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High Court of Justice, chancery division, 14 July 2005

Before : **MR JUSTICE LADDIE**

Between:

**(1) HEWLETT-PACKARD
DEVELOPMENT
COMPANY L.P.
(2) COMPAQ TRADE
MARK B.V. Claimants
- and -
EXP ANSYS UK LIMITED Defendant**

**Mr James Mellor (instructed by Freshfields
Bruckhaus Deringer) for the Claimants Mr
Ashley Roughton (instructed by Halliwells)
for the Defendant
Hearing date: 23 June 2005**

Mr Justice Laddie:

1. The claimants, Hewlett-Packard Development Company L.P. ("HP") and Compaq Trade Mark B.V. ("Compaq") apply for summary judgment in their claim for infringement of registered trade marks against the defendant, Expansys UK Limited ("Expansys").
2. HP, and formerly Compaq, make and market electronic personal organisers under the trade marks HP and iPAQ. Both of these marks are registered in respect of classifications of goods which include electronic personal organisers. The registrations, which are for United Kingdom and CTM marks, are in the name of HP or Compaq.
3. The Claimants' personal organisers are sold in many countries of the world including Malaysia and Pakistan. Expansys, which is an online reseller of electronic equipment, has located a supply of the Claimants' personal organisers bearing the HP and iPAQ marks in those countries and is offering to sell and selling them in this country. Mr James Mellor, who appears on

behalf of the Claimants, argues that this constitutes an infringement of the registered marks and that there is no real or credible defence to his clients' claim, hence the present application.

4. Mr Ashley Roughton, who appears for Expansys, concedes that the Claimants would be entitled to judgment at this stage were it not for three defences, each of which he says is arguable. The three defences are (1) that Claimants are disentitled to relief as a result of their tardiness in bringing these proceedings (the delay issue), (2) that it is arguable that the Claimants have given an unequivocal renunciation of their right to object to importation of these grey imports (the consent issue) and (3) that by reason of the Claimants' allegedly anti-competitive behaviour, they are not entitled to deploy their registered trade mark rights against otherwise unlawful importation of their marked goods (the competition issue).
5. There is no dispute between the parties as to the relevant principles to be applied on an application for summary judgment. They include the following. First, CPR 24.2 provides that summary judgment may be appropriate when the defendant has no real prospect of successfully defending the claim and there is no other compelling reason why the case or issue should be disposed of at a trial. CPR 24 was considered in *Swain v Hillman* [2001] 1 All ER 91 in which Lord Woolf accepted that the words "no real prospect of succeeding" in the rule did not need any amplification but pointed out that the word "real" means that summary relief is appropriate where the defence is fanciful. Second, in *Swain* Lord Woolf stated that CPR 24 does not involve the conduct of a mini-trial. Third, although the court will not conduct a mini-trial, it is not obliged to accept factual assertions if it is clear that they have no substance. Fourth, the court must deal with the application on the basis of the material before it. The defendant is unlikely to be able to defeat an application for

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summary judgment by expressing the hope that something which might help him will turn up. In relation to the latter point, Mr Mellor draws my attention to the judgment of the Vice-Chancellor in *The Lady Anne Tennant v Associated Newspapers Ltd* [1979] FSR 298 and, in particular, the statement: "You do not get leave to defend by putting forward a case that is all surmise and Micawberism."

The Delay Issue

6. This can be dealt with briefly. It is said that the Claimants took two years between discovering that Expansys was importing HP iPAQs and commencing the present proceedings. Mr Roughton does not rely on acquiescence or estoppel. On the contrary, he tells me that his clients knew that the Claimants objected to such importation. He says that the mere delay is enough to give rise to a triable defence.
7. I do not accept this argument. There is a limitation period of 6 years. It is difficult to think of any case where a delay significantly less than the limitation period could give rise to a defence to a claim in the absence of special features, such as encouragement by the claimant and reliance upon it by the defendant. No such features are relied on here. It is mere delay which is said to provide a defence. In my view there is nothing in this point. It is fanciful.

