

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (CH D)

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

Date: 21st December 2017

Before :

Mr RECORDER DOUGLAS CAMPBELL QC
(sitting as a Judge of the High Court)

B E T W E E N:

- (1) **LIFESTYLE EQUITIES C.V**
(2) **LIFESTYLE LICENSING B.V**
(Each companies incorporated under the law of Netherlands)
Claimants

- and -

- (1) **SANTA MONICA POLO CLUB LIMITED**
(2) **AZIRE GROUP LIMITED**
(3) **CONTINENTAL SHELF 128 LIMITED t/a JUICE CORPORATION**
(4) **MR ZUBAIR MUKHTAR ALI**
(5) **MR KASHIF AHMED**
(7) **YOURS CLOTHING LIMITED t/a BAD RHINO**
(11) **HORNBY STREET LIMITED t/a JUICE CORPORATION**
(12) **MRS BUSHRA AHMED**
(13) **MO & A LIMITED t/a BE JEALOUS**
(14) **BIG CLOTHING4U LIMITED**
(15) **EON CLOTHING LIMITED**
(16) **SIZE BASE LIMITED**
Defendants

Michael Edenborough QC and Thomas St Quintin (instructed by Brandsmiths) for the
Claimants

Michael Hicks and Nick Zweck (instructed by Pannone Corporate LLP) for the **Defendants**

Hearing dates: 23th – 25th October 2017

Judgment Approved

Mr Recorder Douglas Campbell QC:

Introduction

1. The First Claimant is the owner and the Second Claimant is the exclusive licensee of a number of EU and UK registered trade marks, including EU trade mark no. 005482484 (“the EU mark”) and UK registered trade mark no. 1259226 (“the UK mark”). These trade marks are each registered for a mark with the following appearance:¹



2. The EU mark is registered inter alia for “*Clothing, footwear, and headwear*” in class 25, pursuant to an application filed on 17 September 2004. The UK mark is registered for “*Articles of clothing; but not including footwear*” in class 25, pursuant to an application filed on 30 January 1986. The UK mark has a disclaimer as follows: “*Registration of this mark shall give no right to the exclusive use of the words ‘Polo Club’ and ‘Beverly Hills’*”.
3. Nothing turns on the difference between the Claimants and I will simply refer to “the Claimants” generally save where otherwise appears.
4. The Claimants opened the case, without objection by the Defendants, on the basis that the Defendants fell into 4 categories, as follows:
 - i) D1, D2, D3, and D11 (“the corporate Juice defendants”). Of these, D1 is a retailer; D2 holds the Defendants’ domain name; D3 holds some of the Defendants’ trade marks and land; and D11 is the wholesaler of the alleged infringing goods. D11 is much the most important in this group.
 - ii) D4, D5, and D12 (“the Juice directors”). D4 is the former director of D1 and D2; D5 is the current director of D3 and D11; D12 is another director of D11. D5 (“Mr Ahmed”) is much the most important in this group.
 - iii) D7, and D13 to D16 inclusive (“the third party retailers”). They were jointly represented along with both sets of Juice Defendants. Nothing turned on their involvement and they played very little role in the trial.

¹ The UK mark actually looks like a poor quality photocopy of this mark, but neither side suggested anything turned on this.

- iv) D6, D8, D9, D10, D17, and D18. These Defendants had all settled with the Claimants and played no part in the trial.

After this judgment was circulated in draft the Defendants sought to expand this to 6 categories of Defendants. In particular they sought to divide paragraph (i) into D1 and D2 (“the SMPC Defendants”), and D3 and D11 (“the Juice Defendants”); and to divide paragraph (ii) into D4 (“SMPC Director”) and D5 and D12 (“Juice Directors”). However it became apparent that the only purpose of this exercise was simply to ensure that the liability of D1, D2, and D3 *as joint tortfeasors* is decided at the separate hearing mentioned in paragraph [11] below. Since that is what is going to happen anyway, there is no need to make this expansion.

- 5. I will refer to “the Defendants” generally, meaning those Defendants in the first 3 categories, save where otherwise appears. This is done for convenience and is not to be taken to be a decision on the involvement of any individual Defendant except where the contrary is made clear.
- 6. There are six issues in this action, namely:
 - i) Infringement of the EU and UK marks pursuant to s 10(2) of the Trade Marks Act 1994 (“the Act”)/Art 5(1)(b) of the Trade Mark Directive, 2008/95/EC (“the Directive”); and Article 9(2)(b) of Regulation 207/2009, as amended by Regulation 2015/2424, which since 1 October 2017 has been codified by Regulation 2017/1001 (“the Regulation”) respectively.
 - ii) Infringement of the EU and UK marks pursuant to s 10(3) of the Act/Art 5(2) of the Directive/Art 9(2)(c) of the Regulation.
 - iii) Passing off.
 - iv) Breach of contract by D3 or D11.
 - v) Procuring of that breach of contract by D5.
 - vi) D11’s counterclaim for unjustified threats of trade mark infringement.
- 7. The Claimants allege that the marks have been infringed by the Defendants’ dealings in goods bearing a number of logos, each of which signs contains the name “SANTA MONICA POLO CLUB” and a representation of at least one polo player, with a raised stick, on a pony, which is shown side on and running. The Re-Amended Particulars of Claim showed 6 examples of this.
- 8. The Claimants do not complain about the use of the name “SANTA MONICA POLO CLUB” alone. However when I asked the Claimants about this, they made it clear that they made no concession about whether the use of that name alone would infringe. They simply meant what they said, ie that their complaint was about various logos. Moreover they still relied on the use of that name insofar as it formed part of the logos complained of.

9. The Defendants pointed out that they had used a number of other signs which fell within the scope of the description set out in paragraph [7]. They produced a Schedule thereof, which I reproduce at Annex 1. I infer that this was done by the Defendants in order to demonstrate the full width of what the Defendants perceived the Claimants' case to be. The Defendants asked the Claimants to say whether these signs all infringed the marks in issue, and upon the Claimants saying that in their view all of the Defendants' signs infringed such marks the Defendants then asked me to determine infringement with respect to every sign in their Schedule. The Claimants did not disagree with this approach. I will refer to the Defendants' logos collectively as "the SMPC brand", save where it is necessary to be more specific.
10. Since all of these marks are now in issue, albeit somewhat artificially, I will do so. However I made it clear to the Defendants that the amount of individualised attention given to each of the signs in the Schedule would be in proportion to the amount of individualised argument which was advanced in relation to each sign. In the event, most of the argument was focussed on the first 3 signs in the Schedule and only a few of the others were mentioned. Indeed, as the Claimants pointed out, a number of the signs in the Defendants' schedule did not even appear to have been used by the Defendants. They merely appeared in the Defendants' internal records as proposals.
11. By Order of Arnold J dated 3 April 2017, this is a split trial whereby this trial will determine all issues of liability save in respect of allegations of joint and several liability of the Defendants. This includes the position of D1, D2, and D3 as joint tortfeasors, it being admitted that D1 is liable for the goods which it sold as a retailer. A second trial will deal with any remaining allegations of joint and several liability and with quantum.

The witnesses

The Claimants' witnesses

12. On behalf of the Claimants I heard oral evidence from Mr Eli Haddad, CEO of the Claimants; Mr Earl Jacobs, who has (via a number of companies) been one of the main licensees under the Claimants' marks since 1993; and Mr Marc Ball, who has been a consultant and sales agent for the Claimants in the UK since 2015.
13. Mr Haddad gave evidence about the history and development of the Beverly Hills Polo Club brand ("the BHPC brand"). He explained that it is exploited worldwide by 4 groups. The Claimants are the smallest of these 4 groups. The others are BHPC Associates LLC, owned by Mr Haddad's brother, which has rights in the United States; Young Sangyo Co Ltd, which has rights in Japan; and another company called Wah Sing which has rights in China. Mr Haddad drew attention to an entry in License Global magazine for 2017 which estimated that the brand had \$1.7 billion of retail sales worldwide. He also exhibited a confidential schedule of retail sales made under the brand in Europe, which had been prepared by his son Daniel.

14. The Defendants criticised Mr Haddad for putting forward the \$1.7 billion global figure, and they did so for two reasons. First, they said it was pure hype. Secondly, they said his evidence was inconsistent as to whether the correct figure was \$1.7 billion or “over \$100m (USD)” per annum. I do not think that either of these criticisms is a reason to reject Mr Haddad’s evidence. The global figure was only ever put forward as an estimate, and Mr Haddad gave an explanation of how the estimate was arrived at. The precise amount does not matter anyway. The second criticism is simply wrong: see paragraph [13] of Mr Haddad’s first witness statement. The Defendants also criticised his schedule, but only one very minor error was identified (namely the precise amount of socks sold under the BHPC brand in Belgium in the fourth quarter of 2010) and this makes no difference overall. I found Mr Haddad to be a good witness.
15. Mr Jacobs was an engaging witness who gave detailed evidence about how the Claimant’s marks had been exploited in the UK and EU. For instance he had done so since 2006 via Beverly Hills International Limited, of which he has been sole owner since 2011. He explained that most marketing activity in relation to the brand was carried out by his company’s customers, such as Matalan, Jacamo and Morrisons, although some marketing (eg by advertisements placed into in-flight magazines) was done by his company. He gave evidence about sales of BHPC branded products to TK Maxx, which he believed had been damaged by sales of SMPC branded products to the same retailer. The Defendants accepted he was a good witness, and I agree.
16. Mr Ball has worked in the clothing industry for 20 years. He became a consultant, and sales agent, for the BHPC brand in the UK in 2015. He gave evidence about various dealings he had with Mr Jamie Bakehouse, the Buying Director at a multi-brand retailer called Blue Inc (UK) Limited (“Blue”). Blue has over 100 stores and sells over 20 brands. Mr Ball’s evidence was that Mr Bakehouse was confused into believing that the SMPC brand was the BHPC brand. I will deal with this issue below in more detail, about which he was robustly cross-examined. Having seen that cross-examination I am satisfied that Mr Ball was doing his best to assist the Court.

