



Neutral Citation Number: [2019] EWHC 1902 (IPEC)

Claim No: IP-2017-000124

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

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

Date: 31st July 2019

Before :

Mr RECORDER DOUGLAS CAMPBELL QC
(sitting as a Judge of the Intellectual Property Enterprise Court)

B E T W E E N:

NXP BV
(a company incorporated under the laws of the Netherlands)

Claimant

- and -

ID MANAGEMENT SYSTEMS

Defendant

Jamie Muir Wood (instructed by **WP Thompson**) for the **Claimant**

Nick Zweck (instructed by **Kiriakides and Braier solicitors**) for the **Defendant**

Hearing date: 4th July 2019

APPROVED JUDGMENT

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

Mr Recorder Douglas Campbell QC:

Introduction

1. How should this Court approach issues of proof for a low value trade mark claim where the allegation is that the goods are counterfeit? And under what circumstances will a trade mark proprietor be held to have given its unequivocal consent to marketing of counterfeit versions of its own goods? These are the 2 most important questions which I have to decide.

2. The Claimant is a Dutch multinational company which produces and supplies radio-frequency identification (“RFID”) smart cards. Many readers of this judgment will be familiar with this sort of card, which is often used (eg) to control access to buildings or to public transport facilities. The Claimant is also the registered proprietor of a number of EU trade mark registrations for the word “MIFARE” and various permutations thereof. For instance, see EU trade mark no. 10920007 (word “MIFARE”), registered on 25th October in respect of, inter alia, smart cards in class 9; and EU trade mark no. 1191506 (“MIFARE” word and logo), registered on 8th November 2013 in respect of, inter alia, smart cards in class 9.

3. The Defendant is a UK partnership which supplies various RFID products including MIFARE branded smart cards.

4. The Claimant’s case is that on two occasions the Defendant sold MIFARE branded smart cards which were in fact counterfeit.

a) The first occasion was on or around 4th August 2015, when a Mr Claudio De Nardo of an anti-counterfeiting agency engaged by the Claimant called “REACT” bought 100 “Mifare 1K” cards from the Defendant. These were referred to as the REACT cards. The Defendant obtained these cards from a company called Universal Smart Cards Limited (“USC”), which is listed as a registered partner of the Claimant on the Claimant’s website.

b) The second occasion was in or about May 2016, when a Mr Bruce Pudner of Pembrokeshire College contacted the Claimant about some cards he had bought from 2 suppliers, one batch being printed and the other being blank. The printed cards had been purchased from the Defendant. These were referred to as the Pembrokeshire cards. The Defendant obtained these cards from a company called Smart Technology Cards (“STC”), which is not a registered partner of the Claimant. STC had in turn acquired these cards from a company called Edom Technology Limited (“Edom”), which has its address in Taiwan.

This trial is about these two occasions. It is not an open-ended exploration of the Defendant’s business generally.

5. The case started off life in the Small Claims Track until it was transferred into the IPEC multi-track by order of District Judge Alan Johns QC dated 26th April 2017. The District Judge made this order upon considering the directions questionnaires and without a

hearing, but neither party subsequently applied to set it aside. The claim form says that the amount claimed is £10 000, which is the limit for the small claims track, and the only issue is trade mark infringement, which the Small Claims Track is able to hear. I presume that the transfer was done due to the perceived complexity of the claim: see the Guide to the IPEC Small Claims track at paragraph [5].

6. Counsel for the Claimant confirmed, after a little pressure from me, that he was not seeking any increase on the sum claimed. Hence I propose to treat the claim as a low-value one. That remains so even though it eventually involved a hard-fought full day hearing with specialist counsel on both sides.

The witnesses

7. I heard oral evidence from Mr Georg Bauer of what he described as the “MIFARE & RFID Intellectual Property Protection Business Line Secure Transactions and Identification of NXP Semiconductors Austria GmbH”, part of the Claimant. He was cross examined in English although it is not his first language. He was a good witness.

8. The Claimant also adduced evidence from Ronald Brohm, Managing Director of REACT. He was not required for cross-examination and accordingly his evidence is unchallenged.

9. For the Defendant I heard oral evidence from Mr Wayne Street, technical manager of the Defendant since May 2006. He was a good witness.

