische Motoren Werke AG v Car Elite Import SL*. At first instance (Judgment 256/09, Commercial Court No 2 of Alicante, 24 November 2009) the judge held that Article 110(1) only applied where the design of the component part was dependent on the appearance of the complex product. He distinguished between (i) parts of a car comprising the bodywork, windows and headlamps and (ii) wheel rims, holding that it applied to the former, but not the latter. This decision was upheld on appeal (Judgment 278/10, Provincial Court of Alicante, 18 June 2010), where the court described Article 110(1) as “the so-called must match clause”. There have been three subsequent cases in Spain concerning replica car alloy wheels in which *BMW v Car Elite* has been followed, the most recent being *Bayerische Motoren Werke AG v Sánchez* (Judgment 303/12, Provincial Court of Alicante, 28 June 2012).
59. In Italy, there have been a number of decisions to the same effect, including the cases cited in paragraph 50 above. Counsel for BMW acknowledged that in *Bayerische Motoren Werke AG v Acacia Srl* (Naples Court, Intellectual Property Section, 27 April 2011) the court had rejected BMW’s claim, but pointed out that the court had expressly based its decision upon its assessment of the facts rather than any analysis of the law. Furthermore, he informed me that the decision was under appeal. In any event, it seems clear that the decision is an isolated one which is contrary to the general trend of the case law.
60. This interpretation of Article 110(1) is also supported by the legislative history. Although the wording of the proposals varied from time to time, a consistent aspect of the discussions throughout the process was that what was under consideration was component parts whose appearance was dependent on the appearance of the complex product. It is reasonably clear from the agreement reached by the Conciliation Committee, and in particular the nature of the consultation exercise which the Commission agreed to undertake, that the compromise struck in the Design Directive concerned such parts. Equally, it is reasonably clear that the compromise proposals promoted by the Presidency for the wording of the Regulation were directed to the same situation. No one at the time appears to have attached any significance to the question whether the words “upon whose appearance the design is dependent” appeared in the recital, the Article or both. Rather, the discussions were about ensuring that the provisions were no more restrictive than Article 14 of the Directive and about whether registration should be prohibited or not.
61. Counsel for the Defendants cited the observation of Lord Steyn in *Effort Shipping Co Ltd v Linden Management SA* [1998] AC 605 at 623E-F:
- “I would be quite prepared, in an appropriate case involving truly feasible alternative interpretations of a convention, to allow the evidence contained in the *travaux préparatoires* to be determinative of the question of construction. But that is only possible where the court is satisfied that the *travaux*

préparatoires clearly and indisputably point to a definite legal intention: see *Fothergill v Monarch Airlines Ltd.*, per Lord Wilberforce, at p.278c. Only a bull's-eye counts. Nothing less will do.”