The Defendants’ witnesses

17. On behalf of the Defendants I heard oral evidence from Mr Ahmed; and from Mr Lewis Timmins, a Senior Designer employed by D11. Mr Ben Pearson, Managing Director of D14 and Mr David Preece, Company Secretary of D7, gave written witness statements which were not challenged and they were not required to attend for cross-examination.² Mr Keith Shadbolt, a Director of the 15th Defendant, gave a witness statement but was suffering from an illness and was unable to attend. His evidence was admitted under a Civil Evidence Act notice which was not opposed. The Claimants did not accept what Mr Shadbolt had said about certain invoices, but this was a minor point.

² A Civil Evidence Act Notice was also served in respect of Mr Pearson, before it became clear that his evidence was in any event unchallenged.

18. Mr Ahmed's evidence covered the creation of the SMPC brand in 2006. He said he did not have a detailed recollection of what exactly took place then, although he did give some evidence about its creation and also exhibited some emails from that time. He also gave evidence about the development of the SMPC brand to date, including details about sales (such as sales of SMPC branded products to TK Maxx) and marketing activities (both in the UK and Europe). He stressed what he believed to be a lack of confusion between the two brands in the market. He also dealt with his role in the breach of contract claim (issue (iv)).
19. Mr Ahmed was cross-examined on some of this evidence, but not on all of it. He was not challenged as regards the reasons for adopting any of the signs complained of, and it was not put to him that the Defendants had any improper motive for doing so.
20. He was challenged on his evidence as to when the Defendants actually started using the SMPC brand. In his second witness statement, served on 31 March 2017 in support of an application by the Defendants for interim injunction to restrain threats, he said that "*It is a matter of fact that the Santa Monica Polo Club brand has been on the market for 10 years*", and there were similar statements in his first witness statement. By the end of his cross-examination he accepted that (a) the SMPC mark was registered in 2006 (b) the brand was first shown to traders in June 2008 and (c) the brand was not made available to consumers until early 2009. Indeed the first specific date which I was shown was for wholesale sales, and that was 9th February 2009. The Defendants pointed out that his first two witness statements were made in the context of an interim application. If this is intended to mean that it was less important to be accurate in these statements then I disagree. In my view the statements Mr Ahmed made there were misleading, and he should have said what he eventually did say.
21. When Mr Ahmed was asked about his role in the contract claim, it became apparent that he had been evasive to the Claimants' solicitors about the precise Defendant on behalf of whom he had been acting at the time of the alleged contract. He continued to be evasive on this topic in his evidence before me, although he eventually admitted he had been acting on behalf of D11.
22. At the end of his cross-examination, Mr Ahmed was shown two decisions of this Court in which his evidence had been severely criticised. The first was **Tradition (UK) Limited v Ahmed and others** [2008] EWHC 2946 (Andrew Simmons QC), in which Mr Ahmed was the 3rd Defendant. The more recent one was **Ingram v Ahmed and others** [2016] EWHC 1536 (Ch), Proudman J, in which Mr Ahmed was the 2nd Defendant, and which Mr Ahmed said he was appealing. It is true that in both of these cases Mr Ahmed's credibility was seriously criticised but I did not find either of these cases to be helpful or relevant. They involved different facts.
23. In closing, the Claimants submitted that Mr Ahmed was not just opportunistic, in the sense of saying whatever suited his case, but had also pressured Mr Bakehouse into making false statements to the Defendants' solicitors. I reject

that. I found Mr Ahmed to be an unhelpful witness, who would never volunteer information or correct any misunderstandings if he thought that doing so would adversely affect his interests, but not a dishonest one.

24. Mr Timmins worked for D11 between 1 November 2010 and 18 November 2011, then left, then rejoined in May 2013. Although he is a designer, the only relevant design which he created was the 3-horse sign, which he did after this litigation commenced in June 2016. He was not asked about that. The rest of his evidence consisted of his investigations into when other people created the other designs in issue. This was more of a commentary on historical documentary materials than evidence as such, but I am grateful to Mr Timmins for his assistance.
25. Mr Pearson has worked in his current role as director of D14 since August 2015, and explained that D14 began buying SMPC branded goods in around December 2015. He had not previously heard of BHPC, and only became so aware on 28 February 2017.
26. Mr Preece explained that D7 began buying SMPC goods from D11 in July 2015. He first became aware of the BHPC brand on 10 August 2016.
27. Mr Shadbolt said that D15 began buying SMPC branded goods from D11 in March 2014. He had never heard of BHPC until 28 February 2017.
28. Each of these last three witnesses made the points (a) that their company had never sold BHPC branded goods, and (b) was never contacted by any customers expressing confusion between the two. The combination of these points means that their evidence does not go very far. If there was no side by side trading, as per (a), then it is not surprising that there never were any complaints of confusion, as per (b).

Mr Bakehouse

29. Neither side called Mr Bakehouse as a witness. It is true that the Defendants' solicitors at one point indicated an intention to call Mr Bakehouse as their witness, but they never did. Instead, Mr Ahmed exhibited a note of his solicitor's conversation with Mr Bakehouse during a telephone call on 28th September 2017. It was not disputed that the note was an accurate account of the telephone conversation in question.
30. The Claimants submitted that an inference should be drawn from the Defendants' failure to call Mr Bakehouse, citing the well-known case of **Wisniewski v Central Manchester Health Authority** [1998] PIQR 324: see in particular the principles set out at p 340 thereof. The Defendants retorted that the Claimants could have called Mr Bakehouse as well. Neither side gave me a reason for his absence.
31. I agree that both sides could have called Mr Bakehouse, and for this reason I do not propose to draw any inferences one way or the other for his unexplained absence from the trial. It is not as if Mr Bakehouse himself, or his company, was a party. I will simply evaluate the evidence which I do have: namely that of

Mr Ball, who was cross-examined at some length, and the documentary materials upon which Mr Ball relied.

The facts

The Claimants' use of the BHPC brand

32. Mr Haddad gave detailed evidence about sales in the UK and EU, promotion of the brand in the UK and EU, use of websites and social media, videos, look books, retail stores (eg BHPC branded goods were sold in 335 stores across Italy), magazine advertisements, trade shows, celebrity endorsement, and sponsorship. He also gave some evidence about marketing outside the EU, eg in the Middle East, India and Egypt which he believed would have come to the attention of UK and EU residents during travel to these countries. Much of this was not disputed.
33. Most of his cross-examination focussed on a document entitled "Master Royalty Report", and its accompanying summary. These set out retail sales of BHPC branded goods within the UK and EU, from 2006 to 2016, broken down by reference to the territory and to the goods in question. It was treated as confidential during the trial, although much of the material (particularly from the earlier years) is now out of date. Mr Haddad stressed that it had been "meticulously prepared" by his son, and wherever there was scope for debate the Claimants had taken a conservative view. For instance he said that it excluded some substantial sales made to a company called USC, because the Claimants are currently in litigation against USC and this meant that "we cannot report their sales honestly because we do not know what their sales were". It also left out sales prior to 2006, although it was clear on the evidence that there had been such sales – indeed, sales actually started as long ago as 1993.
34. This document used royalties paid by licensees to calculate the licensees' gross sales (this being the basis on which royalties were charged) then applied a multiplier of 2.5 to the licensee's gross sales in order to estimate the value of retail sales. The multiplier of 2.5 was not disputed and if anything is an underestimate, given that Mr Ahmed used a multiplier of 3 in his own evidence. I will use the calculated retail prices, which are all expressed in US dollars. (Most of the licensees reported and paid royalties in euros, but these were converted into US dollars at the end of each calendar year). There were a number of instances in 2006-2008 where it was not possible to identify a country or a product, so these were put in a separate category. Mr Jacobs (who was the only licensee in this period) confirmed that the entries for these years all related to sales made in the EU.
35. I find that the figures in this schedule are accurate and reliable. I do not propose to set out all of these figures in this judgment. I will simply set out a few figures by way of background and then return to the detail where necessary.
36. In 2006, about \$390k worth of BHPC branded goods were sold in the UK, of which \$350k was attributable to luggage. The rest consisted of cosmetics, gifts, and leather goods but did not include any clothing. No sales were specifically attributable to any other European country.