10. I also heard oral evidence from Mr Jonathan Mitchell, one of the two founding partners of the Defendant. It was established during his cross-examination, and I find, that:

- 1) The Defendant had falsely claimed on its website to be an authorised partner of the Claimant from 2012-2016. Mr Mitchell’s only justification for this was that the Defendant had not been sued – ie, that the Defendant had got away with it.
- 2) Mr Mitchell had signed the Defence with a Statement of Truth even though paragraph 10(b) was false. That paragraph had said that the Defendant had conducted a test on the REACT cards which had revealed that the cards were manufactured by the Claimant. In fact the Defendant had not done any such tests at all. Mr Mitchell said this was “a mistake”.
- 3) Mr Mitchell had in March 2015 asked the Claimant whether the Defendant could use a logo which he had created saying “Genuine Cards NXP Approved Partner” in its marketing. The Claimant refused, because it was not true that the Defendant was an approved or authorised partner, but Mr Mitchell used it anyway.

11. Mr Mitchell also took it upon himself to write an email addressed personally to the Claimant’s trade mark attorney on 28th April 2017 under the heading “*Re: Report to SRA for Predatory Fraud*”. The first paragraph refers to “*our recent report from the solicitors, KB Law and Queens Counsel IP Specialists, Hogwarth Chambers London to the SRA for fraud and predatory abuse amounting to misconduct*”. The penultimate paragraph states “*As explained by the SRA, you have very likely put your career on the line ... You are not a ‘hired gun’ for your client and as you know the SRA and the UK courts do not take this kind of fraudulent, bullying behaviour lightly which can result in huge fines or the risk of being struck off*”.

12. There is no such chambers as “Hogwarth”. Mr Mitchell was unable to name the Queen’s Counsel who is said to have reported the Claimant’s trade mark attorney to the SRA (ie the Solicitors Regulation Authority) for “*fraud and predatory abuse amounting to misconduct*”. Mr Mitchell also admitted that when he had spoken to the SRA they had merely told him they had no jurisdiction, as expected given that the Claimant’s trade mark litigator is not a solicitor at all. The SRA had instead directed him to the relevant body for trade mark agents. Given these facts I find that Mr Mitchell lied in an attempt to bully the Claimant’s trade mark attorney, who was merely doing her job.

13. However nothing turns on Mr Mitchell’s evidence.

The issues

14. The list of issues was set out in a Schedule to the case management conference order made on 12th April 2019 as follows:

1) *Has the Defendant infringed the Claimant’s EU Registrations pursuant to Article 9(1)(a) and/or 9(1)(b) EUTMR.*

2) *Were:*

a. *The [REACT cards]; and/or*

b. *The [Pembrokeshire cards]*

genuine MIFARE cards of the Claimant? In particular do the Analysis Reports at Appendix 3 to the Amended Particulars of Claim and Annex 1 to the Reply relate to the cards supplied by the Defendant?

3) *Who supplied the Defendant with the [REACT cards and the Pembrokeshire cards]? Were such suppliers (or those suppliers’ suppliers) authorised distributors of the Claimant (and/or of a subsidiary or affiliate of the Claimant)?*

4) *Were the [REACT cards and/or the Pembrokeshire cards] put on the market under the MIFARE trade marks with the consent of the Claimant pursuant to Art 15(1) EUTMR?*

5) *Is the Claimant estopped from bringing trade mark infringement proceedings in respect of cards sold by USC and Edom as authorised distributors?*

15. Things have moved on since then. For instance estoppel has been dropped and the key points have been refined. I would characterise the remaining issues more simply as follows:

a) *Were the REACT cards counterfeit?*

b) *Were the Pembrokeshire cards counterfeit?*

c) *Did the Claimant unequivocally consent to either the REACT or the Pembrokeshire cards being put on the market under its MIFARE trade marks in the EEA?*

16. The Defendant argued that point (c) only arose if the goods were counterfeit. I reject this submission for the following reasons.

1) *The argument amounts to saying that I must hold the goods to be non-infringing even if the evidence before me shows they infringe. That cannot be right.*

- 2) There is nothing about the list of issues as settled at the case management conference which supports this submission. See issues 1, 4.
- 3) There are plenty of cases relating to consent where the goods are genuine, and this is so far as am I aware the first ever to say that consent runs even where the goods are counterfeit. It seems inherently unlikely that Defendant intended to rely solely on the novel line of argument, to the exclusion of the well-trodden one.
- 4) The high part of the Defendant's submission seems to be paragraph [17] of the Amended Defence which states "*It is averred, as set out above, that the cards supplied by the Defendant are genuine MIFARE products. In the premises, these products were put on the market in the EEA under the Trade Marks by the Claimant and/or with its consent, pursuant to Article 13(1) EUTMR*". If the second sentence is intended to follow from the first, I reject it as a non-sequitur. However it seems to me that the second sentence of [17] must refer back to paragraphs [10] and [11] where the Defendant explains how it acquired its cards from USC and STC/Edom.
- 5) The Defendant expressly pleads that both sets of cards were put on the market with the Claimant's consent because they were sold in the UK by USC and Edom in paragraph [18]. It is true that this paragraph refers only to non-genuine goods but in my judgment the same argument has to run for paragraph [17] as well in order for paragraph [17] to make any sense.
- 6) In any event, what is clear is that it was the Defendant which introduced the whole idea of the Claimant's consent into the case as part of its Defence and it did so for both sets of cards: see again paragraph [18]. Hence even if I am wrong about paragraph [17] – and no reason was given as to why I might be, although I specifically asked the Defendant's counsel about this – there is no prejudice to the Defendant in considering its consent argument in relation to paragraph [17] as well as paragraph [18].