62. As counsel for the Defendants reminded me, this dictum has been applied by Jacob LJ in a number of judgments concerning the interpretation of European directives and regulations, including the Community Designs Regulation: see *Green Lane Products Ltd v PMS International Group Ltd* [2008] EWCA Civ 358, [2008] Bus LR 1468 at [74]. Although I am not sure that Jacob LJ ever articulated it in this way, it appears to me that the rationale for this is that, if there is anything less than a bull's eye, the *travaux préparatoires* are unlikely to make the interpretation of the European measure *acte clair*. Furthermore, in considering such materials, national courts do not enjoy the advantages enjoyed by the CJEU.
63. In the present case, however, I do not consider that this principle assists the Defendants. For the reasons I have explained, above, a straightforward interpretation of Article 110(1) in the light of recital (13) leads to the conclusion for which BMW contends. True it is that BMW relies upon the legislative history as supporting its interpretation; but it is the Defendants who need to rely on the legislative history to displace the natural interpretation of Article 110(1) in the light of recital (13). Thus it is the Defendants who need to score a bull's eye. For the reasons I have explained, however, I do not consider that the legislative history supports the Defendants' interpretation, let alone to the extent of constituting a bull's eye.
64. Turning to the Commission's proposal for an amending Directive, which BMW also relies on as supporting its interpretation, counsel for the Defendants submitted that this was inadmissible as an aid to construction of the Community Designs Regulation since it post-dated the Regulation and did not amount to evidence which established the agreement of the parties to the Regulation regarding its interpretation. As he acknowledged, however, the CJEU does sometimes refer to later legislative proposals as confirming its interpretation of the law: see e.g. Case C-293/98 *Entidad de Gestión de Derechos de Los Productores Audiovisuales (Egeda) v Hosteleria Asturiana SA (Hoasa)* [2000] ECR I-651 at [26]-[27]. In my view, the proposal for an amending Directive is consistent with the interpretation of Article 110(1) I have already arrived at.
65. The final topic under this heading is Article 26(2) of TRIPS. As is common ground, in a field of intellectual property law where the European Union has legislated, national courts must interpret both European and domestic legislation as far as possible in the light of the wording and purpose of relevant international agreements to which the EU is a party, such as TRIPS: see Case C-53/96 *Hermès International v FHT Marketing Choice BV* [1998] ECR I-3603 at [28]; Joined Cases C-300/98 and C-392/98 *Parfums Christian Dior SA v Tuk Consultancy BV* [2000] ECR I-11307 at [47]; Case C-89/99 *Schieving-Nijstad VOF v Groeneveld* [2001] ECR I-5851 at [35]; Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2004] ECR I-10989 at [55]-[57]; and Case C-431/05 *Merck Genéricos – Produtos Farmacêuticos Lda v Merck & Co Inc* [2007] ECR I-7001 at [35].
66. Counsel for BMW submitted that, unless Article 110(1) of the Community Designs Regulation was construed in the manner contended for by BMW, it would be

incompatible with Article 26(2) of TRIPS. Counsel for the Defendants disputed this. Having regard to the conclusion I have already reached with regard to the interpretation of Article 110(1), it is not necessary for me to reach a conclusion on this point. I shall therefore confine myself to the following observations.

67. First, Article 26(2), like Article 30 and, to a lesser extent, Article 17 of TRIPS, is based on the “three-step test” in Article 9(2) of the Berne Convention. There are certain differences, however, in particular the inclusion in Article 26(2) of the concluding words “taking account of the legitimate interests of third parties”. Those words are potentially quite important with respect to an issue such as the present one.
68. Secondly, counsel for BMW drew to my attention a decision of the WTO Dispute Panel concerning Article 30 in *Canada – Patent Protection of Pharmaceutical Products* (2000) WT/DS114/R, but I did not find this of any particular assistance with regard to the present issue.
69. Thirdly, counsel for the Defendants pointed out that TRIPS does not contain any definition of “industrial design”. In my view that is immaterial, since BMW’s Community Registered Designs plainly qualify as protected industrial designs.
70. Finally, counsel for the Defendants submitted that Article 110(1) was a permitted exception under the last sentence of Article 25(1) of TRIPS. I do not accept that. Article 110(1) is not an exception for designs dictated essentially by technical or functional considerations. It can only be justified under Article 26(2).
71. *Purpose.* Article 110(1) only applies to component parts “used ... for the purpose of the repair of that complex product”. Although the language appears to focus on the actions of the repairer (typically a garage in the case of motor cars), it is also necessary to consider the position of the supplier of the component part (such as R & M) and the position of the end user (the owner of the car). It is common ground that the test is an objective one, and not one that depends on the subjective intention of the supplier, the repairer or the end user. It is also common ground that, if Article 110(1) applies, it protects the supplier, the repairer and the end user.
72. Counsel for BMW submitted that the question to be asked was how the component part in issue was normally used in practice: was it normally used to repair the complex product when the part was broken, damaged or worn, or was it normally used for another purpose, such as upgrading the complex product (e.g. improving its appearance)? Counsel for the Defendants submitted that the test was simply one of considering the intrinsic properties of the component part, and that it was sufficient if the component part was suitable for use for repairing the complex part. Thus counsel for the Defendants argued that Article 110(1) would apply even if (say) 75% of the replica wheels sold by R & M were used for upgrades and only 25% for repairs.
73. It seems to me that the language of Article 110(1), and in particular the words “is used ... for the purpose of”, directs attention to what the part is normally used for. Accordingly, I consider that BMW’s interpretation is the right one.
74. *Original appearance.* Article 110(1) only applies where the part is used to restore the complex product to “its original appearance”. Counsel for BMW submitted that this meant the appearance which the complex product had when it was sold by the