37. In 2007, nearly \$6.5m worth of BHPC branded goods were sold in the UK. About \$3.7m was still due to luggage, but \$410k was due to underwear. There were also some sales of underwear in other EU countries: \$85k in France, \$170k in Germany, and \$57k in the Czech Republic.
38. In 2008, about \$4.8m worth of BHPC branded goods were sold in the UK, \$1.4m of which was due to underwear with luggage remaining commercially important at \$2.4m. Sales of underwear in other EU countries included \$443k of sales in Germany, \$19k of sales in Ireland, and \$3k of sales in France.
39. The Defendants conceded that by the first quarter of 2008 there was sufficient goodwill for a passing off case in the UK: see T3/66₂₃₋₆₇₃.
40. Taking the entire period for which figures are available (ie from 2006 to 2016), about \$12.3m worth of BHPC branded underwear were sold in the UK, and also \$2.2m worth of BHPC branded menswear. There was annual variation but the lowest total sales figure for any single year in the UK appears to be about \$750k. Over the same period, over \$20m worth of BHPC branded luggage was sold in the UK. These figures are all based on the 2.5 multiplier, rather than Mr Ahmed's figure of 3: using the figure of 3 would increase them all by 20%.
41. The figures for other EU states show considerable variation from year to year over the period, but what stands out is the very high level of BHPC branded goods sales achieved in Italy since 2010. In that year alone nearly \$3m worth of branded clothing was sold (split across kidswear, menswear, and womenswear), and over \$45m worth of branded clothing was sold from 2010 to 2016 inclusive. Other sales in Italy over this period are identified as footwear (\$24m), "back to school" (\$1.5m), and beachwear (\$900k).
42. Other notable entries on the table are Belgium, where \$3.7m worth of BHPC branded socks were sold over the period (mostly in 2010-2011), along with \$1.7m worth of luggage; and Germany, where nearly \$1.6m worth of BHPC branded underwear and \$1.5m worth of luggage was sold over the period 2007-2016. In addition to the countries I have already mentioned there were also sales of branded underwear in each of Denmark (\$28k, along with \$2.3m worth of luggage), Czech Republic (\$56k, along with \$76k of luggage), Poland (\$46k), and Romania (\$64k).
43. There were also substantial sales of luggage to other EU states over the relevant period, although there was a lot of year to year variation. For instance \$1.5m worth of luggage was sold in France and \$2.7m in Slovakia. There were sales of other items as well, eg jewellery, watches, and accessories.
44. Mr Haddad said that licensees were required to spend 2% of their net sales on marketing, but that some licensees would spend more. This specific evidence was disputed in cross-examination, but the Defendants did not suggest to Mr Haddad that the figures spent on marketing the BHPC brand were insubstantial.

The place of BHPC's brand in the market

45. There was some evidence about where the BHPC brand was placed in the clothing market in terms of quality.
46. Mr Haddad rejected the Defendants' suggestion that it was a low-cost brand selling to discount shops and other low-cost retailers. He said BHPC was positioned for the upper/middle end of the market, and said that Debenhams would be the ideal customer. He also said that BHPC did not compete against upper-scale brands like Ralph Lauren. His example of Ralph Lauren is important because, as both sides agreed, Ralph Lauren's POLO brand was well known for clothing. It was put to Mr Haddad in cross-examination that some BHPC branded goods were sold by Sports Direct, but he made it clear that any such sales were not permitted by BHPC; and I was not shown any evidence about how many such sales had been made. I accept Mr Haddad's evidence about this.
47. Mr Ball put it more colloquially when trying to interest third parties in taking on the BHPC brand. In this context he said that BHPC was "Ralph at a price". Mr Haddad disagreed with the tone of that comment, but I do not think it is a difference of substance. It was merely Mr Ball's way of making a similar point.
48. Mr Jacobs did not accept that Matalan was a "down and dirty" retailer. He said they were "middle and upper middle", with a lot of good brands such as Pringle. Similarly some product was sold to Littlewoods, which he described as middle/upper market. Some product had ended up with Jacamo, a value retailer, but the Claimants had stopped supplying the company which sold them on to Jacamo. Some sales had been made to Morrison, which was a supermarket rather than a specialist retailer, but not recently and this was because Mr Haddad had put a stop to it. In short, BHPC goods were normally sold and were intended to be sold in mid market outlets and above; and although they were sometimes to be found in lower priced outlets this was neither normal nor intended. This evidence is consistent with the evidence of Mr Haddad and Mr Ball as regards the market position of the BHPC brand.
49. It was not disputed that the relevant market was a large one. A PwC report estimated that the UK clothing, footwear and accessories market was estimated at nearly £50 billion in 2014, with the "premium lifestyle" segment (defined to mean those with a strong brand ethos that could be stretched across multiple product categories and channels) being worth about £2.7 billion in the same year. The EU equivalent figures were not in evidence, but are likely to be significantly higher still.

Creation of the Defendants' logos

50. Mr Ahmed's evidence was that in 2006 he wanted to create a mid market volume urban polo fashion brand, which was more "street" and "loud and proud" than Ralph Lauren's brand. He said he got the idea for the name from the Santa Barbara Polo and Racquet club, and that he could not be sure when he became aware of the Claimants' brand. As I have said, none of this evidence was challenged and I accept it.

51. The dates of creation are all set out in Annex 1. None of them was disputed either. It should be noted that the first group of logos (all with a single horse) were all created in around May 2008. There were many subsequent variants containing a single horse, going up to 2015. The two-horse logos were originally created for the Spring/Summer 2012 book, with a few variants thereafter (eg 2 in the Autumn/Winter 2013 book). It will be noted that (as Mr Timmins accepted) all of these two-horse logos actually use the same horse image, with the second horse being a mirror reflection of the first.
52. The three-horse logo was created in June 2016 and launched on the market by 20th September 2016, in response to the issue of these proceedings.

The Defendants' use of the SMPC brand

53. Mr Ahmed set out details of the Defendants' use of their brand, which included marketing across a range of media and formats. This showed that wholesale sales of SMPC branded goods (mainly clothing such as polo shirts, sweatshirts, jackets, underwear, socks, etc and footwear) rose from a value of just over £150k in the year ending 30 June 2009 to about £1.4m in the year ending 30 June 2017. Approximate values for retail sales can be obtained on the same basis as the Claimants' figures by multiplying these figures by the same factor of 2.5.
54. The SMPC brand was much more firmly aimed at the value end of the market than the BHPC brand, as is apparent from the SMPC advertising and marketing materials which the Claimants showed me. However there was some overlap in their customers, and in particular at TK Maxx.

The parties' sales to TK Maxx

55. Mr Jacobs said that his company had supplied TK Maxx with BHPC branded underwear on what was almost a monthly basis from January 2013 to July 2016, at which point they stopped for seven months until resuming in March 2017.
56. The Defendants' evidence on this was unhelpful. They had produced a schedule of their sales of SMPC branded goods to TK Maxx, but had chosen to redact all of the order quantities and prices. All one could see was when the orders were made. However it was apparent even from the Defendants' redacted schedule, and I find, that the bulk of these orders were delivered to TK Maxx after 1st July 2016 – ie, at exactly the time when Mr Jacobs noticed that TK Maxx stopped ordering BHPC branded goods from the Claimant. In fact there was a similar but smaller blip in 2013 as well, which also coincided with a drop in Mr Jacobs' sales.
57. I have no evidence from TK Maxx themselves as to why this happened.

Mr Bakehouse

58. Mr Ball became a consultant and sales agent for BHPC in the UK in 2015. He had known Mr Jamie Bakehouse since early 2000 and sent him a series of emails on 1 June 2016 in an attempt to interest him in the BHPC brand. The

first 2 emails of the day were designed to attract Mr Bakehouse's attention but did not mention the BHPC brand. Once Mr Bakehouse had responded, Mr Ball sent him a further email at 13.37 on the same day. This contained the text "Beverly Hills Polo Club" in the subject field, and in the first line of the content. The email had 5 attachments in which the registered mark (ie the logo) was used, notably in an attachment called JamieLetter.pdf. It also contained links to 3 YouTube videos in which the mark was used.