Were the REACT cards counterfeit?

Legal context

17. The overriding objective of the CPR is to enable the Court "*to deal with cases justly and at proportionate cost*", the latter of which includes dealing with the case in way which are proportionate to the amount of money involved, the importance of the case, and the complexity of the issues: see CPR Part 1.1(1) and 1.1(2)(c)(i)-(iii).

18. One way this is achieved in the IPEC is that Part 16 (Statements of Case) applies "*with the modification that a statement of case must set out concisely all the facts and arguments upon which the party serving it relies*": see CPR Part 63.20.

19. It was common ground that this issue is to be established on the balance of probability, not on any higher test.

Analysis

20. The Claimant relies on a report produced by its in-house technical analysis department dated 26th August 2015. The author of the report is not identified, nor is the testing methodology set out. It explains that "*50 plastic cards have been submitted to NXP*

which are described in this section. 10 cards have been further analysed” and has a photograph of the received cards. Under physical analysis it says “Silicon – silicon NOT made by NXP”. The conclusion says “Resulting from the physical analysis of the spot check cards it is proven that the batch include only cards which are NO silicon’s manufactured by NXO Semiconductors. The silicon shows the die type and version, described with the 8001K”

21. The conclusion could have been expressed more clearly, but it is clear enough. The cards are not made by the Claimant and the reason is because of the silicon. The Claimant relied on this report as demonstrating that the cards were not genuine: see the Amended Particulars of Claim at [8].

22. The only response to this in the Amended Defence was as follows:

“Furthermore it is averred that the analysis report ... shows only a photograph of unmarked cards in front of an envelope bearing the handwritten name ‘ID Management’ and does not establish that the cards tested were purchased from the Defendant.”

23. In its skeleton argument for trial the Defendant for the first time advanced two unpleaded arguments. The first was that 100 cards had been delivered by the Defendant to REACT but only 50 had been supplied to the Claimant for testing. The second was that the analysis report said at the end *“6.1 Disclaimers. General – Information in this document is believed to be accurate and reliable. However NXP Semiconductors does not give any representation or warranties, express or implied, as to the accuracy or completeness of such information and shall have no liability for the consequences of use of such information”*.

24. The first new point was explored with Mr Bauer in cross-examination. He explained that REACT did not always send all the cards to the Claimant. The Defendant did not suggest to him that this was untrue. It merely pointed out that he had not mentioned this in his witness statement. However this omission is hardly surprising since it was not a point at all until a week before trial. In any event I accept Mr Bauer’s evidence. The second point was not explored at all.

25. The Defendant submitted that the Claimant had failed to prove that the goods were counterfeit, and that if I were to find for the Claimant then it would be tantamount to accepting the Claimant’s say-so. I disagree for the following reasons.

- 1) First, this is a low value claim and it is important to keep a sense of proportionality when assessing the evidence on which the Claimant relies. Furthermore the IPEC is intended to provide low-cost access to justice rather than insisting on perfection, so proportionality is a key consideration of the IPEC in all cases.
- 2) Secondly, the Claimant’s report is produced by the very department whose business it is to check for counterfeits of the Claimant’s products in the real world, and I was given no reason to suppose that its reports were questioned by anyone in the real world. Indeed the Defendant itself had twice sent cards to this department for analysis, on 7th August 2013 and 5th October 2015. It is not just the Claimant’s “say-so”.
- 3) Thirdly the Defendant could and should have pleaded its arguments if it had wanted to attack the Claimant’s report. That is not to say that the Defendant would have been

permitted to raise a forest of arguments regardless of cost. The point is that the Defendant never even tried.

