

Neutral Citation Number: [2023] EWHC 1821 (IPEC)

Claim No. IL 2020- LIV 000001

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

Royal Courts of Justice
The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: Friday, 21st July 2023

Before:

RECORDER AMANDA MICHAELS

Between:

EQUISAFETY LIMITED

Claimant

-and-

**(1) BATTLE, HAYWARD AND BOWER LIMITED
(2) RICHARD MICHAEL DEWEY**

Defendants

NICOLA FLETCHER, its director, for the Claimant
SAM CARTER (instructed by **Sills & Betteridge LLP**) for the Defendants

Hearing dates: 16 and 17 May 2023

APPROVED JUDGMENT

This judgment was handed down by the Court remotely by circulation to the parties' representatives by email and release to The National Archives. The date and time for hand-down is deemed to be 10:30 on 21 July 2023.

Miss Recorder Amanda Michaels:

1. This is my judgment following the trial of an account of profits. The underlying claim was for trade mark infringement and passing off.

Background

2. The Claimant company designs, manufactures and sells high visibility products which help promote the safety of horses and their riders, especially when on the road. In around February 2015 it started selling a high visibility jacket under the mark “Mercury” and then expanded its use of that mark to a variety of other high visibility goods. In June 2019, it registered MERCURY as a UK trade mark for goods in Classes 9, 18 and 25.
3. In late 2018 or early 2019, the First Defendant (“Battle”), which is a wholesaler of equestrian goods, started selling a range of products (a mobile phone holder, a gilet and a jacket, and then a horse’s bridle set, tail band and leg band) under the label “HyVIZ Silva Mercury Reflective” (the “HVS MR” label). There were also some uses of the name Silva Mercury, for example on the reverse side of some of the product packaging and in the Hy-Equestrian 2019 sales brochure. The goods were advertised in Battle’s catalogues and online, on two websites: www.battles.co.uk (the **Battles website**) and www.hy-equestrian.com (the **Hy-equestrian website**). I was told that the Battles website was the trading site, through which orders could be placed, and that at all material times, the Hy-equestrian website was non-trading, although goods were displayed upon it, and it was used (essentially) as an advertising show-case.
4. As soon as she became aware of these uses, Ms Nicola Fletcher, the Claimant's sole director, wrote to Battle to complain. In about September 2019, Battle undertook a voluntary rebranding process, aiming to reduce and then cease use of the Mercury name. Nevertheless, some infringing use continued, and the Claimant issued these proceedings against Battle and its director, Mr Dewey, on 30 October 2019, claiming trade mark infringement and passing off.
5. The case was transferred to the IPEC. The trial of liability was heard before Deputy Judge Nicholas Caddick KC, and in December 2021 Battle was found liable for both infringement and passing off. The claim against Mr Dewey as a joint tortfeasor was dismissed.
6. On 8 December 2021, an Order was made by the learned Deputy Judge granting an injunction against Battle and providing for there to be an enquiry as to damages or, at the Claimant's option, an account of profits. The Order required the provision of trade and financial information by Battle, which was filed in the form of the 4th witness statement of Mr Dewey, dated 28 January 2022. By a letter dated 11 February 2022, the Claimant elected for an account of profits. Points of Claim were filed on the 29 April 2022 and Points of Defence on 4 July 2022. A CMC was held on 9 November 2022, identifying a List of Issues for the account (annexed below). References in this judgment to infringement or infringing use relate (unless otherwise stated) both to trade mark infringements and to acts of passing off, and the sums awarded by this account relate to both trade mark infringement and passing off.

7. At the trial of liability, both parties were represented by counsel, and the Claimant's Points of Claim for the account were settled by the same counsel. However, between filing the Points of Claim and the hearing of the CMC on 9 November 2022, the Claimant appears to have parted company with its legal advisers, so that at the hearing of the CMC and the hearing of the trial of the account before me, the Claimant was represented by its director, Ms Fletcher. Battle was represented throughout by Sam Carter of counsel.

The witnesses

7. The sole witness to appear before me for the Claimant was Ms Fletcher. I found her to be an honest witness, although much of her evidence was irrelevant or amounted to no more than opinion, and much of it reflected her views of the merits or her concerns about losses caused to the Claimant, rather than the profits made by Battle. A witness statement was also filed from Matthew Cummins. He was not cross-examined. His evidence does not appear to me to be relevant to any of the issues I have to decide.
8. For Battle, I heard from two of its directors, Mr Richard Dewey, and his wife Anna Marie Clarke. Ms Fletcher submitted that Mr Dewey had lied about the turnover figures, and about other matters (such as whether a particular catalogue had been printed in-house or not) but nothing that he said in giving his evidence and nothing in the documents to which I was taken seems to me to support her view that his evidence was not truthful. His 4th and 5th witness statements contained rather different explanations of what goods had been delivered in the infringing packaging after Battle's rebrand, but it seems to me that this probably reflected the fact that he had been able to consider the position more fully for trial than for the *Island Records* disclosure. Mr Dewey struggled to limit himself to answering the questions in cross-examination, perhaps because Ms Fletcher was also (understandably) struggling to ask questions rather than argue the Claimant's case. Overall, he struck me as an honest witness, doing his best to help the Court. Ms Clarke, who is Battle's Commercial Director, found giving evidence even more difficult. Her exasperation with Ms Fletcher and the claim against Battle was evident throughout, and she was argumentative, and tended to challenge rather than answer questions. However, to the extent she was giving evidence about the infringing products and the rebranding efforts, she appeared to me to be an honest witness, as was Battle's Operations Manager, Rachel Scott, who explained how Battle's calculations had been made on the basis of its software systems.

The applicable law

9. A successful claimant in an intellectual property case must choose between two alternative methods of assessing the appropriate financial remedy: an inquiry as to damages or an account of profits. He cannot have both remedies or some hybrid between them, as the Court of Appeal made clear in *Hollister Inc v Medik Ostomy Supplies Ltd* [2013] FSR 24 at [54]-[56]:
“54 A claimant who has succeeded in an action for infringement is entitled to damages as of right. If it seems the claimant may have suffered more than nominal damage then he will generally be entitled to an inquiry, the central purpose of which is to ascertain the extent of his losses and so restore him to the position he would have been in if the infringement had not been committed.