59. Mr Bakehouse responded to this email at 18.30 on the same day, after a chaser from Mr Ball at 17.18. His reply read "*Hi Marc, Hope you're well. I'm afraid we've tried this brand before from Juice and it didn't work for us so we'll leave this. But always open for other discussions. Regards, J. Sent from my iPhone*". It was not seriously disputed that this reference to Juice can only have been a reference to the Defendants in this case (and most likely, to D11).
60. The next morning, Mr Ball replied to Mr Bakehouse saying "*Jamie, thats the Santa Monica club thing, awful cheap rip of our brand*" [sic]. Mr Bakehouse replied saying "*You're right, but actually that look just isn't right for our boy. Product looks great for another retailer though*".
61. Mr Ball and Mr Bakehouse subsequently met on Friday 3 June 2016, for around one and a half hours. Mr Ball said that the meeting started with an apology from Mr Bakehouse who was embarrassed for confusing the two brands. He said that the meeting ended on a positive note, although it did not actually lead to anything.
62. Mr Bakehouse gave a telephone interview to the Defendants' solicitors on 28 September 2016. In it he said, *inter alia*:
 - i) That he had been purchasing from Juice for 6 to 7 years;
 - ii) That Juice's Santa Monica polo product did not work for his company;
 - iii) That "*I can see why people would interpret confusion from my email. I wasn't confused. I know of Beverly Hills – they are quite a famous brand, and I have bought the Santa Monica Polo Club brand. I am aware that they are different. I had meant that we had previously bought polo brands and they hadn't worked for us*".
 - iv) "*Marc sent a pack of Beverly Hills products to me. I am unsure whether I had looked at them at the time of sending the mail*".
63. I would have been assisted by evidence from Mr Bakehouse himself, but there is none and both sides have urged me to make findings of fact on the basis of the evidence which I do have. I will now do so, as follows.
 - i) First, I have the contemporaneous communications which I have summarised above. These are all relatively clear and show that Mr Bakehouse was confused into believing that Mr Ball's email referred to the Defendants' products.

- ii) Secondly, Mr Ball's account of events was unshaken in cross-examination and I have no reason to reject it. I particularly bear in mind his evidence about the follow-up meeting.
 - iii) Thirdly, I am not convinced by Mr Bakehouse's reported explanation of his email as merely meaning that he had previously bought unspecified polo brands before and they had not worked. This is on the grounds that (a) it is not what he said in his first email, which specifically referred to "*this brand ... from Juice*" (b) it is not consistent with his second email either, where he said "*you're right*".
 - iv) On the basis of the above, I find that Mr Bakehouse was confused by something in the material which Mr Ball sent to him. In particular, he was confused into believing that the Claimants' BHPC brand was in fact the Defendant's SMPC brand. It is not possible to conclude whether his confusion arose from the words, from the logo, or both. It cannot have been the Defendants' three-horse logo because it had not been used on the market by June 2016. I suspect that imperfect recollection played a part.
 - v) I reject the Defendants' speculative argument, made by way of submission rather than evidence, that Mr Bakehouse was not (or should not have been) confused because he should have been able to deduce that Mr Ball was talking about someone other than the Defendants if he had read the materials carefully.
 - vi) I also note Mr Bakehouse's acceptance that BHPC was "*quite a famous brand*": cf Mr Pearson, Mr Preece, and Mr Shadbolt.
64. It is not necessary for me to make any findings about whether Mr Bakehouse was being untruthful in his telephone conversation to the Defendants' solicitors on 28 September and I do not do so. Quite apart from anything else, that conversation took place 3 months after the events of June and Mr Bakehouse had no particular reason to remember these things as clearly as Mr Ball did. I specifically reject the Claimants' allegation that Mr Ahmed pressurised Mr Bakehouse into lying during that conversation. There is no evidence at all to support this.
65. Mr Bakehouse's type of confusion, whereby the proprietor is mistaken for the infringer, is sometimes called "wrong way round" confusion by trade mark lawyers, since the legal test for infringement depends on comparing the Defendant's sign to the mark as registered (ie the opposite comparison). I will deal with its significance below.

The contract

66. The Claimants rely on a chain of correspondence between their trade mark agents, Novagraaf, and the Defendants in 2014. The first letter was a conventional letter before action sent by Novagraaf on 28 March 2014 complaining of the use of the SMPC logo on a pair of socks. It required the

Defendants to give undertakings, including one not to use any trade mark confusingly similar to the BHPC logo.

67. There were further communications between the parties dated 11 April 2014, 8 May 2014, 16 May 2014, 20 May 2014, and 13 June 2014. These show that the Defendants were willing in principle to undertake not to use the logo complained of, ie the SMPC logo as it appeared on the socks: see the Defendants' email of 11 April. The Claimants pressed for details of sales and stocks: see their emails of 8 and 20 May. The Defendants did not give that information, so the Claimants chased them on 13 June.
68. On 2 July 2014 Mr Ahmed responded; and as he eventually admitted in cross-examination, he did so on behalf of D11 rather than D3 or anyone else. The key passage is this:

“On a no admission of liability basis, simply as a means of providing a litigation free solution, we confirm we will not produce any further product containing the logo to which your client has raised objection and this undertaking has been put in writing in previous correspondence as a result of which no further undertakings are required”.

Mr Ahmed did not give any details of sales or stocks, save by saying *“We can confirm that there was very little quantity of product produced which would negate the commerciality of your client proceeding to litigate on this issue”*. So this email of 2 July 2014 was a counter-offer, not an acceptance of the Claimant's offer.

69. There was no response to this from the Claimants.
70. The Claimants argue that by subsequently failing to sue the Defendants, they accepted this offer by conduct; alternatively, they accepted it by conduct in that they failed to appeal an adverse decision in an opposition at OHIM (which was decided on 30th September 2014). In other words, the Claimants relied upon what were literally non-events, neither of which had ever been pleaded or even mentioned in their skeleton argument for the trial. The Claimants did not put to any of the Defendants' witnesses that the Defendants should have interpreted these non-events as constituting acceptance by conduct.

The counterclaim for threats

71. In late August 2016, Mr Ball sent a series of emails to TJX, the group that owns TK Maxx, about the subject matter of this litigation. As Mr Ball put it, *“any legal matters with regards to the ‘Santa Monica case’ now lodged at the high court should go too direct to your lawyers”* [sic] and *“As TK Maxx did unfortunately purchase [the SMPC] goods there is some official documentation that needs to be sent across”*. The end of this correspondence was an email from the Claimants' solicitor (Mr Andy Lee, described by Mr Ball as *“our lead counsel”*) to TJX enclosing copies of the claim form and particulars of claim which had been served on the Defendants.

72. It was put to Mr Ball, and I find, that this correspondence was intended to threaten TK Maxx. In particular Mr Ball intended to threaten TK Maxx that it was at risk of being sued in exactly the same way as the Defendants had already been sued. Whether Mr Ball would actually have followed through with his threat to sue a very large customer with whom he hoped to continue doing business is another matter.

Infringement of the EU and UK marks pursuant to s 10(2) of the Act/Art 5(1)b) of the Directive/Article 9(2)(b) of the Regulation

Legal context

73. First, the law on s 10(2) infringement generally is very familiar and there was no dispute about it. See eg **Comic Enterprises v Twentieth Century Fox Film Corp** [2016] FSR 30 at [26]-[34]; **Interflora v Marks & Spencer** [2015] ETMR 5 at [129].
74. Secondly, there is now a large amount of case law explaining the relationship between actual confusion and the likelihood of confusion. In short, one has to bear in mind that there may have been limited opportunities for real confusion to occur in practice (see **Maier v ASOS** [2015] ETMR 26, at [80], per Kitchin LJ); and it is for the Court to make its own assessment of what impression is conveyed by a sign, taking into account all relevant circumstances, rather than there being any requirement for evidence from actual consumers: see **BMW v Technoport** [2017] EWCA Civ 779, per Floyd LJ (with whom Patten LJ agreed) at [24].
75. Thirdly, infringement has to be assessed at the start of the infringing act in question (ie the date when the use of the sign was commenced: **Levi Strauss & Co v Casucci SpA** Case C-145/05 [2006] ECR I-3703). Where there are multiple logos in use, each having started at a different date, then the Court has to assess infringement as at each of these start dates. There are complications to this principle, eg where the context of any given infringing use changed, but it was not suggested that these arose.
76. Fourthly, it is clear from **Specsavers v Asda** [2012] EWCA Civ 24, [2012] ETMR 17 at [87] that the context of the Defendants' use is important, meaning "*all of the circumstances of that use that are likely to operate in average consumer's mind in considering the sign and the impression it is likely to make on him*". Both sides submitted that the context of this case should include the use by Ralph Lauren of its Polo brand on Ralph Lauren's products. I doubt that the Court of Appeal in **Specsavers** meant that the context of the alleged infringing use included the use of a different mark on other goods by an unrelated third party. I will nevertheless assume (without deciding) that this is correct since nothing seemed to turn on it. The Defendants said that they relied on the Ralph Lauren Polo brand in order to stop the Claimants relying solely on the word and/or concept of polo in relation to clothing, but the Claimants' case was not limited in this way.
77. The Claimants relied on **Oberhauser v OHIM** [2003] ETMR 58, CFI (Fifties/Miss Fifties) as establishing that it was common for clothing

manufacturers to use sub-brands. That cannot be a proposition of law, but of fact. I also agree with the Defendants that it would be odd for a sub-brand of “Beverly Hills Polo Club” to miss out the “Beverly Hills” part of that brand.

78. The Claimants also sought to rely on the results of cases decided by the Court of Justice and the General Court against other parties in relation to other logos. These are all fact-specific decisions and I have taken no account of them.

Analysis

Level of attention of the average consumer

79. There was no specific argument on this point. I find that the degree of attention for the average consumer of the goods in question (which I will summarise as “clothing”, although it includes footwear) will itself be average. I remind myself that the average consumer rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind. I also bear in mind that the average consumer normally perceives a mark as a whole, and does not analyse its various details.