- 4) For instance if the 100 card/50 card point had been pleaded I am sure that the Claimant's Reply, and its evidence for trial, would have dealt with it. As it happened nothing turns on this since the Defendant put its case on this to Mr Bauer at trial without objection by the Claimant, and I have no reason to reject Mr Bauer's evidence.
- 5) Similarly if the Defendant had wanted to rely on expert evidence and/or to ask for other samples from the same batch (of which only 10 were tested by the Claimant, and of which 50 were retained by REACT) in order to test them it could have asked for this. I was told that the Defendant had in fact considered whether to apply for expert evidence at the case management conference, although on a different issue, but in the end the Defendant made no such application.
- 6) Nor did the Defendants plead any arguments about the techniques used, the accuracy thereof, the equipment used, or who did the testing.
- 7) Instead of doing any of these things, the Defendant's whole case was simply that the photograph in the report did not show that the Defendant supplied the products. However Mr Bauer dealt with that point in his evidence by explaining that under his department's procedures a unique ID was used to link the products which were supplied to the Claimant for analysis back to those products which were purchased by REACT from the Defendant. He also referred to various delivery notes. This evidence was not effectively challenged in cross-examination.
- 8) I also bear in mind that this is an industry where counterfeits are not uncommon. Indeed a substantial part of Mr Mitchell's evidence complained that the Claimant had not done enough to stop counterfeiters.
- 9) The disclaimer makes no difference since it makes clear that the information itself "*is believed to be accurate and reliable*". It merely means that the Claimant is offering no representations or warranties about this to the world at large.

26. Accordingly I find that the REACT products were counterfeit. I should add that the Claimant did not allege, and I do not find, that the Defendant had any reason to suppose that they were counterfeit. For instance Mr Street did not test the REACT products, which were shrink wrapped both on receipt by the Defendant and when despatched to REACT.

Were the Pembrokeshire cards counterfeit?

27. I apply the same legal approach as set out above. However, the facts here are different.

28. The equivalent technical report in this instance (which is dated 18th May 2016) is, as the Claimant accepted, ambiguous. This is because the Pembrokeshire cards were a mixture of printed and blank, and it is not clear which cards was actually tested. Section 2 says "*5 plastic cards have been submitted to NXP which are described in this section. 3 cards have been analysed*". The accompanying Figure 1 shows 2 printed cards and 1 blank card, but describes these as the "*received cards*", not as eg the "*tested cards*". The conclusion is similar to the first report, namely that the cards tested (whatever they were) were not manufactured by NXP because of the silicon.

29. In order to plug the gap, the Claimant relied on an email exchange between Christiane Klamminger of the Claimant and Mr Bruce Pudner of Pembrokeshire College on 19 May 2016. It is true that Ms Klamminger said that “*the printed cards are non-genuine MIFARE product*” but I do not know what Ms Klamminger’s reasons were for saying this was the case. For instance was this based on a misunderstanding of what Figure 1 of the report showed, or did she have another reason? It was not possible to investigate this in cross-examination because the Claimant did not call her as a witness.

30. The third item of evidence is Mr Street’s testing on the Pembrokeshire cards. Unlike the REACT cards, the Defendant had retained a sample thereof. This means that the Defendant was able to test the retained sample using both (a) an NXP App which Mr Street had been using since 2012 and (b) a product called NXP Hardware & Software, which as the name suggests is a combination of software and a card reader. The Defendant had not had the NXP Hardware & Software when it supplied the cards to Pembrokeshire College. Mr Street also demonstrated using a third party card that the NXP App and NXP Hardware & Software sometimes gave inconsistent results.

31. The NXP App said that the retained sample Pembrokeshire card was genuine. The Claimant criticised the Defendant’s use of the App, because it said that the App was designed for a different purpose, but it remains part of the evidence which I have to consider. The NXP Hardware & Software said that there was an 80% confidence level that the retained sample was genuine. Mr Bauer said that this might be because it was a good fake or because it was an older card.

32. The only documentary evidence before me explaining the significance of an 80% confidence level was the Claimant’s own quick start guide for the NXP Originality Checker (3 May 2018 edition). This explains the significance of the 60-89% range as follows, my emphasis:

“Orange (60-89% Confidential Level)

“Though we are quite sure this product was genuinely produced by NXP, the particularly checked IC does not include dedicated features for originality checking. We recommend to use our latest products including originality checking features”.

33. The relevant legal test is still the balance of probabilities but here the evidence is conflicting. In this instance I find for the Defendant. That is, the Claimant has not established on the balance of probabilities that the Pembrokeshire cards were counterfeit.

Did the Claimant unequivocally consent to either the REACT or the Pembrokeshire cards being put on the market under its MIFARE trade marks in the EEA?