55 Alternatively, a successful claimant may seek an account of the profits made by the infringer. This is an equitable remedy and the court has a discretion whether to order it. It may be refused if, for example, the infringer was entirely innocent or the trade mark owner has delayed in bringing proceedings. The purpose of an account is very different from an inquiry as to damages. It is to deprive the infringer of the profits he has made by the infringement. He is treated as if he has conducted the infringing business on behalf of the claimant. The losses the claimant has suffered by reason of the infringement are therefore not relevant.

56 It can be seen that the remedies of an inquiry as to damages and an account of profits proceed on very different bases. A successful claimant must therefore elect between them. Often, a successful claimant has insufficient information to make an informed decision as to which remedy he should pursue, and in those circumstances the court may order the defendant to provide limited disclosure and give the claimant a reasonable period of time thereafter in which to make his election.”

Kitchin LJ went on:

“69 ...an account of profits does not compensate the trade mark owner for the losses he has suffered. It simply deprives the infringer of the profits he has made from an activity in which he should never have engaged. It therefore ensures the infringer does not benefit from his wrong, but it contains no element of punishment. Moreover, as an equitable remedy, it may be refused if for any reason it would produce an unjust result.”

10. If an account of profits is chosen, as was done here, the extent of any damage caused to the claimant by the infringing activities is not relevant to the assessment of the sum to be paid by the defendant. As Kitchin LJ said in *Hollister*:

“71 ... An assessment of the damage caused to the claimant forms no part of an account of the profits made by an infringer and the approach adopted by the judge constituted an illegitimate amalgamation of two quite different ways of assessing compensation. The damage suffered by the claimants was not relevant to the account which the judge ordered and to which Medik consented. The points taken by Medik as to the inadequacy of the claimants’ case in relation to damage they had suffered therefore fall away.”

11. The principles of law relating to a claim for an account of profits in an IP case were set out by the Court of Appeal in *OOO Abbott v Design and Display Ltd* [2016] FSR 27, applied in *Jack Wills Ltd v House of Fraser (Stores) Ltd* [2016] EWHC 626 (Ch), and helpfully summarised by Deputy Judge Nicholas Caddick KC in *Bei Yu Industrial Co v Nuby (UK) LLP and another* [2022] EWHC 652 (IPEC). He set out the relevant principles at paragraph 5 as follows:

"a. The purpose of the account of profits is to deprive Nuby of the profits which it has improperly made by its wrongful importation and sale of the Nuby Baby Bath and to transfer those profits to Bei Yu – see *Hotel Cipriani v Cipriani Grosvenor Street* [2010] EWHC 628 (Ch) per Briggs J at [8]. In this regard, it is Nuby’s actual profit that the court has to identify rather than the profit that Nuby could or ought to have made. In effect, Bei Yu must take Nuby (and its profit) as it is – see *Jack Wills Ltd v House of Fraser (Stores) Ltd* [2016] EWHC 626 (Ch), at [10]).

- b. The relevant profits are the sum left after deducting Nuby’s allowable expenses from the sums received or receivable by Nuby in respect of its infringing acts.

- c. The allowable expenses will include any costs that were associated solely with Nuby's infringing acts. Those costs might be direct costs (e.g. the costs of purchasing and importing the relevant products) or any increased overheads specifically related to the infringing acts. Such expenses may be deducted in their entirety – see *OOO Abbott v Design and Display Ltd* [2017] EWHC 932 (IPEC), per HHJ Hacon at [57(1) and (2)].
- d. The allowable expenses can also include a proportion of Nuby's general overheads unless (a) the relevant overhead would have been incurred anyway (i.e. it would have been incurred even if the infringing acts had not occurred) and (b) the sale of infringing products would not have been replaced by the sale of non-infringing products – see *OOO Abbott* per HHJ Hacon at [57(3)].
- e. Where a deduction can be made in respect of a general overhead, the amount deducted is such proportion of the overhead figure that can fairly be attributed to Nuby's infringing activities as opposed to its non-infringing activities. This apportionment is done on a broad brush basis - see *Jack Wills* at [53]. However, it may be appropriate to use different bases of apportionment for different types of overhead. A basis that is fair and appropriate in relation to, for example, an expense relating to the business premises may not be fair and appropriate when applied to, say, wages - see *Jack Wills* at [53]. As noted by Lewison LJ in *OOO Abbott* [2016] EWCA Civ 95 at [39], the question posed by the court as regards deductible overheads is a relatively simple one to ask, even if it may not be easy to answer.
- f. The evidential burden rests on Nuby to support a claim that it is appropriate to make a deduction on account of a sum said to be an allowable expense under the principles set out in (b) to (e) above – see *OOO Abbott* [2017] EWHC 932 (IPEC) at [57(4)].”
12. In addition to this summary, and the question of the apportionment of overheads, counsel referred me to the need to assess the proportion of net profits which is properly attributable to the acts of infringement (the point is Issue 4 of the List of Issues). In *OOO Abbott* Lewison LJ considered whether all of the profits made by sale of an infringing product (in that case, a product which infringed a patent) should necessarily be taken into account. He said:
- “34 Mr St Quintin of course accepts that so much of the profit made on the sale of the incorporated panel as is attributable to the infringing insert must be included in the account. But he says that this is not a case in which the article itself (the incorporated panel) would not have come into existence at all but for the infringement. Nor was it an essential ingredient in Design & Display's whole product (i.e. a panel with an insert). That is demonstrated by the fact that Design & Display continued to sell incorporated panels after it ceased to use the infringing insert without any drop in sales. In those circumstances he argues that the overall profit should be apportioned between the insert on the one hand and the panel on the other. Mr Cuddigan said that this argument was not permissible because of the way that the issue was framed. The issue was framed as follows: “Are the Claimants entitled to claim the profits which accrued to [the Defendant] as a result of the sale of slatted panels sold together with the clip in aluminium extrusion?”
- 35 He argued that this was a binary question which the judge had to answer either “Yes” or “No”. I do not agree. It was open to the judge to answer the question by holding that such profits could be recovered in some circumstances but not in others. 36 Let me revert to the example given by the Full Court in *Dart Industries*