The marks in issue

80. I will consider the main signs upon which argument was advanced, starting with the Defendants’ original sign. This was a CAD file dated 2 May 2008:



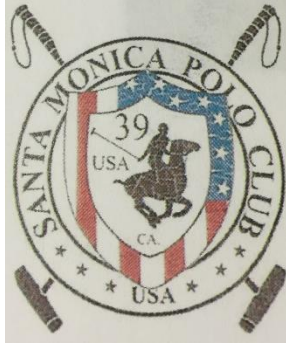
No point on limitation arises. It was the Defendants themselves who wanted to bring it into the proceedings.

81. The following signs were both expressly pleaded by the Claimants:



These were called the 39 sign and the shield sign. They were dated April 2011 and Autumn/Winter 2014.

82. The following signs also show single horses, but have more complicated elements included as well. The one on the left (“the flag sign”) was expressly pleaded. The one on the right (which I call the “roundel sign”) was not, although it was said by the Defendants to be commercially important. The flag sign was undated and the roundel sign actually dates back to 2008.



83. Then there are the multi-horse versions. The two-horse version was dated Spring/Summer 2012. I have shown the Defendants’ preferred version thereof, as opposed to a similar black and gold version thereof which was expressly pleaded by the Claimants. The three-horse version was expressly pleaded and, as I have said, post-dated the start of these proceedings.



84. I need to consider each of these signs individually, as well as the other signs listed in Annex 1, but a lot of the reasoning will overlap. No reason was given as to why I needed to distinguish between the UK and EU trade marks here, so I will not do so.

Visual similarity

85. It was not disputed that visual similarities were important in relation to marks used on clothing. The relevant visual similarities between the Claimants’ mark and each of the Defendants’ signs are easier to see than describe. They include a polo player with a raised stick, riding a pony which is shown side on and running. The words “polo club” are also common to all of the signs, although the UK mark has the disclaimer I mentioned.
86. The original sign, the 39 sign, and the shield sign all have some extra visual elements which are not present in the Claimants’ mark (eg a scroll, the border, etc), but I do not think anything turns on them. These elements are neither dominant nor distinctive.

87. The flag sign and roundel sign also have some visual elements which are not present in the Claimants' mark. These are more substantial in terms of their visual impact (see eg the mallets, the flag, and the shield elements in the flag sign; the split colour aspects of the roundel sign) but are still neither dominant nor distinctive. The dominant part of both of these signs remains the pony plus polo player, to which the user's eye is drawn.
88. The two horse logo (as the name suggests) has two ponies plus riders, but these are mirror images of each other. The SANTA MONICA lettering follows a curve above the ponies (as the BEVERLY HILLS lettering does above the Claimant's single pony) and the words POLO CLUB appear in capitals below the ponies (again, similar to the Claimants' mark). It also has a number of visual elements not present in the Claimants' mark, such as the numbers, laurel wreath, etc but these are neither dominant nor distinctive.
89. The three-horse logo is visually quite different to the Claimants' logo – not only are there now three horses, but the horse and rider in the front is visually distinct from the other pair as well as being more prominent than either. The arrangement of the SANTA MONICA letters is also different to the BEVERLY HILLS letters.

Aural similarity

90. The only aural similarity is the words "polo club". The Defendants' goods are not sold into the polo market or for use in polo, and it was not argued that these words were merely descriptive.

Conceptual similarity

91. There was no specific evidence about what the average consumer would make of "Beverly Hills" and/or "Santa Monica", both sides relying simply on submissions and leaving it for me to decide. Both are well known place names, and in both cases it is implicitly assumed that the consumer would believe these to be the sort of place that would have a polo club – ie glamorous and rich, not a deprived industrial area. I accept the Claimants' submission that the average consumer would probably know them both to be places in the USA, but I am not sure that the average consumer would know that they were both places in California. They are in fact neighbouring districts of Los Angeles.
92. I consider that there are clear conceptual similarities between all of the marks in question. Some overlap with the visual similarities (eg the pony, rider, words), some less so (eg the idea of a polo club, and the place associated therewith). These similarities are common to all of the Defendants' marks, which is not surprising since the Defendants intended them all to form part of the same SMPC brand.

Identical/similar goods and services

93. The respective goods are identical insofar as the Defendants' mark was used on clothing, which seemed to be the majority – and perhaps the vast majority - of such use. No specific arguments were advanced in relation to footwear, but this

is expressly covered by the EU mark, and I find that this is similar to articles of clothing (for which the UK mark is registered).

Enhanced distinctive character of the Claimant's mark through use

94. I will consider the reputation of the Claimants' mark in more detail in the next section. For present purposes I will simply observe that on the evidence there was limited use up to 2008, but increasing amounts of use thereafter (particularly in and after 2010). This applies both to the UK and the EU.

Actual confusion in the market

95. The Defendants repeatedly stressed what they characterised as a lack of evidence of confusion despite both sides' products being available on the market. However this lack of evidence does not take them very far, for the following reasons.
96. First, the only real life situation where customer confusion was likely to occur was where the products were sold side by side. In other situations, confusion was much less likely to happen.
97. There was evidence that both brands had once exhibited at the same trade show, in line of sight of each other. There was no evidence of confusion arising at that particular show, but the Claimants pointed out that those attending were traders (hence more knowledgeable than the notional average consumer) and the traders would have been able to see there were 2 separate stands. Both factors may have reduced any actual confusion.
98. Secondly, although I was shown a schedule suggesting that there were 5 customers in common, the only one which was explored in any detail in the evidence was TK Maxx. It was not clear how much side by side trading there actually was at TK Maxx at any time, and there was none for the 7 months from July 2016. I heard little or nothing about the other common customers (Jacamo, T J Hughes, Slaters Menswear, and a luggage retailer called Express Gifts).
99. Thirdly, no particular reason was given as to why customer confusion was likely to be reported or to come to either side's attention. Consumers of clothing have better things to do than complain about trade marks. So lack of evidence of confusion is not to be equated to positive evidence that there was no confusion.
100. The only relevant evidence of confusion is that involving Mr Bakehouse. I cannot and do not rely on it too heavily for a number of reasons. For instance I do not know precisely why he was confused; he is only one person; and the nature of his confusion was the opposite of that required in law. However there was nothing artificial about this evidence; his confusion must have been due to either the Claimants' name or the logo, and that name is part of the logo; he was familiar with the Defendant's SMPC brand; he was a trader himself, so if he was confused then consumers were more likely to be confused; and I was given no logical reason as to why evidence of "wrong way round" confusion could not be

relied upon in support of an argument there would also be “right way round” confusion.

Conclusion

101. Having set out the relevant factors, it falls to me to make a global appreciation of the likelihood of confusion from the perspective of the average consumer.

The one-horse signs

102. In my judgment, there is a likelihood of confusion in relation to all of the single-horse marks considered above (ie the original sign, the 39 sign, the shield sign, the flag sign, and the roundel sign). I take into account in particular the visual, aural, and conceptual similarities; and the overall impression conveyed thereby, including the possibility of imperfect recollection; and the identity/close similarity of the respective goods. I have also relied on the evidence about Mr Bakehouse in reaching my conclusion, but only to a limited extent. This is because I regard the incident as merely demonstrating something which seems to me to be inherently likely, given the factors I have identified.
103. In my judgment this conclusion follows whether or not the Claimants’ mark had acquired an enhanced distinctive character through use. Since this seems to be the only thing which changed between one date and another, there is no need to consider infringement as at different dates. If it had been necessary to consider this, then it would reinforce the finding of infringement – particularly for signs first used from 2010 onwards, but also for signs first used from 2008 so far as the UK mark is concerned.
104. The same conclusion follows in relation to all of the other one-horse marks I was shown (ie the ones in the schedule which are not specifically addressed above). Very little argument was addressed to any of them. In my view, the addition of extra elements makes no difference. Indeed there is no evidence that these additions were particularly intended to make any difference. On the contrary, the Defendants themselves saw them as forming part of the same overall brand identity.

The two-horse sign

105. The two-horse sign is closer to the borderline. Obviously if one puts this sign next to the Claimants’ mark then the visual differences are apparent, but that comparison is unfair to the Claimants since it ignores the possibility of imperfect recollection. Even so, the exercise is instructive:



106. In my judgment, there is still a likelihood of confusion here. I again bear in mind the visual, aural, and conceptual similarities; and the overall impression conveyed thereby, including the possibility of imperfect recollection; and the identity/close similarity of the respective goods. There are now two galloping ponies (plus riders with sticks raised) rather than one, but the fact that the two are mirror images of each other goes some way to neutralising the visual impact of that difference. In addition, the Claimants' use of its mark had been substantial up to 2012, the date upon which infringement of this sign is to be assessed.
107. The other two-horse signs were not addressed in argument, but the same conclusion would follow, for similar reasons to those set out in paragraphs [104] and [106] above.