Legal context

34. There was no dispute as to the relevant law, which is set out in eg Case C-414/99 **Zino Davidoff v A&G Imports** [2001] ECR I-8691 (Court of Justice) at [45]-[58] and **Mastercigars Direct v Hunters & Frankau** [2007] EWCA Civ 176, [2007] RPC 24, Court of Appeal at [17]-[19]. In short:

- a) the consent (whether express or implied) must unequivocally demonstrate that the trade mark proprietor has renounced any intention to enforce his exclusive rights (**Davidoff** at [53]);
- b) “unequivocal” does not refer to the standard of proof, but to the nature of the act – ie a proved act which is merely consistent with consent and also consistent with its absence is not enough (**Mastercigars** at [19])
- c) it is for the trader alleging consent to prove it, not for the proprietor to disprove it (**Davidoff** at [54];
- d) mere silence of the proprietor is not enough (**Davidoff** at [55])

35. The Defendant’s argument was that such unequivocal consent had been given.

Analysis

36. The background is that the parties had a run-in September 2013. The Claimant complained by letter dated 27 September 2013 that the Defendant was selling counterfeit goods. The dispute itself was resolved by an email from the Claimant to the Defendant dated 22nd October 2013. My attention was drawn to 2 points arising out of this dispute.

- a) First, Mr Street said in an email dated 30th September 2013 that “*All our card product purchased is now in the UK as we can not trust any supply out of the Far East*”.
- b) Secondly there was an email from the Claimant dated 3 October 2013 in which the Claimant sent the Defendant an 8-page information brochure entitled “*The value of genuine MIFARE products*”. On 4th December 2014, the Claimant sent the Defendant a revised version of this document, by now entitled “*Why risk it? Protect your reputation with genuine NXP Mifare documents*” and referred to as a security white paper.

37. The Defendant’s argument of consent was said to arise from that white paper. I will not quote every part of the white paper relied upon. Essentially it is warning customers against using unauthorised or counterfeit MIFARE products both for legal reasons and for performance reasons. It recommends that customers buy from NXP-recommended suppliers. It also recommends checking authenticity with either a desktop system with a built-in card reader, called the NXP Originality Checker, or (for the latest MIFARE products) a software app. This advice is all unexceptional. None of it amounts to an unequivocal consent to sell either parallel imported or counterfeit products.

38. I asked the Defendant which part of the report most clearly showed such unequivocal consent, and in answer the Defendant identified the following part of the conclusion:

“Fake MIFARE products pose a significant risk and can lead to lost revenue, security breaches, legal problems and loss of customer faith. The better choice is to avoid these risks and use genuine MIFARE products only sold via recommended NXP partners. Genuine products provide all the benefits of performance, interoperability, and seamless upgradability, and help ensure customer satisfaction”.

39. This paragraph is more of the same. It is unexceptional in its own terms and it does not begin to amount to any such unequivocal consent as is alleged.

40. It follows that the Claimant wins in relation to the REACT cards because I have found these to be counterfeit, I have rejected the Defendant's case that the Claimant unequivocally consented to sales of counterfeit goods, and there were no other live issues in relation to those cards.

41. The position in relation to the Pembrokeshire cards is not as straightforward because I have found these to be genuine. However that is not the end of the story since I still have to consider whether the Claimant unequivocally consented to those particular cards being put on the market under its MIFARE trade marks in the EEA, an issue on which the Defendant bears the burden.

42. As stated above the Defendant had acquired these cards from STC, which was not a registered partner of the Claimant, and STC had in turn acquired them from Edom in Taiwan. It will be noted that by acquiring product from the Far East, albeit via STC, the Defendant was thereby doing what Mr Street had said in 2013 the Defendant would not do.

43. The Defendant's case on consent to market these particular goods in the EEA relied on an incomplete document from Edom which the Defendant exhibited to its Amended Defence. This document stated on the cover page that Edom was "*one of the authorised distributors of NXP Semiconductors Hong Kong Ltd, and NXP Semiconductors Taiwan Ltd, in the territory of Hong Kong, China and Taiwan*".

44. I can see nothing in this document to suggest that Edom was authorised to distribute NXP Products in the EEA. In fact it is not even clear to me whether this document is still in force, or what it actually licenses. The first page gives a date of 1st August 2007, but only 3 out of 34 pages are exhibited and these 3 pages do not include any clauses relating to term, territory, or licensing. Mr Bauer also gave undisputed evidence that Edom was not permitted to import cards into the EEA.

45. In the circumstances I therefore reject the Defendant's case that the Claimant consented to anything in relation to the Pembrokeshire cards, from which it follows that the Claimant wins on this too.

Conclusion

46. The action succeeds in relation to both the REACT cards and the Pembrokeshire cards.