v Decor Corp [1994] F.S.R. 567. A manufacturer sells a car which includes a patented brake. If the car did not have brakes, the manufacturer could not have sold it, but it did not have to have that particular brake. In those circumstances the Full Court clearly thought that it would be unjust to charge the manufacturer with the whole profit made on the car; and I agree with them. In my judgment the legal error that the judge made was to ask whether the sale of the panel plus insert would have happened separately rather than to ask himself how much of the profit on the sale was derived from the infringement. In a case in which the infringement does not “drive” the sale it seems to me that it is wrong in principle to attribute the whole of the profit to the infringement. In particular it does not follow from the fact that the customer wanted a slat wall that incorporated *an* insert that the customer wanted a slat wall that incorporated the *infringing* insert. Mr Cuddigan argued that the infringing inserts and the slot were the “very essence” of the incorporated and unincorporated panels. But the judge made no such finding, and his observations at [32] suggest the contrary. In addition I do not consider that the judge was correct at [31] in saying that “*because* the sales went together, the sale of inserts caused ... the sale of the panels...” The mere fact that the two went together is not, in my judgment, sufficient to establish that the whole of the profit earned on the composite item was derived from the invention. One might just as well say that the sale of the panel caused the sale of the insert. As the judge himself recognised the customer specifies *panels*, and on the hypothesis that he was considering at [31] the customer is indifferent about the inserts (provided that some form of insert is included). On the judge’s approach, because the sale of the patented brake went with the sale of the car, the whole of the profit on the car would be included in the account. If the judge had found on the facts that the infringing insert was “the essential ingredient in the creation of the defendant’s whole product” (i.e. the incorporated panel), then he would have been justified, on the facts, in declining to apportion the profit. But I cannot see that he made that finding.

37 In my judgment therefore in cases simply falling within the factual hypothesis discussed at [31] the judge should have apportioned the overall profit. The question of apportionment will therefore have to be returned to IPEC, although the judge would not be precluded from finding as a fact that the infringing insert was the “essential ingredient” of the incorporated panel.”

13. This was followed by HHJ Pelling KC in *Jack Wills* (another trade mark and passing off case):

“The Infringement Apportionment Issue

61. In my judgment the law in this area is now settled by *Design & Display Limited* (*ante*). In relation to this issue and having considered all the relevant authorities Lewison LJ concluded at [36] that:

"In my judgment the legal error that the judge made was to ask whether the sale of the panel plus insert would have happened separately rather than to ask himself how much of the profit on the sale was derived from the infringement. In a case in which the infringement does not "drive" the sale it seems to me that it is wrong in principle to attribute the whole of the profit to the infringement. In particular it does not follow from the fact that the customer wanted a slat wall that incorporated *an* insert, that the customer wanted a slat wall that incorporated the *infringing* insert. ... If the judge had found on the facts that the infringing insert was "the essential ingredient in the creation of

the defendant's whole product" (i.e. the incorporated panel) then he would have been justified, on the facts, in declining to apportion the profit. But I cannot see that he made that finding."

62. As it seems to me the position is now that unless ... there is a finding that the infringement drove the sale, there must be an apportionment to take account of the fact that the profits to be disgorged are those properly attributable to infringing use of the mark not all the profits derived from sale of the item – see also and by way of example *Cartier v. Carlile* (1862) 31 Beav. 292 per Sir John Romilly MR at 298, and *Hotel Cipriani SrL and another v. Cipriani (Grosvenor Street) Limited and others* [2010] EWHC 628 per Briggs J (as he then was) at [8]: "... where a single head of profit is attributable to a number of causes, some of them infringing and some of them not, it is necessary and appropriate for the court to conduct an apportionment so as to work out on a broad brush basis what proportion of the profit is due to the act of infringement ..." There is no justification in law for approaching the profit taking exercise differently simply because this is a trade mark infringement case – see *Cipriani* (ante) at [7]."

14. I should add that Ms Fletcher referred me to regulation 3 of the Intellectual Property (Enforcement) Regulations 2006, SI 2006/1028, which provides that "damages awarded to the claimant shall be appropriate to the actual prejudice he suffered" where the Defendant "knew, or had reasonable grounds to know, that he engaged in infringing activity." However, in the light of the Claimant's election for an account of profits, this point seems to me to have fallen away, for the reasons given in *Hollister* and reflected in the relevant paragraph of the relief sought in the Claim form which sought "An inquiry as to damages, including such damages as may be appropriate pursuant to the Intellectual Property (Enforcement) Regulations 2006, SI 2006/1028 or at the Claimant's option an account of the profits, by reason of the Defendants' acts complained of herein." In the circumstances, the claim made pursuant to regulation 3 in the claim at the liability stage was not repeated in the prayer to the Points of Claim for the account. The Claimant may have come to regret the election it made, but cannot now go behind it.

The First Defendant's figures

- a) *Gross profit*
15. I start by considering the turnover figures disclosed by Battle. It provided two sets of figures in the Points of Defence: the so-called **Packaging Period** figures at Defence Annex 1 (which applied to all of the HVSMR goods sold by Battles, including sales made after the rebrand), and the so-called **Website Period** figures (covering sales or firm orders placed before the end of September 2019) provided at Defence Annex 2. These Annexes reflected the figures given by Mr Dewey in his 4th Witness Statement. The figures were recalculated before the trial, with minor differences. Taking them at their highest (as Battle was happy to do) the total revenue for the Packaging Period was £41,215.10. After deducting the direct costs of purchase, the gross profit was (after adjustment) £24,356. The total revenue for the Website Period was £21,825.81. After deducting the costs of purchase, the gross profit was £12,947.50. Ms Fletcher provided me with various spreadsheets, giving gross profit figures of between about £30,000-50,000, and in closing she gave me a spreadsheet based upon the various purchase orders disclosed by Battle, the costs of acquisition and its trade prices, which

led her to conclude that the gross profit was £84,110.65. I consider which of the figures to use below.