The three-horse sign

108. In my view the overall impression created by this mark is now different. The aural, and to a lesser extent conceptual, similarities still apply, but the visual differences are to my eye quite striking.
109. I need to bear in mind that infringement of this sign needs to be considered as of 2016, and that the Claimants' mark had acquired a very substantial enhanced distinctive character through use by that date. Does that make a difference? I find this a difficult question but in the end I do not think it does. The three-horse sign does not infringe under these provisions.

Infringement of the EU and UK marks pursuant to s 10(3) of the Act/Article 9(2)(c) of the Regulation

Legal context

110. The Court of Appeal set out the relevant law, including the 9 requirements which have to be satisfied, at **Comic Enterprises v Twentieth Century Fox Film Corp** [2016] FSR 30 at [107]-[123]. In this case the issues are whether the Claimants' marks each have a reputation in the territory; whether the Defendants' use gives rise to a link between its signs and the Claimants' marks in the mind of the average consumer; whether it gives rise to one of the three relevant types of injury; and whether the Defendants' use was without due cause. There were a number of further additional submissions as follows.

Reputation

111. The first concerns the extent of reputation that must be shown. For a UK mark, the leading case at first instance in this jurisdiction remains **Red Bull v Sun Mark** [2012] EWHC 1929 (Ch), which held that the requirement is not particularly onerous. This was not considered in **Comic** (see [133]) and neither side was able to show me any authority which took that point any further. Both sides, however agreed that the mark need not be a “well-known mark” within the meaning of s 56 of the UK Act. For an EU trade mark, the leading case is **PAGO**, Case C-301/07 [2010] ETMR 5 which held that in order to qualify, the Community trade mark must be known by a significant part of the public concerned by the products or services covered by that trade mark in a substantial part of the territory of the European Community; and the territory of a single Member State might be considered to be such.
112. Both sides accepted that the extent of the reputation is more than simply a mere threshold condition. On the contrary it is a vital element in the assessment of whether there is a link, and the extent of any injury to the mark. See **Kitchin LJ in Maier v ASOS** at [120]-[122].
113. The Claimants also submitted that the reputation of the trade mark need not be in relation to the goods or services for which the trade mark is actually registered. I infer that it did so in order to rely on reputation gained by reason of use in relation to luggage, which is not something for which its marks are registered.
114. I agree with the submission. There is nothing in the wording of either s 10(3), as it now stands, or Article 9(2)(c) of the Regulation as it now stands which requires this. Cases such as **Davidoff & Cie SA v Gofkid Ltd** (C-292/00) [2003] E.C.R. I-389; [2003] F.S.R. 28 at [30], and **Adidas-Salomon AG v Fitnessworld Trading Ltd** (C-408/01) [2003] E.C.R. I-12537; [2004] F.S.R. 21 at [18] to [22] make it clear that infringement under this head is established whether the relevant goods or services are identical, similar, or not similar to those for which the mark is registered; all possible permutations, in other words. This is not quite the same point as whether the reputation itself has to arise in relation to the goods or services for which the mark has been registered, but given **Davidoff** and **Adidas** I can see no logical reason as to why there should be any distinction; and no such reason was given. Of course, the greater the distance between the goods and services which actually generated the mark’s reputation, and the goods and services in relation to which the infringer’s sign is being used, the less likely it will be that the average consumer will form any link with the mark in question and/or that there will be any damage to the mark: see **Maier**, above.
115. The Claimants also submitted that provided the mark has a reputation in the territory, it did not matter whether this was achieved by reason for sales in the territory or sales outside the territory (eg in the Middle East – hence the evidence I mention above). I accept the Claimants’ submission, which I do not think was actually disputed. In trade mark law, unlike passing off, only reputation is required in the territory and not goodwill: cf **Starbucks (HK) v British Sky**

Broadcasting (No. 2) [2015] UKSC 31. However nothing appears to turn on this, since the evidence did not go into much detail about the extent of sales outside the EU.

Injury to the mark

116. The Claimants submitted that in cases where the trade mark had a reputation and the Defendant's use gives rise to a link between its signs and the Claimant's marks in the mind of the average consumer, injury was almost always likely to occur. I disagree.
117. For instance where dilution (ie detriment to distinctive character) is relied upon, the law requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future. A serious risk of detriment can be established by logical deductions, but any such deduction cannot be supposition and must instead be founded properly on all the circumstances of the case and the nature of the trade in issue. See **Intel Corp v CPM United Kingdom** (C-252/07) [2008] E.C.R. I-8823; [2009] R.P.C. 15 and **Environmental Manufacturing LLP v OHIM** (C-383/12).
118. Unfair advantage does not require proof of a subjective intention by the Defendant to exploit the reputation in the Claimant's mark: see **Jack Wills v House of Fraser (Stores)** [2014] FSR at [75]-[80]. However it is not enough just to show an advantage: there must be some added factor which makes it unfair. See **Whirlpool Corp v Kenwood Ltd** [2009] EWCA Civ 753, [2010] RPC 2 at [136].

Due cause

119. Both parties referred to the **Leidseplein v Red Bull** case, C-65/12, [2014] ETMR 24, where the Defendant had used the sign Bulldog since 8 years before Red Bull applied for its mark. The Court of Justice emphasised the need to strike a balance between the proprietor's rights in a mark with reputation and the interests of other economic operators: see eg [41]-[46], [60].
120. The Defendants submitted that there was no reason in principle why the same approach should not be taken where a Defendant commenced its good faith use after the date of the Claimant's trade mark. The Defendants also gave an example of how this might happen. It could be that the potential infringer's use started at a time when the proprietor's mark was either unused or only used at such a low level that it had insufficient reputation. Later, the proprietor's mark could grow to an extent that it did have sufficient reputation and the requirements for infringement would otherwise be satisfied. I agree with the principle, but whether it applies in any given case will depend on the circumstances. For instance the Defendants' argument implicitly assumes that the potential infringer's use was originally unobjectionable, and that the nature of such use does not subsequently change in any material way.

121. Both sides were agreed that in considering due cause, the Court should take into account the factors relevant to the “honest practices in industrial and commercial matters” defence: see Arnold J in **London Taxi** at [268], [273]-[282].

Analysis

Reputation

122. This is not a very precise exercise. One thing I will say is that it is not particularly helpful to consider the absolute size of the market in this context. The market in question is huge, but I have no doubt that a mark can have a reputation in the clothing industry even if it only accounts for a small fraction of that huge industry turnover. There are plenty of strong brands having a reputation in this particular industry.

The UK

123. I find that the Claimants’ mark had a reputation, albeit only a modest one, in the UK by the first quarter of 2008. This is still my view even if it were necessary (contrary to my view) to consider only goods for which the Claimants’ mark is registered. As I have said the Defendants accepted that there was enough goodwill in the UK for a passing off action by the first quarter of 2008.
124. I find that such UK reputation grew each year thereafter, and become particularly substantial from 2010 onwards. Again, the Defendants accepted this much.

The EU

125. So far as the EU is concerned, I find that the Claimant’s mark was not known to a significant part of the relevant public in a substantial part of the territory of the European Union until 2010. The UK sales alone only represent part of the EU, and I have already set out the modest sales made in other EU member states in 2006-2008. Assuming **Levi Strauss** applies to this type of infringement, which was not disputed, it follows that there can be no infringement of the EU trade mark under this head by the continued use in or after 2010 of signs first used prior to that date.
126. However the Claimants’ mark did have the required reputation in the EU from 2010 onwards, due mainly to the combination of UK and Italian sales although there were sales in other EU member states as well. I reach this conclusion whether or not I take into account non-clothing sales (particularly since the Italian sales were mainly clothing in any event).
127. Thereafter the reputation of the Claimants’ mark continued to grow across Europe, even if there was (as I have said) some year to year variation in terms of sales. By September 2016, the date when the three-horse logo was launched, there is no doubt in my mind that the Claimants’ mark had a very substantial reputation both in the UK and in Europe. To use Mr Bakehouse’s description, it is and was quite a famous brand.

Link

128. It is important to consider each of the Defendants' signs individually for purposes of link (and injury, and due cause for that matter). Having said that, I have already held that most of the Defendants' signs give rise to a likelihood of confusion with the Claimants' mark; and for similar reasons, I consider that in all of these cases the Defendants' use gives rise to a link between its signs and the Claimant's marks in the mind of the average consumer.
129. That leaves the three-horse sign. In my judgment, even though there is no likelihood of confusion, the average consumer would still make such a link. I reach this conclusion because of the extensive reputation which the Claimants' mark had in 2016; the nature of the Defendants' use, ie on clothing; and the visual, aural, and conceptual similarities identified above (which are not enough to establish a likelihood of confusion, mainly because of the reduced visual similarity, but which are still enough to call the Claimants' mark to mind for the average consumer).

Injury to the mark

130. The Claimants relied on all 3 types of injury identified by the Court of Justice, ie each of (a) detriment to distinctive character of the mark, ie dilution (b) detriment to the repute of the trade mark, ie tarnishing, and (c) taking unfair advantage of the distinctive character or the repute of the mark. I can immediately dismiss tarnishing since there is no evidence to support it. Indeed the evidence was that the brands' respective market positions overlapped although their core customers did not. So far as dilution and unfair advantage are concerned, I will again start with the three-horse sign.