The Consent Issue

8. A series of cases in the European Court of Justice ("ECJ") has made it clear that the owner of registered trade marks may use those marks to prevent the importation into the EEA of his goods which have been put on the market outside the EEA by him or with his consent. Such importation of his goods bearing his marks amounts to infringement. Needless to say, a trader may consent to such importation, in which case there is no infringement. However in *Zino Davidoff SA v A&G Imports Ltd* [2002] RPC 403, the ECJ ruled that, for infringement to be avoided, there must be real consent.

Relevant paragraphs in the judgment include the following:

"45. In view of its serious effect in extinguishing the exclusive rights of the proprietors of the trade marks in issue in the main proceedings (rights which enable them to control the initial marketing in the EEA), consent must be so expressed that an intention to renounce those rights is unequivocally demonstrated.

46. Such intention will normally be gathered from an express statement of consent. Nevertheless, it is conceivable that consent may, in some cases, be inferred from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrate that the proprietor has renounced his rights.

53. It follows from the answer to the first question referred in the three cases C-414/99 to C-416/99 that consent must be expressed positively and that the factors taken into consideration in finding implied consent must unequivocally demonstrate that the trade mark proprietor has renounced any intention to enforce his exclusive rights.

54. It follows that it is for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence.

55. Consequently, implied consent to the marketing within the EEA of goods put on the market outside that area cannot be inferred from the mere silence of the trade proprietor.

56. Likewise, implied consent cannot be inferred from the fact that a trade mark proprietor has not communicated his opposition to marketing within the EEA or from the fact that the

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goods do not carry any warning that it is prohibited to place them on the market within the EEA.

57. Finally, such consent cannot be inferred from the fact that the trade mark proprietor transferred ownership of the goods bearing the mark without imposing contractual reservations or from the fact that, according to the law governing the contract, the property transferred includes, in the absence of such reservations, an unlimited right of resale or, at the very least, a right to market the goods subsequently within the EEA."

9. In this case Mr Roughton does not rely on express consent. He says that there is "some evidence" from which it can be properly inferred that consent was given. However, even at this stage, it can be seen that the facts relied on come nowhere near to unequivocally demonstrating that the proprietor has renounced his rights.
10. What Expansys relies on are matters such as the language of the instruction leaflets supplied with the products, the shape of the electric plugs attached to them and the alleged deliberate oversupply of products to the Malaysian and Pakistan' markets. For present purposes I ignore the detailed and comprehensive responses to these allegations contained in the Claimants' evidence served on this application. Even without this, it is apparent that none of the alleged facts relied on by Expansys, whether taken alone or together, show that the trade mark owners renounced their rights. Indeed, Mr Roughton accepts that there is no evidence that these Claimants have played any part in or have approved the various actions which Expansys relies on. Consent, if there was any, must have been by some other company within the HP group. Expansys is forced to argue that such consent (if it existed) was given with the blessing or on behalf of the Claimants, even though there is nothing to support such an assertion.

11. But more than that, it is apparent even at this stage that, far from consenting to this type of importation, the Claimants objected to it and that Expansys has been aware of that at all material times. I have referred already to the fact that Mr Roughton argues that his client knew that the Claimants objected to this type of importation (see paragraph 6 above). This submission was entirely consistent with the evidence of Mr Roger Butterworth served by Expansys on this application. Mr Butterworth says that his company was forced to purchase product from "unauthorised" or "non-approved" distributors, that other resellers are unwilling to supply evidence to support Expansys because "they are too frightened of HP's litigious attitude ... preferring to keep their evidence to themselves in the hope that it will protect them if and when HP takes action against them", that various official HP distributors were put out of business by the importation of cheap imports, that "HP Malaysia is currently under internal HP investigation for knowingly having allowed the sale of low priced iPAQs to Malaysian customers in the full knowledge that those products were going to be exported to the UK" and that "there is talk of the HP Malaysia office being closed as a result of this". He also refers to the alleged fact that two individuals, presumably employed by HP Singapore, were sacked for grey market trading. All of this, far from pointing to the Claimants consenting to the grey market, suggests that they strongly object to it. It seems to me that Mr Butterworth puts Expansys' case at its highest when he says "HP in various parts of the world simply has not effectively policed the position". Even if all the factual assertions made by him were correct (and most, if not all of them are disputed by the Claimants) this does not begin to support a case of renunciation of rights by the Claimants, let alone one which is unequivocally demonstrated.