16. The first question, however, is as to the accuracy of the turnover and direct costs figures supplied by Battle. Three points on accuracy were raised in the Points of Claim. First, the Claimant complained about a lack of documentation showing sales at the BETA trade fair in January 2019. However, I accept Battle's evidence that these figures were included in the total. Next, the Claimant pointed to the lack of sales figures from the Hy-equestrian website. Again, I accept Battle's evidence that the site did not trade at the relevant time, and orders could not be placed through it. Thirdly, the Claimant complained of discrepancies between the documents disclosed in the liability proceedings and the documents disclosed in Mr Dewey's 4th witness statement. The Court had made provision for the Claimant to seek additional documents after provision of Mr Dewey's 4th witness statement, but it did not pursue the point at that stage.
17. One of the main issues raised by Ms Fletcher at the hearing was the difficulty in following Battle's documents. Ms Fletcher was concerned at the lack of certain documents, such as shipping documents, but her specific concerns related to the importation of the infringing mobile phone holders. The Claimant therefore made an application for wide-ranging additional disclosure not long before the hearing, which I dismissed for reasons which I gave at the time. Mr Dewey provided a 6th witness statement in response to the application, with various explanations about the documents, and a copy of an additional purchase order which had been provided to the Claimant in late February. Battle's solicitors accepted that this order had been missed out of its earlier disclosure. That was unfortunate. It was also unhelpful to an outsider that documents which appeared to be firm sales orders were not in fact final, as some were shown to have been cancelled or amended, or were "build up orders" as discussed below. Nevertheless, I do not consider that the voluminous invoices and delivery documents provided by Battle were insufficient or suggested that Battle was hiding more imports and sales than it had admitted.
18. Mr Dewey gave evidence that Battle kept what he called "build-up" orders, which were in essence drafts of orders, and were amended as orders were changed or built up. These were not firm orders placed with Battle's supplier. However, they were disclosed by Battle, and this – together with a lack of clarity about cancelled orders and shipping arrangements - led to an understandable concern on Ms Fletcher's part that there had been more than one order of 1000 infringing mobile phone holders. Battle rightly conceded that the documents which it had provided relating to the importation of the mobile phone holders were quite confusing, not only because the same order was found in different documents under different references, but also because they had disclosed some irrelevant documents by mistake. For instance, 1000 mobile phone holders were shown in order No. 216905 dated 19 July 2018, but two amended versions of that order of the same date, described as the 9th and 10th revised orders, did not include any mobile phone holders. It appears that they were not shipped with the other goods from that order, but consolidated into another revised order No 217933 dated 14 September 2018 and shipped in November 2018. After careful consideration of the written and oral evidence and the submissions made about these goods, as well as the numerous documents relating to them, I have concluded that I should accept the explanations about those goods and consignments given by

Mr Dewey and Ms Scott. I find that there was a single consignment of infringing 1000 mobile phone holders. Equally, I accept Battle's evidence that 500 of the mobile phone holders were repackaged after the rebrand. The account should therefore take into account the profits relating only to 500 mobile phone holders.

19. The manner in which Battle set out its calculation of gross profit was explained by Ms Scott. Her explanation was not challenged, and I accept it and the figures which are set out in Annexes 1 and 2 to the Defence. The differences between the parties' calculations of the gross profit made by Battle arose first from the issue about the mobile phone holders, discussed above. Ms Fletcher had also, in her final spreadsheet, included profits from an order (no. 20171212A) which I am satisfied had been cancelled. Those two points reduced the Claimant's final calculations by almost £37,000, so that the difference between the parties' calculations for the Packaging Period was only about £5,000-6,000. Ms Fletcher had taken into account only the cost of purchasing the goods, and not the costs of shipping and duty, giving the higher "landed cost" set out in Annex 3 to the Points of Defence. For instance, she gave the cost of importation of an infringing gilet as £9.55, but the landed cost of that item identified by Battle was £10.83. The difference between the parties' figures for an infringing jacket were a little greater. Ms Fletcher had also applied the wrong exchange rate, which made a further small difference. A further difference arose from the prices at which Battle was said to have sold the goods. Ms Fletcher gave prices which she said she had taken from Battle's website or catalogues, but Mr Dewey's evidence, which I accept, was that the average price achieved by Battle tended to be lower because it gave trade discounts to at least some of its customers. Taking all of those factors into account, it seems to me that the Claimant has not identified any real basis to doubt the accuracy of the gross profit figures supplied by Battle in Annexes 1 and 2 of the Defence.
20. I was invited to take into account the fact that Battle's investigations showed that all of the infringing goods were sold to trade customers. Counsel submitted that I should therefore find that none of Battle's profits arose from any confusion or misrepresentation, as the findings in the liability judgment were based on a likelihood of confusion amongst members of the general public.
21. Battle submitted that the liability judgment made a finding of a likelihood of confusion only in relation to end users, and so there was no finding of infringement by sales to trade customers, nor of any misrepresentation to such customers. The former point was coupled with a submission that the learned deputy judge had found the Claimant's mark to be of low distinctiveness. The learned deputy judge made the following findings:

“52 ... I find that the average consumer (particularly bearing in mind the element of imperfect recollection) would see Battle's sign as being moderately similar to the registered mark. This seems to me to follow from the obvious visual and aural similarities that clearly exist given that the word mercury is a part (and not an insignificant part) of Battle's sign.

...

55 As noted above, for present purposes, the average consumer could be either a retailer or the end user of equestrian products. There is clearly a higher likelihood that the latter would be confused by Battle's use of the word mercury for its high visibility products, particularly as such a consumer is unlikely to exercise more

than a moderate amount of care when buying products of this type and, in particular, when buying them through a retailer and/or online.

The likelihood of confusion

56 In my judgment, looking at the evidence globally through the eyes of an end user and bearing in mind that, for the purposes of s.10(2), the likelihood of confusion is assessed in the context of the actual use that has been made of the sign complained of, I have concluded that there is a likelihood of confusion in that an end user is likely to assume that there was some association between Equisafety and the products being marketed and sold by Battle under the HVSMR or Silva Mercury labels. That association might be that the relevant products were derived from or were licenced by Equisafety or, possibly, that they have been co-branded in the sense set out in *Liverpool Gin Distillery Ltd v Sazerac Brands LLC* [2021] EWCA Civ 1207 at [12].