manufacturer. He accepted that, in the present context, this included not only parts fitted by BMW's factory, but also parts fitted by its authorised dealers. Counsel for the Defendants submitted that the "original appearance" included parts fitted by previous owners of the car, including upgrades, but counsel for BMW disputed this.

75. Again, I prefer BMW's interpretation. It is clear that the purpose of Article 110(1) is to prevent consumers being locked into a captive market for spare parts when they purchase a car. They are not locked in where a previous owner has upgraded the car.

A reference to the CJEU?

76. Counsel for BMW suggested that it was *acte clair* that Article 110(1) should be interpreted in the manner contended for by BMW. Counsel for the Defendants submitted in his skeleton argument that the interpretation of Article 110(1) should be referred to the CJEU, although at one point in his closing submissions he went further and submitted that the Defendants' interpretation was *acte clair*. Having considered all the arguments canvassed above, I have come to the conclusion that the interpretation of Article 110(1) is reasonably clear. Accordingly, bearing in mind that this is not a court of last resort, I have decided not to seek the guidance of the CJEU.

The present case

77. It is common ground that R & M has imported into the UK and sold replica alloy wheels which are of essentially the same appearance as each of the Community Registered Designs. Accordingly, R & M does not dispute that it has committed acts which amount to infringements of each of the Community Registered Designs unless Article 110(1) of the Community Designs Regulation applies. For the reasons given above, I consider that onus lies upon the Defendants to demonstrate that their acts fall within Article 110(1), rather upon BMW to show that they do not. It would not make any difference if the onus lay upon BMW, however. In my judgment, the Defendants' acts do not fall within Article 110(1) for the following reasons.
78. *Dependency.* For the reasons given above, I have concluded that Article 110(1) only applies to component parts of a complex product "upon whose appearance the protected design is dependent" in the words of recital (13). In other words, Article 110(1) enables the replacement of parts which "must match" the overall design of the product. The purpose of this is to ensure that the original equipment manufacturer cannot monopolise the aftermarket where the owner of the product has no realistic alternative to replacing the part with one of the same design if the original part becomes damaged. In the case of a motor car, this means parts such as body panels, bumpers and windows. In my judgment the designs of alloy wheels of the kind in issue are not dependent on the appearance of the car, because it is clear from the evidence that replacement of wheels of one design with wheels of a different design is a perfectly realistic option.
79. Counsel for the Defendants relied upon evidence that BMW designs its alloy wheels with the overall appearance of the car in mind. This does not get the Defendants home, however. As Mr Hurst explained, BMW markets three different categories of alloy wheels: factory standard, factory up-grade and retro-fit accessories. When a customer purchases a new BMW car, they will have a certain range of alloy wheels to choose from, depending on the model of the car. The cost of some of these will be

included in the standard price for that particular model: they are the factory standard wheels. Other designs will cost more: these are the factory upgrades. In addition, further designs are available as retro-fit accessories. If a customer wishes to purchase these for fitting to a new car, the car will arrive at the dealer with factory wheels, and the dealer will replace the factory wheels with the retro-fit set. The customer may take the factory wheels home, or more usually, part-exchange them for the retro-fit wheels. Retro-fit wheels are also sold to customers who already have a BMW car.