12. It follows that there is nothing in this defence.

The Competition Issue

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13. The competition issue may be summarised as follows. Both Article 82 of the Consolidated Treaty Establishing the European Community and Chapter II of the Competition Act 1998 prohibit the abuse of a dominant position in a relevant market. It is alleged that HP enjoys a dominant position in the UK market for PDA devices, particularly those which use the Microsoft Windows operating system. It is said that HP abuses that dominant position by fixing the price of its iPAQs. This is facilitated by its use of its trade mark rights to keep out cheap imports from outside the EEA. Therefore it and Compaq will not be allowed to enforce such rights.

property rights enable their owner to charge higher prices. That is not an abuse. It is an inherent feature of such rights. Without it, the whole economic justification for intellectual property rights would disappear. Mr Roughton is not complaining about high prices as such. His complaint is about price fixing.
14. I will assume that the market as defined by Mr Roughton is a relevant market for the purposes of the Consolidated Treaty and the Competition Act, that HP enjoys a dominant position in it and that it has fixed prices in the UK - even though these are issues which are energetically disputed by Mr Mellor. I shall therefore assume that there is, at least arguably, a breach of the competition rules. That does not provide Expansys with a defence to this claim unless there is a relevant nexus between that breach and the Claimants' cause of action.
15. Mr Roughton accepts that his client needs to demonstrate the existence of a nexus. He says that it exists in the use of the Claimants' trade marks to secure the market environment in which it is possible for HP to fix prices. That, he says, is a sufficient nexus with the result that HP can no longer rely on its trade mark rights.
16. I do not accept this submission either. There has been much jurisprudence on the interface between intellectual property rights and abuses of dominant positions yet, so far as I am aware, it has never been held that the existence of a proved abuse results in the unenforceability of intellectual property rights. This is so notwithstanding the fact that such arguments have been raised regularly by infringers. Mr Roughton does not rely on any authority in support of his proposition. Intellectual property rights enable their owner to charge higher prices. That is not an abuse. It is an inherent feature of such rights. Without it, the whole economic justification for intellectual property rights would disappear. Mr Roughton is not complaining about high prices as such. His complaint is about price fixing.
17. If there is an abuse of a dominant position, what is prohibited is the abuse, not the dominant position or the abuser's ability to continue in the relevant market and to exploit his various property rights. Thus here, assuming that Expansys' other arguments are made out at the trial, it is the fixing of prices which is offensive. HP will be ordered to stop fixing prices and may have to pay compensation for having done! so in the past, but none of that reflects on its ability to object to infringers. Indeed it is apparent that there is little or no nexus between the alleged price fixing and HP's intellectual property rights. Assuming that offensive price fixing is found at the trial, HP will be forced to stop the practice (assuming that there is such a practice). But, were that to happen, HP would be just as likely to use its -trade mark rights in order to prevent unlicensed imports which could damage its European markets. Put another way, even if there had been no price fixing, HP would have sought to prevent grey imports and would have been entitled to do so. Thus the enforcement of its trade mark rights does not determine whether or how HP fixes prices in the UK.
18. It follows that Expansys can show no relevant nexus between the alleged breaches of competition law and enforcement of the Claimants' IP rights. There is no real prospect that, were it to make out its allegations of abuse, Expansys could use this as a defence to the Claimants' claim.
19. Therefore, for the reasons set out above, none of the defences relied on by Expansys has a real prospect of success at the trial. Mr Roughton does not argue that there is any other compelling reason why this action

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should be made to go to trial.
Accordingly the Claimants are entitled to
summary judgment.