57 It seems to me that this conclusion follows from the fact that Battle's sign is being used in relation to identical goods, save for the phone holders which are similar goods, and from the clear visual and aural similarities between the sign and the mark to which I have referred. In reaching this conclusion, I reject Mr Carter's submissions that the average consumer would be taken by the unusual spelling of the words "Hy VIZ" and "Silva" and by their earlier positioning within the HVSMR sign such that those words would dominate the overall impression of the HVSMR sign with the result that "no, or vanishingly little distinctive weight" would be attached to the word mercury. In my judgment, although Battle has used the word "Mercury" as part of the HVSMR sign or of the Silva Mercury sign, given the essentially descriptive nature of the words "Hy VIZ", "Silva" and "Reflective", I find that the average consumer would take notice of the word "Mercury" and would regard it as being of some trade mark significance."

22. It is right, therefore, that at paragraph 56 the learning deputy judge referred to a likelihood of confusion amongst end users. However, in my view his reasoning in paragraphs 55 and 57 was not limited to the impact of the infringing mark upon an end user, but upon the average consumer, which I take to include the two categories of consumer he had identified - potential end users and trade customers. He went on to deal with the question of distinctiveness:

"58 I have concluded that there was a likelihood of confusion given the inherent distinctiveness (and non-descriptiveness) of the Mercury mark in relation to this type of goods. However, Equisafety also argued that that likelihood of confusion was increased by the distinctive character that the Mercury mark had acquired by reason of the uses it had made of it. In this regard, I have not been provided with any evidence regarding the size of the market in high visibility products for the equestrian market nor of Equisafety's share of that market, although I am told that its highest annual turnover was £484,858 in 2018. Indeed, somewhat unhelpfully, Equisafety has redacted any information that might help determine the volume of its sales of Mercury products. Similarly, although I am told that Equisafety's advertising spend is around £35,000 a year, I have no information as to what part of that figure relates to the Mercury mark. Nevertheless, I accept that the evidence before me is sufficient to establish that Equisafety's use of the Mercury mark since 2015 has given that mark a distinctive character and that this increases the likelihood of confusion arising from Battle's use of the word mercury. I also accept Equisafety's case that that evidence is relevant even though it relates to

uses made of the word Mercury before the application to register it as a trade mark.”

He then summarised the evidence which the Claimant had provided of publicity or advertising in equestrian publications, many of which were trade publications.

23. Dealing with passing off, the learning deputy judge said:

“93 It was common ground that, in order to succeed in a passing off claim, Equisafety must establish the elements of goodwill, misrepresentation and damage. On the basis of my findings above, I find that Equisafety had clearly acquired goodwill in the word mercury used in relation to high visibility equine products and that it had done so well before Battle started using the word for its products sold under the HVSMR label. I also find that that use by Battle clearly involved a misrepresentation that those products were derived from or connected in some material way with Equisafety. Finally, I find that such use inevitably resulted in damage to Equisafety. For these reasons, I accept Equisafety's case that Battle's activities amounted to passing off.”
24. In the circumstances, I am not persuaded that the finding of liability for trade mark infringement and for passing off was predicated on the basis that only an end user would have been confused or would have seen the infringing sign as a misrepresentation. I do not consider that it is open to me to make a finding on this point, in addition to those made in the liability judgment. Moreover, had I been free to make my own findings on the point, it seems to me that the Claimant’s evidence of advertisements and press coverage in the trade press would support or supplement the findings in the liability judgment as to the enhanced level of distinctiveness and the reputation of the Mercury mark amongst members of the trade. In those circumstances, I reject Battle’s submission that no-one in the trade would have bought the infringing goods because of use of the Mercury name. I note that the learned deputy judge held that Mercury was not an insignificant part of the infringing signs, and also held at paragraph 62 that the inherent distinctiveness of the Mercury mark would have been very significantly enhanced by use and especially by Equisafety's sponsorship of the world-famous dressage rider, Charlotte Dujardin, which started in 2016. For these reasons, I reject the submission that the fact that all sales were to trade customers means that none of the learned deputy judge’s findings of liability apply.
25. More significantly, I need to decide whether I should take into account the profits generated during the Packaging Period or just the profits from the shorter Website Period. It was Battle’s case that the Website Period figures account for all sales made where its use of an infringing sign was visible at or prior to the point of sale and, therefore, where the profits may be attributed in part to an act of infringement. The Defendant’s calculations for the Packaging Period therefore took into account all orders placed up to the end of September. It submitted that the additional sales made after the end of September 2019 would not have been made by reference to the infringing sign, as that had been removed from its trading website, and its staff had been instructed to refer to “Flash” rather than “Mercury” products.
26. However, the Claimant contended that all sales up to September 2020 should be included, in particular as the infringing signs continued to be used on some webpages of the Hy-equestrian website – the residual uses. In July 2020 the Claimant identified an example of residual use in the body of the description of the product, despite the

name of the product having been changed. Another residual use was found on the Hy-Equestrian website in October 2020, where the Flash name was used but the infringing packaging was shown. Ms Clarke accepted that this use continued until 29 October 2019. It was complained of in the Re-Amended Particulars of Claim. Both residual uses were removed upon the Claimant drawing them to Battle's attention. "Mercury" was also shown on some invoices after September 2019, although most of the invoices used the new name.