80. There is no dispute that BMW aims to market wheel designs that are sympathetic to the design of each model of car, although Mr Hurst's evidence was that BMW maintains tighter control over which wheels are sold for which models in the case of the BMW M Series and MINI Cooper Works GP than in other cases. Nevertheless, it is clear that BMW markets a range of different wheel designs as being suitable for each model. Furthermore, some designs are marketed by BMW as being suitable for more than one model. Still further, R & M sells its replicas as being suitable for multiple models (and in the case of the MINI replica wheels in issue, as being suitable for different makes of car altogether). Thus customers are not restricted to a particular design of wheel for each model of car.
81. Counsel for the Defendants also relied on the fact that each wheel was intended to match the appearance of the other three wheels. This is immaterial. A set of four wheels is not a complex product within the definition in Article 3(c) of the Community Designs Regulation.
82. *Purpose.* For the reasons given above, I have concluded that the Article 110(1) only applies where the component part in issue is normally used for repairing the complex part. I find that the replica wheels in issue are not normally used for the purposes of repairing cars, but rather for the purposes of upgrading them. There are a number of pieces of evidence which support this conclusion, including the following.
83. First, R & M's invoices show that most of the wheels are sold in sets of four: either four the same or two pairs (i.e. front and back). Very few indeed are sold singly or in pairs. I accept that the price differential is such that some customers might decide to replace one damaged BMW wheel with four replica wheels supplied by R & M, but there is no reliable evidence that this does in fact happen on any significant scale. As Mr Hurst observed, a customer who was too cost-conscious to purchase a single BMW wheel would probably be too cost-conscious to replace three BMW wheels which did not need to be replaced with replicas. As Mr Gross accepted, it is common for customers who have to replace one wheel because it is damaged to upgrade all four wheels while they are at it.
84. Secondly, R & M do not sell replicas of BMW's factory standard wheels, but only larger designs. Thus the factory standard diameter wheels for the BMW 1 series and 3 series are 16" and 17" respectively, whereas the replicas are all 18" or 19" wheels. Similarly, the factory standard wheels for the MINI are 15" or 16", whereas the replicas sold by R & M are 17". It was Mr Hurst's evidence that BMW customers would often spend over £2,000 adding one inch to the diameter of their alloy wheels, because of the effect this had on the appearance and prestige of the car. It is clear that R & M have been tapping into this market.

85. Thirdly, the differences between the R & M replicas and the corresponding BMW wheels do not end with the diameter. There are also differences in the width of the wheel (and hence the tyre) and the offset (i.e. the distance between the transverse centreline of the wheel in plan and the plane of the hub-mounting surface), as set out in the following table with the differences in red:

<i>RCD No.</i>	<i>BMW Ref.</i>	<i>BMW Specification</i>	<i>R&M Ref. and Specification</i>
304274-0006	172M	Front: 19 x 8.5, offset 18 Rear: 19 x 9.5, offset 32	M61 : 19 x 8.5, offset 20mm T61 ET20: 18 x 8.5, offset 20 T61 ET25 : 19 x 9.5, offset 25
032438-0004	135M	Front: 18 x 8, offset 47 Rear: 18 x 8.5, offset 50	M10 ET35 : 18 x 8, offset 35 M10 ET47 : 18 x 8, offset 47 No 18 x 8.5 rear wheel offered
609458-0006	220M	Front: 19 x 8.5, offset 29 Rear: 19 x 9.5, offset 23	New M3 E90 Style Front: 19 x 8.5, offset 38 Rear: 19 x 9.5, offset 25
936281-0005	R113	18 x 7, offset 52	Mini R113 Style 17 x 7, offset 42

86. Fourthly, a considerable majority of R & M's sales prior to receiving the letter before action included logo stickers for attaching to the wheels (see further below). There would be no need for such logo stickers where a damaged wheel was being replaced.
87. *Original appearance.* For the reasons given above, I have concluded that Article 110(1) only applies where the complex product is being restored to its original appearance as supplied by the manufacturer or its authorised dealer. For the reasons given above, this is not what R & M's replica wheels are normally used for. Instead they are used to improve the appearance of the car.
88. *Conclusion.* I therefore conclude that R & M has infringed each of the Community Registered Designs.