Detriment to distinctive character – three horse sign

131. The main evidential point relied on was the 7 month gap in the Claimants' sales of branded BHPC products to TK Maxx. Although I have held that this coincided with an increased level of sales by the Defendants of SMPC branded product to TK Maxx, there is no evidence to explain *why* this actually happened. In particular, no evidence to suggest that it had anything to do with the Defendants' signs. For all I know, TK Maxx simply wanted a change of supplier.
132. In addition, this particular gap started in July 2016, whereas the three-horse sign was not used until September 2016. So the original decision to move away from BHPC branded product cannot have been affected by the three-horse sign.
133. That is not the end of the matter. I have held that the Defendants' previous signs gave rise to a likelihood of confusion. As such I have no difficulty with the idea that the use of these previous signs led to dilution of the distinctive character of the Claimants' mark, in that they will have led to dispersion of the identity and hold upon the public mind of the Claimants' mark. The ability of the average consumer immediately to identify the Claimants' goods under the mark will have diminished. This will in turn have changed the economic behaviour of the average consumer of the goods or services for which the Claimants' mark is

registered, albeit that the change will be of a gradual and insidious nature (as damage of this type almost always is).

134. Furthermore I do not consider that this change in economic behaviour will have come to an abrupt halt just because the Defendants changed from their previous signs to the three-horse sign. On the contrary, the Defendants chose the three-horse sign specifically in order to maintain continuity with their previous signs. Part of that decision will have been a desire to achieve the same economic effects of the previous signs, so far as possible. The fact that there is no longer any likelihood of confusion does not mean that the dilution referred to in paragraph [133] stopped happening; and in my judgment, it still does. In order to avoid this result, the Defendants would have had to have made a much clearer break with the infringing signs.

Unfair advantage – three horse sign

135. As noted above, it was not put to Mr Ahmed in cross examination, nor was it submitted in closing, that the Defendants ever deliberately intended to take advantage of the distinctive character or the repute of the Claimants' mark. Once again, that is not the end of the matter since I have to consider whether, in objective terms, the Defendants' three-horse sign takes such advantage.
136. I have no doubt that the Defendants will gain an advantage from the average consumer making a link between their sign and the Claimants' mark. By 2016, the Claimants' mark was very well known, particularly for clothing, and it occupied a premium position in the market. Being linked with that mark would be an advantage for any smaller clothing manufacturer.
137. However merely gaining advantage, without more, is not necessarily unfair. The added factor here which makes it unfair is that the Defendants want to maintain continuity with their previous signs, which I have already found to infringe the same mark of the Claimants. It does not matter whether or not the Defendants knew or suspected that their previous signs infringed. Nor does it matter that this is only an indirect connection to the Claimants' mark: in my judgment, even an indirect connection to the original mark can still amount to taking an unfair advantage of the original mark. It would be different if the Defendants' previous signs had not infringed, and/or if the three-horse sign had made a clean break with them.
138. In any event I reach the same conclusion if I stand back and think about the three-horse sign more broadly. Given the extensive reputation of the Claimants' mark by 2016, the similarities of the marks, and the identical nature of the respective goods (which is an *a fortiori* factor), it seems to me likely that the link to the Claimants' mark in the mind of the average consumer will create a subtle transfer of image of the Claimants' mark, or of the characteristics which it projects, to the goods sold under the three-horse sign. That establishes infringement: see **L'Oreal v Bellure** [2009] ECR I-5185 at [41].

Due cause

139. As suggested by the Defendants, without objection by the Claimants, I will now consider the list of factors identified in **London Taxi**.
- i) Whether the defendant knew of the existence of the trade mark, and if not whether it would have been reasonable to conduct a search.
140. In this case, the Defendants' trade mark agents did do a trade mark search in 2006 but only on the words SANTA MONICA, and those searches did not reveal the existence of the Claimants' marks.
141. It seems to me that whilst the search is an important factor, its importance decreases over time. For instance it would still have been quite recent in 2008 but on the evidence the commercial situation had changed significantly by 2016.
- ii) Whether the defendant used the sign complained of in reliance on competent legal advice based on proper instructions.
142. There was no evidence about this.
- iii) The nature of the use complained of, and in particular the extent to which it is used as a trade mark for the defendant's goods or services.
143. All the signs complained of are used as trade marks for the Defendants' goods.
- iv) Whether the defendant knew that the trade mark owner objected to the use of the sign complained of, or at least should have appreciated that there was a likelihood that the owner would object.
144. The Defendants knew about the Claimants' objection to their existing brands from 2014.
- v) Whether the defendant knew, or should have appreciated, that there was a likelihood of confusion.
145. The Defendants did not accept, and still do not accept, that there was a likelihood of confusion although I have found that there was.
- vi) Whether there has been actual confusion, and if so whether the defendant knew this.
146. I refer to my findings about Mr Bakehouse.
- vii) Whether the trade mark has a reputation, and if so whether the defendant knew this and whether the defendant knew, or at least should have appreciated, that the reputation of the trade mark would be adversely affected.
147. The Defendants certainly knew about the reputation of the Claimant's mark by 2016, but they must have known about it from at least 2014 (the date of the letter of complaint). They did not accept that this reputation would be adversely affected.

- viii) Whether the defendant's use of the sign complained of interferes with the owner's ability to exploit the trade mark.
148. It does, because of the dilution and unfair advantage I have mentioned.
- ix) Whether the defendant has a sufficient justification for using the sign complained of.
149. This, to my mind, is a key factor. The Defendants want to maintain continuity with signs which I have found to infringe. This cannot be a sufficient justification.
- x) The timing of the complaint from the trade mark owner.
150. The complaint about the three-horse version was brought promptly. The complaint about the other logos could have been brought earlier. However, the Defendants did not stop their activities when the complaint was brought. I consider that it was always going to require litigation in order to resolve the dispute; and litigation is both time consuming and expensive.

Injury/due cause – other signs

151. For the Defendants' other signs, I will be brief. I have already concluded there is a likelihood of confusion in relation to each of them, and for these reasons the use thereof also injures the Claimants' mark. Such use is again without due cause: there is no reason why the Claimants should be required to tolerate injury to their mark arising from a likelihood of confusion.

Conclusion

152. The Defendants have not established due cause for using the three-horse sign. It is not as if this is something they have used continuously since before the Claimants' mark was registered, or from before the Claimants' mark acquired a reputation. It is something which was devised after complaint had been made, in order to preserve as much as possible of the market position which had been generated using the infringing signs.
153. Similarly the Defendants have not established due cause for using any of the other signs either, to the extent that infringement is otherwise established. I have already explained that there can be no infringement of the EU trade mark under this head by the continued use in or after 2010 of signs first used prior to that date, so it is not necessary to consider due cause in that context.

Passing off

Legal context

154. It was not disputed that for this purpose only goodwill in the UK needed to be considered; that the Claimants could rely on goodwill acquired in relation to any goods; and that the relevant legal test was different (see **Interflora v Marks & Spencer** [2012] EWCA Civ 1501, [2013] FSR 21 at [33]-[34]).

155. Both sides addressed very little of their written and oral argument to passing off. There was no formal concession that it stood or fell with s 10(2) of the Act, but both sides relied on the same arguments as those advanced in relation thereto.

Analysis

156. I will be as brief as the parties were. In my judgment, the claim for passing off succeeds to the same extent as the case on s 10(2): ie, not for the three-horse sign, but it does for the other signs.

Breach of contract by D3 or D11.

Legal context

157. The Defendants referred me to a series of extracts from **Chitty on Contracts**, 32nd edition, dealing with elementary principles of offer and acceptance. Neither party made any submissions about acceptance of an offer by conduct.
158. It is well established that conduct can amount to acceptance: see **Brogden v Metropolitan Railway** (1877) 2 App Cas 666. However the party alleging the same has to show that the conduct, as a matter of objective analysis, is intended to constitute acceptance: see the Court of Appeal's explanation of **Brogden** in **Reville Independent v Anotech International (UK)** [2016] EWCA Civ 44 at [40], [55]-[56]. Moreover it is in my view important to distinguish between cases where the conduct is some form of positive action which is actually undertaken (see **Reville** at [42]) and cases where the conduct consists of a failure to do something which may never have been done in any event.

Analysis

159. I refer to the facts relating to the contract as I have found them: see above. In my judgment the occurrence of these two non-events does not constitute acceptance by the Claimants of the Defendants' counter-offer by conduct. There is nothing about either which shows, as a matter of objective analysis, that they were intended to constitute acceptance. Nor was the alleged significance of these non-events ever communicated to the Defendants either. For all the Defendants knew, the Claimants simply lost interest in suing and/or appealing, which is why the correspondence peters out. Indeed this appears to be the reality.
160. It also seems to me that even if there had been a contract, it would only relate to the version of the logo as used on the socks, since this is "*the logo to which your client has raised objection*". It would not extend to other logos. This is the sort of detail which an actual contract would no doubt have explored, if there had been one.
161. In case I am wrong, I will consider the next issue in any event.

Procuring of breach of contract by D5.