27. In addition, Mr Dewey confirmed in cross-examination that apart from the 500 mobile phone holders, all of the products that Battle ordered which arrived in the UK went to retailers with the Mercury trade mark on the swing ticket and on the packaging, and that the only reason the 500 mobile phone holders alone were repackaged was that they represented the only free stock at the time of the rebrand. Thus, whilst the rebranding exercise appears to have been carried out by around 19 September 2019, use of the Mark continued to be made not just in the residual uses, but upon the packaging of a substantial quantity of goods, generating about half of Battle's total gross profit.
28. In Mr Dewey's 4th witness statement, he accepted that there had been the residual uses on the website and said he was embarrassed to see that some infringing products were sold after the rebrand. His assumption was that a single pallet of infringing stock had been found in the warehouse and sold, and certainly the impression given by that witness statement was that relatively small numbers of goods had been sold bearing the infringing packaging after the rebrand. He put the matter rather differently in his 5th witness statement. He said that he asked a member of staff to quarantine the stock of HVSMR mobile phone holders as there were no other goods to quarantine at the time, as he had found that all the stock had been sold, taking "forward orders" into account. He took the view that the 500 mobile phone holders were the only "free stock" on Battle's system. Battle quarantined those goods and repackaged them. Mr Dewey did not consider any of the other infringing goods still held by Battle to be free stock, because they were (as I understand it) being held by Battle in case customers who had indicated an intention to order later placed a firm order for the goods. Oddly, it seems to me, Battle treated these expressions of interest or potential orders as "forward orders" although no firm order had been placed. That was certainly the position in relation to about £9,000 worth of goods delivered to Battle's biggest customer Mole Valley Farmers Ltd ("Mole Valley"), after the rebrand. However, I conclude that this left around another £11,000 worth of stock which was delivered to other customers which also bore the original, infringing labels, although the invoices, delivery notes, etc may have referred to the new HVSFRR sign.
29. Mole Valley Farmers is a large customer of the Defendant, with a number of stores. As I have said, substantial numbers of infringing items, worth (according to Mr Dewey) some £9,000, were delivered to Mole Valley stores in October to December 2019, after the re-brand took place but bearing the original HVSMR packaging.
30. Battle invited me not to include any of the sales to Mole Valley on the basis that they were not the result of its use of the infringing sign. Mr Dewey's evidence was that prior to September 2019 the buyer at Mole Valley would only have seen unpackaged physical samples. As these would not have had any swing tags or packaging attached, there would have been no use of the infringing sign which may have prompted the

Mole Valley purchases. Therefore, Mole Valley would not have been aware that the relevant goods were (or had been) branded with the HVSMR Sign, and by the time any firm order was placed/sale made after September 2019, the re-brand had been effected. The Defendant submitted that those sales could not properly be relevant to the account, despite the fact that the goods were sent out with infringing packaging, as none of the profits made by those sales could have arisen from the infringing uses.

31. In my view, Battle's evidence about what would have been shown or said to Mole Valley was not satisfactory. Mr Dewey dealt with it in his 5th witness statement (for the trial of the account). He said that Mole Valley "will have been" shown unpackaged samples in 2019 by Ms Clarke, but he did not explain why that would have been the case. He did not purport to have direct knowledge of what happened. Ms Clarke could have given direct evidence on the point, but failed to do so. She said nothing about this in her witness statement. In the circumstances, I heard no direct evidence at all about the Mole Valley sales, and in particular as to what use, if any, was made of the infringing sign before the Mole Valley orders were placed.
32. It seems to me that even if the buyer(s) at Mole Valley were shown unpackaged samples prior to September 2019, that will not necessarily have meant that they would never have been exposed to the HVSMR sign. The Mercury name may have been used by Ms Clarke when identifying the goods to the purchaser or may have been evident to the buyer in a catalogue or other document. It would have been easy for Ms Clarke to give evidence dealing with this point, but she did not do so. I infer that Ms Clarke could not have given evidence that the HVSMR name was not used.
33. Battle also submitted that after the rebrand trade customers like Mole Valley would have learned of the change of name, because the new Flash name was on the trade website, its EDI/Electronic Data Exchange system and the Orderwise App which Battle's sales team use when visiting customers. Ms Scott gave evidence that the EDI system also used the new name after the rebrand, but there was no evidence before me to show how that would have appeared to a customer, and whether it might have had an impact on a buyer who had previously attached the infringing name to the same product SKU. It was also suggested that as staff members had been told of the rebrand they would have corrected any customer use of the infringing name, but there was, again, no direct evidence about this being done, or instructions being given to that effect. However, the individual product codes for the infringing products were not changed after the rebrand, so that the change of name may not have been evident to (or seen as significant by) such a customer whether using the website or (like Mole Valley) the EDI. In all the circumstances, I do not accept the Defendant's position in relation to the Mole Valley orders. I am not satisfied that there was evidence that Mole Valley's buyer would have learned or been told that the name of the goods had changed.
34. Furthermore, the goods were supplied over quite a lengthy period and in a number of separate deliveries. Although the invoices referred to the new HVSF name, all of the goods delivered after the re-brand bore the old infringing packaging. In the circumstances, after the first delivery/ies took place, the customer will have seen the goods bearing the infringing HVSMR name.

35. In the circumstances, it seems to me that on the balance of probabilities, Mole Valley will have been exposed to the infringing name prior to placing its firm orders for the goods, whether by use of the name when they were shown the samples, or when indicating its interest in the goods, which it was Battle's case it had done prior to the rebrand. Hence, all of those sales should properly form part of the account.
36. None of Battle's witnesses explained whether or how its other customers who had placed "forward orders" before the rebrand may (or may not) have seen the infringing name before the rebrand, or been educated to use the new name after it. Mr Dewey's evidence about unpackaged samples was restricted to the Mole Valley orders although there appear to have been substantial further goods sold on a similar basis after the rebrand. There was no evidence before me as to what those other customers may have seen or been told when (presumably) indicating to Battle their intention to order in a manner which was sufficiently definite for Mr Dewey to consider virtually all of the rest of the infringing stock held in September 2019 as spoken for, rather than "free stock." Equally, I heard no evidence as to how such orders were placed, and whether the new name would have been brought to any such customer's attention before making a firm order, bearing in mind that the same SKU was used. I infer that other customers may indeed have been exposed to the infringing name before placing an order.
37. In all the circumstances, I do not need to consider to what extent the minor residual uses of the infringing name on the Hy-equestrian website may also have affected any customer. I am satisfied that the appropriate sum to take as Battle's gross profit from its infringements and passing off is based upon the Packaging Period, in the sum of £24,356.