BMW's Community Trade Marks

89. BMW alleges infringement of five Community Trade Marks of which it is the registered proprietor ("the Community Trade Marks"). The first is Community Trade Mark No. 000091835 for the letters BMW registered as of 1 April 1996 for *inter alia* "vehicles and parts therefor; ... automobile accessories, namely ... decorative trimmings and stripes" in Class 12.
90. The second is Community Trade Mark No. 000091884 for the following device registered as of 1 April 1996 for *inter alia* "vehicles and parts therefor; ... automobile accessories, namely ... decorative trimmings and stripes" in Class 12:



91. The third is Community Trade Mark No. 000302406 for the word MINI registered as of 19 June 1996 for *inter alia* “badges, emblems, signs and nameplates; all made wholly or principally of common metals or of alloys thereof; all being parts, components or accessories for automobiles” in Class 6 and goods in Class 7.
92. The fourth is Community Trade Mark No. 004319844 for the following device registered as of 2 March 2005 for *inter alia alia* “vehicles and parts therefor; ... automobile accessories, namely ... decorative trimmings and stripes” in Class 12:



93. The fifth is International Trade Mark (CTM) No. 0945064 for the following device registered as of 2 November 2007 for *inter alia alia* “motor vehicles and parts therefore included in this class” in Class 12:



BMW's claim for infringement of the Community Trade Marks

The legal context

94. Council Regulation 207/2009/EC of 26 February 2009 on the Community trade mark (codified version) (“the CTM Regulation”) includes the following provisions:

“Article 9

Rights conferred by a Community trade mark

1. A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
 - (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
 - (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark;

...

Article 12

Limitation of the effects of a Community trade mark

A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade:

...

- (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;
- (c) the trade mark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts,

provided he uses them in accordance with honest practices in industrial or commercial matters.

Article 13

Exhaustion of the rights conferred by a Community trade mark

1. A Community trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community 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. These provisions are implemented in the UK by sections 10(1),(2), 11(2)(b),(c) and 12 of the Trade Marks Act 1994. Corresponding provisions are contained in Articles 5(1)(a),(b), 6(1)(b),(c) and 7 of European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) (“the Trade Marks Directive”).

Infringement under Article 9(1)(a): the law

96. I reviewed the law with respect to infringement under Article 5(1)(a) of the Trade Marks Directive, which corresponds to Article 9(1)(a) of the CTM Regulation, at length in *DataCard Corp v Eagle Technologies Ltd* [2011] EWHC 244 (Pat), [2012] BusLR 160 at [245]-[271].

Infringement under Article 9(1)(b): the law

97. I reviewed the law with respect to infringement under Article 5(1)(b) of the Trade Marks Directive, which corresponds to Article 9(1)(b) of the CTM Regulation, at length in *DataCard v Eagle* at [272]-[289] and again more briefly in *Red Bull GmbH v Sun Mark Ltd* [2012] EHCW 1929 (Ch) at [71]-[78].

Defence under Article 12(b) and (c): the law

98. I reviewed the law with respect to Article 6(1)(b) of the Trade Marks Directive, corresponding to Article 12(b) of the CTM Regulation, in *Samuel Smith Old Brewery (Tadcaster) v Lee* [2011] EWHC 1879 (Ch), [2012] FSR 7 at [111]-[120].
99. I review the law with respect to Article 6(1)(c) of the Trade Marks Directive, corresponding to Article 12(c) of the CTM Regulation, in *DataCard v Eagle* at [296]-[299].

Defence under Article 13: the law

100. The law with regard to Article 7 of of the Trade Marks Directive, corresponding to Article 13 of the CTM Regulation, has recently been reviewed by the Supreme Court in *Oracle America Inc v M-Tech Data Ltd* [2012] UKSC 27 at [15]-[23].