Legal context

162. Here there was an issue of law. The Defendants argued that even if there was a contract between either of the Claimants and D3 or D11, and even if there had been some breach thereof, then Mr Ahmed could not be liable for procuring such breach because he was a director of D3 and/or D11 at the relevant time. I put it that way because the Defendants did not dispute the proposition that if there had been any breach, Mr Ahmed had procured it.
163. This issue of law was considered by Gloster J (as she then was) in **Crystalens v White**, unreported save on Bailii, 7th July 2006 at [10]-[15]. The Judge considered a range of domestic and foreign authority starting from **Said v Butt** [1920] 3 KB 497 and including 2 Court of Appeal cases (**DC Thomson v Deakins** [1952] 1 Ch 646, **Welsh Development Agency v Export Finance Co** [1992] BCLC 148). The Judge concluded that:

“In my judgment, it would be contrary to the principle of limited liability if, in the circumstances postulated in Said v Butt, namely that an employee director is acting within his authority and bona fide in the interests of his company, could be liable in such circumstances for inducing a breach of contract on the part of the company in circumstances absent, additional features, such as conspiracy or dishonesty.”

164. The Claimants pointed out that it seemed difficult to reconcile the logic of this approach with that adopted in tort cases, starting with **Evans v Spritebrand** [1985] 1 WLR 317 and more recently in eg **MCA v Charly** [2001] EWCA Civ 1441. It seems to me that there may be something in this, although copyright itself may be an exception given the wording of the relevant statute. However I regard that as a matter for the Court of Appeal, and not for a first instance Judge. I shall follow **Crystalens**.

Analysis

165. This is short and simple. **Crystalens** requires additional features such as conspiracy or dishonesty; and none were pleaded, let alone proved. Hence the point fails.

The Defendants’ counterclaim for unjustified threats of trade mark infringement.

Legal context

166. The legal issue here was whether s 21 of the 1994 Act is engaged where a party merely threatens to join parties to litigation in which the primary infringer (eg the maker or importer) of the accused goods was already a Defendant. This was considered by Arnold J in **Samuel Smith Old Brewery (Tadcaster) v Lee (t/a Cropton Brewery)** [2012] FSR 7 at 160. In that case Arnold J appears to have concluded that such threats are actionable in principle, but the letter in question in that case was not such a threat.
167. I agree that a threat to join someone into existing proceedings is just as actionable as a threat to issue proceedings against that person. There is nothing in the wording of s 21 which suggests otherwise. Furthermore the policy of the

threats provisions is to stop proprietors who are willing to wound, but not to strike. That policy is still engaged in such circumstances.

Analysis





168. I have no doubt that the email sent to TK Maxx was an actionable threat within the meaning of s 21: see my findings above. Nor is there any doubt that D11 was a person aggrieved thereby since the threat concerned the goods it had sold to TK Maxx.
169. It is not entirely clear which particular version of the SMPC logo appeared on the goods which TK Maxx sold, but I have found that all versions thereof did infringe. It follows that there is a defence of justification under s 21(2) of the Act and the threats counterclaim fails.

Conclusion






170. In short:
- i) The Defendants' signs, save the three-horse sign, infringe both of the EU and UK marks pursuant to s 10(2)/Art 5(1)(b) TMD/Article 9(2)(b) EUTMR.
 - ii) All of the Defendants' signs infringe the UK mark pursuant to s 10(3)/Art 5(2) TMD; and all signs first used in 2010 or later also infringe the EU mark pursuant to Art 9(2)(c) EUTMR.
 - iii) The action for passing off succeeds, save in relation to the three-horse sign.
 - iv) The action for breach of contract by D3 or D11 fails.
 - v) The action against D5 for procuring such breach of contract also fails.
 - vi) D11's counterclaim for unjustified threats of trade mark infringement is dismissed.

Annex 1: Schedule 1 to the Defendants’ Opening Skeleton

Signs used by the defendants classified according to the categories listed in the Defendants’ Skeleton.³

	Method of classification	Example signs	
1	Number of ponies		
	 <p>Pic 87</p>	 <p>Pic 71</p>	 <p>Para 81</p>
	January 2008 - LT para 22 to 28 2008 CAD book. CAD dated 2 May 2008 [A8/2473]	Spring Summer 2012 CAD book [A8/2554]	September 2016 LT para 39
2	Signs consisting of only (a) a single pony and (b) the words Santa Monica Polo Club		
	 <p>Pic 23</p>	2008 CAD book. CAD dated 2 May 2008 [A8/2473]	
	 <p>Pic 103</p>	Autumn/winter 2014 [A9/2764]	

³ With the exception of the 3 Horse Sign, which is taken from Ahmed 3 at paragraph 81 and the Flag Sign, which is taken from the letter before action to Slater menswear at A/36/527, the images in this Schedule are taken from the table prepared by Mr Timmins at Exhibit LT1 (A14/88/4481-4498) and the “Pic” numbers correspond to the references in that table.

	Method of classification	Example signs
3	Signs consisting of only (a) single pony, (b) the words Santa Monica Polo club and (c) additional <u>verbal</u> elements	
	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Pic 79</p> </div> <div style="text-align: center;">  <p>Pic 51</p> </div> </div>	<p>Autumn/winter 2014 CAD book [A9/2768]</p> <p>LT- para 36 says CAD drawing dated 16 May 2012 evidence of the first use on a polo shirt of the 39 Sign.</p> <p>2011 CAD book. CAD dated 14 April 2011 [A8/2562]- on shorts</p>
4	Signs consisting of only (a) single pony, (b) the words Santa Monica Polo club and (c) additional <u>graphical</u> elements	
	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Pic 27</p> </div> <div style="text-align: center;">  <p>Pic 87</p> </div> <div style="text-align: center;">  <p>Pic 76</p> </div> </div>	<p>Cannot locate badge in CADs</p> <p>January 2008 – LT para 22 to 28 2008 CAD book.</p> <p>Cannot locate badge in CADs</p>

	Method of classification	Example signs
		CAD dated 2 May 2008 [A8/2473]
5	More complex Signs which include both additional graphical and verbal elements as well as the pony and the name	

Method of classification	Example signs	
 <p>SANTA MONICA POLO CLUB</p> <p>Para 81 See above</p>	 <p>SANTA MONICA POLO CLUB</p> <p>39</p> <p>S·M·P·C</p> <p>INTERNATIONAL TOUR</p> <p>EST 1939</p> <p>Pic 44 Cannot locate</p>	 <p>SANTA MONICA POLO CLUB</p> <p>INTERNATIONAL TOUR</p> <p>Pic 25 A/W CAD book 2013 [A8/2608]</p>
 <p>1939 SANTA MONICA POLO CLUB</p> <p>Pic 36 A/W CAD book 2012 [A8/2565]</p>	 <p>SANTA MONICA CALIFORNIA CUP</p> <p>S P M</p> <p>UNITED STATES POLO CLUB U.S.A.</p> <p>Pic 20 A/W CAD book 2012 [A8/2572] Clearer version [A8/2595]</p>	 <p>BORN FROM TRUE SPORTING HERITAGE</p> <p>SANTA MONICA POLO CLUB</p> <p>S·M·P·C</p> <p>3 9</p> <p>M·C·M·V·I</p> <p>Pic 42 A/W CAD book 2015 [A9/2901] Clearer version [A9/2964]</p>
 <p>SANTA MONICA USA</p> <p>MASTERS POLO CLUB</p> <p>39</p> <p>CALIFORNIA</p> <p>Pic 8 Potentially CAD book 2011 CAD dated 2 Feb 2011 [A8/2527] Or [A8/2573] A/W 2012</p>	 <p>SANTA MONICA</p> <p>19 39</p> <p>USA CA</p> <p>SANTA MONICA POLO CLUB</p> <p>MCMXXXIX</p> <p>Pic 46 Cannot locate</p>	 <p>INTERNATIONAL GALA CUP</p> <p>SANTA MONICA</p> <p>POLO CLUB</p> <p>Pic 47 Potentially A/W Cad book 2013 [A8/2608] Or [A9/2968] A/W 2015</p>

Method of classification	Example signs	
 <p data-bbox="432 589 507 620">Pic 6</p> <p data-bbox="316 631 612 757">Cad book 2008 CAD dated 7 Jan 2008 [A8/2477]</p>	 <p data-bbox="746 589 836 620">Pic 66</p> <p data-bbox="651 631 927 712">A/W Cad book 2014 [A9/2732]</p>	 <p data-bbox="1077 589 1161 620">Pic 71</p> <p data-bbox="1002 631 1139 663">See above</p>
 <p data-bbox="443 1160 545 1191">Pic 102</p> <p data-bbox="316 1249 568 1330">S/S Cad book 2016 [A9/2954]</p>	 <p data-bbox="762 1160 852 1191">Pic 60</p> <p data-bbox="667 1249 922 1330">S/S Cad book 2014 [A8/2648]</p>	 <p data-bbox="1066 1160 1155 1191">Pic 29</p> <p data-bbox="975 1249 1241 1330">S/S Cad book 2013 [A8/2586]</p>
 <p data-bbox="395 1731 533 1762">A2/36/527</p>		