b) Overheads and net profit

37. The issue identified by Lewison LJ in *Design & Display Limited* at [39] was: "... if the defendant had not infringed ... would he have carried on a non-infringing business which would have been sustained by the overheads in fact used to sustain the infringement?"
38. Battle submitted that overheads of 14.6% across the board should be deducted from the gross profits on the basis that (a) all such overheads would have been incurred anyway (i.e. even if the infringing acts had not occurred) and (b) the sale of infringing products would have been replaced by the sale of non-infringing products. In regard to the latter point, it pointed to the fact that it continued to sell the same products after the rebrand. I accept this evidence. I find that had Battle not sold the goods under the infringing sign, it would have sold equivalent goods under another sign or signs. I consider that Battle is entitled to deduct an appropriate proportion of general overheads.
39. Battle invited me to take the so-called "sales revenue" approach, which involves dividing the deductible costs by total sales during the relevant period and then applying the resulting percentage to the infringing sales. Mr Dewey gave details of the amount of overheads incurred in 2019 for wages, sales representatives' commission, travel and subsistence, carriage, advertising and trade shows and packaging and labels. He said that such overheads had remained reasonably stable over the material

period and for simplicity he had achieved the 14.6% figure by applying the 2019 overheads to total sales in 2019.

40. The Claimant did not challenge any of the specific figures given for the different overheads incurred, but Ms Fletcher suggested that I should adopt the alternative method of calculation considered in *Bei Yu*, the “volume approach,” based on the number of infringing products sold as against the total number of products sold by Battle in the relevant period. I was not told exactly how many products Battle had sold over the relevant period, but the Claimant submitted that the number of infringing products was small, only a tiny proportion of 15,000 (or more) product lines sold by Battle. Ms Fletcher submitted that the appropriate per centage was 0.04% of total revenues. However, it seems to me that applying the volume approach would not be in the Claimant’s interest, as 0.04% of Battle’s overall turnover, or gross profit, as shown in the accounts in evidence, would lead to a greater deduction than taking 14.6% of the turnover.
41. I conclude that Battle is entitled to reduce the gross profit figure to allow for general overheads. It contended that the sales revenue approach should be taken, and I will do that. Applying the appropriate broad brush approach, I consider it appropriate to round down the per centage to 14%, to allow for slight variations over the years.

c) *Apportionment of the net profit*

42. Battle submitted that there had been no finding at the trial of liability that the infringement drove the sales, so that there must be an apportionment to ensure that the profits to be paid to the Claimant are only those properly attributable to infringing use of the mark, not all the net profits derived from sale of the items. The Claimant pleaded that Battle needed to show an evidential basis for apportionment of its profit to non-infringing elements, whilst Battle contended that the sales of the infringing goods were not driven by the use of the infringing sign, but by the characteristics of the goods, and Battle’s own reputation for its goods and services. It pointed in particular to the fact that sales of the same high-visibility goods grew rather than decreased despite the rebrand. Ms Clarke’s evidence was that the “Hy” branding was well-known and more significant than the Mercury element of the infringing signs.
43. In *Jack Wills*, HHJ Pelling QC held:
- “63. It is now necessary to turn to the facts of this case. In my judgment it is simply not possible on the evidence to conclude that the infringement complained of drove the sale of the infringing products or was the essential ingredient in the infringing products. I do not propose to summarise again all the factual material set out above. However a key point is that the Logo was used on articles of clothing that formed part of the LINEA line sold by HoF; the same lines were sold both before the infringement commenced and after it had been brought to an end and essentially the same articles were sold both before and after the infringement with the only material difference being the absence of the Logo. There is no evidence that the inclusion of the Logo had any significant or lasting effect on the sales of the products concerned. What evidence there is suggests that there was no increase in either sales or margins that resulted from the use of the Logo ... The infringing goods were clothing. They have a value to consumers independently of the presence on the goods of the Logo. Indeed on some lines the

Logo was not permanently affixed to the garments but was present on in the form of a detachable label. The products not only had on them the Logo but also the LINEA marks. The Logo was not prominently displayed in any advertising or promotional material. However, all of this material (which was not available to Arnold J) has to be balanced with the conclusions that he reached as set out earlier in this judgment. In all the circumstances, there is no difference between this case and the hypothetical example posited by Lewison LJ in *Design & Display Limited (ante)* at [36]: "*A manufacturer sells a car which includes a patented brake. If the car did not have brakes the manufacturer could not have sold it but it did not have to have that particular brake. In those circumstances ... it would be unjust to charge the manufacturer with the whole profit made on the car ...*"

44. Many of the factors in this case are similar to those taken into account by the learned judge in *Jack Wills*. I note in particular Battle's evidence that it had been selling a range of goods under the "Hy" brand for 10 years, with turnover of several million pounds per annum, which Ms Clarke considered may have driven or contributed to some of the sales of the infringing goods. In addition, I accept some of the purchases were likely to have been achieved, at least in part, by the nature, design or quality of Battle's goods.
45. However, there are aspects of the judgment on liability which suggest that (had the learned judge directly addressed the point) he would have found that these infringements drove the sales. The learned judge found that the mark had acquired distinctiveness, especially through the connection with the celebrity, Charlotte Dujardin. He held that Mercury was not an insignificant part of the infringing signs, and that the average consumer would take notice of the word and regard it as being of some trade mark significance in the infringing sign. Whilst he made a finding of indirect rather than direct infringement, that was predicated on the basis that an end user would assume some association between the Claimant and the infringing goods, in terms of a licence or co-branding. In light of the evidence (which he summarised also) of the Claimant's advertising in trade channels, it appears to me that persons in the trade may have reached similar conclusions as to co-branding, even if they were aware of the reputation of the Hy brand. Moreover, the learned deputy judge found infringement pursuant to sub-section 10(3) as well as 10(2), based upon his findings as to the reputation of the mark, and he found that there was a misrepresentation by use of the infringing sign, leading to passing off. In addition, unlike the position in *Jack Wills*, Battle had not been selling goods of this particular kind prior to importing the infringing goods, so that the use of the mark may have contributed to the creation of a market for it for such goods. All of these points suggest to me that sales of Battle's goods may have been driven at least in part by the infringement.
46. Battle submitted that in deciding what is the appropriate level of apportionment, I should take into account the rates which would be payable to a trade mark licensor as the learned judge indicated should be done in *Jack Wills* at [64]. Mr Dewey gave evidence of a trade mark licence which had been granted to Battle to use the Thelwell mark, at a royalty rate of 10% of turnover in the marked goods. Counsel submitted that as the Thelwell mark is far better known than the Mercury mark, a significantly smaller sum should be awarded here.