The present case

101. BMW complains about two different types of alleged infringements of the Community Trade Marks by R & M.

102. *Logo stickers.* As noted above, prior to 22 June 2011, in the considerable majority of cases R & M supplied together with the replica wheels which it sold adhesive stickers for attaching to the wheels. These stickers reproduced the logos which form BMW's second, fourth and fifth Community Trade Marks. The roundel is for fixing to the central hub of the wheel, and the stripes stickers are put on the rim.
103. BMW contends that the supply of such stickers amounted to an infringement under Article 9(1)(a) of the CTM Regulation. It should be noted in this regard that, although the Community Trade Marks are registered in respect of "decorative trimmings and stripes", the case was argued by reference to the registration in respect of "vehicles and parts therefor", which covers wheels.
104. There is no dispute that the first to fourth conditions for infringement under Article 9(1)(a) are satisfied. Counsel for the Defendants submitted that the fifth condition (use in relation to identical goods) was not satisfied. He did not dispute that wheels were identical goods. As I understood his argument, it was that *R & M* did not use the signs in relation to wheels, rather the *end users* did. I do not accept that argument. In my judgment R & M used the signs by supplying stickers bearing the signs together with wheels to which they were to be affixed. If the stickers had already been affixed to the wheels, there could be no dispute that R & M used the signs in relation to the wheels. It makes no difference that the stickers were supplied separately.
105. More significantly, counsel for the Defendants submitted that the sixth condition (use which affects or liable to affect one of the functions of the trade mark) was not satisfied. The only function relied on by counsel for BMW was the origin function. So far as that is concerned, counsel for the Defendants accepted, in accordance with the analysis in *DataCard v Eagle*, that the onus lay upon the Defendants to show that there was no possibility of confusion on the part of the average consumer as to the origin of the goods in question. He argued that this was the case, because (i) purchasers of the wheels would know that they did not emanate from BMW and (ii) subsequent purchasers of the vehicle to which wheels bearing the stickers were fitted would not take the stickers to denote the origin of the wheels, but rather the origin of the car.
106. I do not accept those arguments. So far as the first is concerned, R & M supplies replica wheels and stickers to garages. It is common ground that the garages will not be confused, but what about the end users? R & M rely upon the garages drawing it to the attention of the end users that the wheels do not emanate from BMW. There is no evidence that R & M itself takes any steps to ensure that this happens. While many garages would do so, and many consumers would realise this anyway e.g. from the price, there is no guarantee that this will happen in all cases. Accordingly, I do not consider that R & M has established that there is no possibility of confusion flowing from its use of the signs.
107. As to the second, even if one assumes that none of the immediate end users are confused as to the source of the wheels, it seems to me that there is a real likelihood of subsequent purchasers of cars to which wheels bearing the stickers are fitted being confused. Seeing wheels of BMW's design bearing BMW logos, they will naturally assume that the wheels are genuine BMW wheels. I do not accept that such consumers will think that the logos merely refer to the make of the car and not to the make of the wheels. In *DataCard v Eagle* I held at [277]-[289] that such post-sale

confusion could be relied upon as demonstrating the existence of a likelihood of confusion for the purposes of Article 5(1)(b) of the Directive (Article 9(1)(b) of the Regulation). The position is even clearer when it comes to Article 5(1)(a) and Article 9(1)(a) of the Regulation: see Case C-206/01 *Arsenal Football Club plc v Reed* [2002] ECR I-10273 at [57] and Case C-245/02 *Anheuser-Busch Inc v Budejovicky Budvar NP* [2000] ECR I-10989 at [90].

108. Counsel for the Defendants relied upon evidence that stickers of the kind in issue were readily available on the internet. I fail to see the relevance of this.
109. *eBay store*. R & M operates an eBay store called “Alloy wheel shop”. BMW complains about certain listings which appeared on the relevant webpages which it alleges infringe the first and third Community Trade Marks. First, BMW complains about two listings of “18” BMW parallel wheels”. By contrast, BMW does not complain of other listings which include the word “style”. Secondly, BMW complains of a photograph of a wheel bearing the word MINI, although it does not complain of the wording of the listing, which refers to “17” MINI mesh style wheels”.
110. The first question is whether R & M in fact committed the acts alleged. Rede Digital Ltd (“RDL”) formerly carried on the main part of the business about which BMW complains. RDL ceased trading on 1 March 2011 and its business was taken over by R&M on that date. (RDL has since gone into liquidation.) The particular screengrabs relied on by BMW date from sometime in February 2011, that is to say, during the period when the eBay store was operated by RDL. Mr Gross accepted that R & M took over the operation of the eBay store on 1 March 2011. There is no evidence that R & M made any relevant changes to the website on that date. While I accept that listings on eBay are by their nature likely to come and go over time, I consider that it is probable that the listings in question were still being displayed on 1 March 2011.
111. In the case of the uses of BMW complained of, there is no dispute that the first five conditions for infringement under Article 9(1)(a) are satisfied. Counsel for the Defendants disputed that the sixth condition was satisfied. Again, counsel for BMW only relied on damage to the origin function. In my judgment the Defendants have not demonstrated that there is no possibility that the average consumer will be confused. On the contrary, I consider that there is a real likelihood of confusion, since the manner of use is such to give the impression that the wheels in question are genuine BMW wheels. In this regard, it may be noted that R & M does in fact sell some genuine BMW wheels from time to time. Thus I do not accept the argument of counsel for the Defendants that the context of the use would prevent any confusion occurring.
112. Although the case was argued on the basis that the first five conditions were also satisfied in relation to the use of MINI complained of, I cannot overlook the fact that the fifth condition is not satisfied since the goods are not identical to those covered by the third Community Trade Mark. The goods are similar, however. Thus the question is whether BMW has established a likelihood of confusion within Article 9(1)(b). Given the acquired distinctive character of the trade mark and the fact that the sign is identical, I consider that the use of the sign in the photograph will give rise to a likelihood of confusion. I accept that the context of the use is to be taken into account, and that the accompanying text is not confusing. I do not consider that the text would be sufficient to dispel the likelihood of confusion, however.

113. Turning to the defences, Article 12(c) is the relevant provision for use in relation to spare parts. If R & M does not have a defence under Article 12(c), I cannot see that Article 12(b) can assist it. In my judgment Article 12(c) does not apply since R & M's use of the signs in question is not necessary to indicate the intended purpose of the wheels as that requirement was interpreted by the CJEU in Case C-228/03 *Gillette Co v LA-Laboratories Ltd OY* [2005] ECR I-2337 at [39]. That can be done by using wording such as "BMW style", of which BMW does not now complain. In any event, both defences depend upon R & M having acted in accordance with honest practices in industrial and commercial matters. This is not the case where there is a likelihood of confusion: see *Gillette v LA* at [42] and *DataCard v Eagle* at [347].
114. Finally, I am unable to understand how it can possibly be suggested that R & M has a defence under Article 13(1). This case has nothing to do with exhaustion of rights.
115. *Conclusion.* Accordingly, I conclude that R & M has infringed each of the Community Trade Marks.

Passing off

116. BMW's passing off claim relates to the logo stickers. There is no dispute that BMW has a substantial reputation in each of the logos. The issue is whether R & M's supply of the stickers gave rise to an actionable misrepresentation. Counsel for BMW argued that it did for the same reasons as discussed in paragraphs 106 and 107 above. Counsel for the Defendants disputed this. In my view this dispute involves a difficult area of the law of passing off, namely the doctrine of instruments of deception (see Wadlow, *The Law of Passing Off* (4th ed) at §§5-140 to 5-174), yet neither counsel even mentioned that doctrine or cited any of the relevant authorities. Since I have concluded that the acts in question infringe BMW's Community Trade Marks, it does not appear to me to be necessary to reach a conclusion on the passing off claim, and I prefer not to do so in the absence of full argument.

The counterclaims

117. Having regard to my conclusions on BMW's claims, it follows that R & M's counterclaims must be dismissed.

Conclusions

118. For the reasons given above, I conclude that R & M has infringed the Community Registered Designs and the Community Trade Marks and that Mr Gross is jointly liable for those infringements. R & M's counterclaims are dismissed.