47. Regrettably, it is not clear to me from the judgment in *Jack Wills* how exactly the trade mark licence point affected the learned judge's calculation of apportionment. However, it seems to me that the fact that only 10% of turnover in licensed goods is payable to the licensor does not prove that the whole profit attributable to the use of the licensed mark is also 10% of turnover. Were that the case, there would be no benefit to the licensee in applying the mark to the goods. Plainly, the licensee would want its own share of the profits attributable to the use of the mark, suggesting that the profits attributable to the licensed use are well over 10%. As a result, it does not seem to me that the existence of the Thelwell licence helps me to decide how much of the net profit made by Battle is attributable to the use of the Claimant's mark.
48. On balance, in my judgment, it is right to apportion the profits because the infringement will not have been the sole factor driving the sales of the infringing goods. Battle suggested that I should adopt a very low figure, but in my judgment this would not strike the right balance between the conflicting factors which I have discussed above. Most importantly, on balance I am satisfied that the use of the mark would have been a significant factor in driving sales of Battle's goods. Taking a broad brush approach I conclude that 60% of the profits should be attributed to the uses of the infringing signs.
49. By my calculations, £24,356 reduced by 14% for overheads is £20,947. 60% of that sum is £12,568.

Interest

50. Mr Carter referred me to the summary of the relevant principles on the award of interest in *Bei Yu* at §§46-47 as follows:
- “46. The relevant principles with regard to interest were set out in *Carrasco v Johnson* [2018] EWCA Civ 87 at [17] where, having reviewed the authorities, Hamblen LJ stated that:
17. The guidance to be derived from these cases includes the following:
 - (1) Interest is awarded to compensate claimants for being kept out of money which ought to have been paid to them rather than as compensation for damage done or to deprive defendants of profit they may have made from the use of the money.
 - (2) This is a question to be approached broadly. The court will consider the position of persons with the claimants' general attributes, but will not have regard to claimants' particular attributes or any special position in which they may have been.
 - (3) In relation to commercial claimants the general presumption will be that they would have borrowed less and so the court will have regard to the rate at which persons with the general attributes of the claimant could have borrowed. This is likely to be a percentage over base rate and may be higher for small businesses than for first class borrowers.
 - (4) In relation to personal injury claimants the general presumption will be that the appropriate rate of interest is the investment rate.
 - (5) Many claimants will not fall clearly into a category of those who would have borrowed or those who would have put money on deposit and a fair rate for them may often fall somewhere between those two rates.

47. I also note that at [19] and [25], Hamblen LJ emphasised that the court has a broad discretion in relation to an award of interest.

48. Applying these principles, I have concluded that this is a case where Nuby is correct and that interest should be awarded at the base rate only. At paragraphs 28 and 29 of its Points of Defence, Nuby expressly pleaded that the base rate was appropriate given that savings are earning negligible interest and that Bei Yu had not set out any case as regards why a rate based on the cost of its borrowing would be appropriate. That remained the position at trial and no evidence was adduced by Bei Yu that would assist (even on a “broad brush” basis) in determining the appropriate rate of interest in this case. In my judgment, given that the issue had been clearly raised in the pleadings, Bei Yu is not entitled simply to rely on the general presumption referred to in Carrasco at paragraph 17(3) (see above) and it would not be appropriate to order interest.”

51. Here, the Claimant simply sought interest at a rate to be decided by the Court, and Battle simply denied the claim. Counsel contended that payment of simple interest at base rate would be appropriate, or at most, at a rate of 1-2% over base.
52. Unlike the *Bei Yu* case, no positive case was put forward in the statements of case by either side as to the appropriate rate. Further, in the circumstances, I heard no evidence or submissions as to any losses or financial difficulties (such as a need to borrow funds) which the Claimant may have suffered as a result of the infringements. However, as the Claimant is a business, I consider that I may rely upon the general presumption, referred to by Hamblen LJ in *Carrasco*, that it would have borrowed less had it been paid the amount of profits due to it. This seems a wholly realistic presumption. Further, I consider that I should have regard to the rate at which persons with the general attributes of the Claimant could have borrowed. There was no evidence before me on the point, but it seems to me that one could not expect an SME such as the Claimant to have been able to borrow funds at less than 2.5% above base rate, which at the least would have been compounded annually. Moreover, I consider that base rate has been so low over much of the relevant period that any rate lower than 2.5% over base would be inadequate to compensate the Claimant for being kept out of its money.
53. Counsel for Battle helpfully provided me with a table showing the fluctuations in base rate from January 2019 when infringement first occurred to 11 May (the week before the hearing before me), as well as the average rate from 21 January 2019 and 11 May 2023, inviting me to use the latter for a broad brush approach to calculation of the sum due. I consider that the rate should be updated to reflect any changes in base rate between 11 May and the date of handing down this judgment (which may be assumed to be the same as to the date of circulating this judgment in draft, 17 July 2023). The sum should be at 2.5% over the average rate for the period 21 January 2019 to 17 July 2023, compounded annually on 21 January, from 21 January 2020.
54. This judgment will be handed down remotely without the need for attendance, and the parties should liaise to agree the appropriate sum for profits plus interest in accordance with this judgment, and (if possible) to agree the terms of the Order I should make.

Annex

List of Issues

1. Whether the First Defendant's gross profit figures are accurate, including:
 - 1.1. Whether the figures for sales of infringing products by the First Defendant are accurate; and
 - 1.2. Whether the figures for purchases of infringing products by the First Defendant are accurate.
2. Whether any apportionment of general overheads is appropriate.
3. If so:
 - 3.1. Which general overheads may properly be the subject of apportionment? And
 - 3.2. On what basis should the apportionment of those overheads be made?
4. What proportion of the First Defendant's net profits relating to the infringing products are attributable to its acts of infringement?
5. What interest if any should be paid?