



Neutral Citation Number: [2020] EWCA Civ 1726

Case No: A3/2019/2988

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE, BUSINESS AND PROPERTY
COURTS, INTELLECTUAL PROPERTY LIST (CHANCERY DIVISION)

His Honour Judge Hacon
[2019] EWHC 2925 (Ch)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 16 December 2020

Before :

LORD JUSTICE LEWISON
LORD JUSTICE ARNOLD
and
MR JUSTICE MARCUS SMITH

Between :

BENTLEY MOTORS LIMITED
- and -
(1) BENTLEY 1962 LIMITED
(2) BRANDLOGIC LIMITED

Appellant

Respondents

Simon Malynicz QC, Amanda Michaels and Charlotte Blythe (instructed by Eversheds Sutherland (International) LLP) for the Appellant
Hugo Cuddigan QC and Mitchell Beebe (instructed by Fox Williams LLP) for the Respondents

Hearing date : 8 December 2020

Approved Judgment

Covid-19 Protocol: This judgment was handed down remotely by circulation to the parties' representatives by email, release to BAILII and publication on the Courts and Tribunals Judiciary website. The date and time for hand-down is deemed to be at 10:30am on 16 December 2020

Lord Justice Arnold:

Introduction

1. This case involves a clash between rival users of the trade mark BENTLEY. The Claimants (“Bentley Clothing”), which are companies owned by Robert Lees and his sons Christopher and Richard, are the owner and exclusive licensee of three trade marks consisting of or comprising the word BENTLEY registered in respect of clothing and headgear (“the Trade Marks”), the earliest of which was registered in 1982. Bentley Clothing are the successors to a line of predecessor businesses, the first of which was founded by a Gerald Bentley in 1962. The Defendant (“Bentley Motors”) is the well-known car manufacturer. It is the successor to a predecessor company which was founded by Walter Owen Bentley in 1919. It is common ground that Bentley Motors and its predecessor have since 1919 made extensive use of the trade mark BENTLEY in relation to motor cars, and as a result that trade mark has a substantial reputation. Bentley Motors has sold clothing under signs consisting of or comprising the word BENTLEY since about 1987. This has given rise to a number of disputes between the parties in various fora. In these proceedings Bentley Clothing contend that Bentley Motors has infringed the Trade Marks by selling clothing and headgear under the sign or signs shown below since November 2011 (six years before the date on which the claim form was issued).



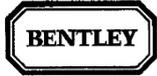
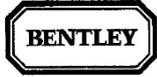
BENTLEY

2. The device which appears above the word BENTLEY is known as the “B-in-wings” device. Bentley Motors has used the B-in-wings device for many years. Bentley Clothing has no objection to its use, including on clothing and headgear.
3. His Honour Judge Hacon sitting as a Judge of the High Court decided, for the reasons given in his judgment dated 1 November 2019 [2019] EWHC 2925 (Ch), that Bentley Motors had infringed the Trade Marks. Bentley Motors now appeals against that decision partly with the permission of the judge and partly with permission granted by Floyd LJ.
4. It is important to note before proceeding further that one of the main defences to infringement advanced by Bentley Motors before the judge was a defence of honest concurrent use. The judge rejected that defence for the reasons given in his judgment at [85]-[160]. Bentley Motors was refused permission to appeal against that conclusion both by the judge and by Floyd LJ. I shall return to the significance of this below.

The Trade Marks

5. Bentley Clothing relies upon the following Trade Marks, all of which are registered in respect of goods in Class 25:

Number	Mark	Goods	Filing Date
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1180215		Articles of knitted clothing; shirts and waistcoats	12 Aug 1982
2177779A	BENTLEY 	Clothing; headgear; articles of knitted clothing, knitwear, jumpers, pullovers, cardigans, sweaters, shirts, sweatshirts, T-shirts, polo shirts, coats, jackets, top coats, overcoats, raincoats, car coats, waistcoats, blousons, articles of clothing for casual wear, shorts, articles of sports clothing, blouses, hats, caps, scarves, gloves, anoraks	22 Sep 1998
2505233	BENTLEY	Clothing and headgear	22 Dec 2008

6. The judge referred to these as “the Lozenge Mark”, “the Series Mark” and “the Word Mark” respectively, and I will follow his example. The Series Mark is so called because it consists of a series of two trade marks. These are to be treated as separate trade marks registered under a single reference number: see *Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [2016] EWCA Civ 455, [2016] FSR 31.

Bentley Clothing’s use of the Trade Marks

7. Bentley Clothing does not contend that any of the Trade Marks has an enhanced reputation by reason of the use made of them. No doubt for that reason, the judge did not make any detailed findings concerning such use, whether by Bentley Clothing or by their predecessors. He merely noted at [70] that neither Bentley Clothing nor its predecessors had used the Trade Marks on a large scale. He also recorded at [121], [128] and [131] that Bentley Motors had unsuccessfully applied to revoke the Trade Marks for non-use.

Bentley Motors’ use of signs consisting of or comprising the word BENTLEY in relation to clothing and headgear

8. The judge made detailed findings of fact concerning Bentley Motors’ use of signs consisting of or comprising the word BENTLEY in relation to clothing and headgear since 1987. These may be summarised as follows.
9. Bentley Motors first sold clothing in about 1987. A catalogue of that date entitled *The Rolls Royce Collection/The Bentley Selection* comes from the period when Bentley Motors was part of the same group as Rolls-Royce Motor Cars Ltd. The part of the catalogue headed *The Bentley Selection* advertised, among other goods, an anorak, two silk ties with differing motifs, a lightweight jacket and a cashmere scarf. All of the items appear to have been intended to be worn as men’s clothing. The only sign affixed to the goods themselves was the B-in-wings device, but each page of the catalogue was emblazoned with the words “The Bentley Selection”. The judge held that this constituted use of the sign BENTLEY in relation to the relevant articles of clothing, and there is no challenge to that conclusion. Although the specific catalogue in evidence did not include any caps, the judge found that Bentley Motors had also sold caps in the same manner prior to 31 October 1994. Bentley Motors continued to sell clothing in this way until 2000.

10. In 2000 a catalogue of Bentley Motors merchandise was published under the title *The Bentley Collection* which included a slightly expanded range of men's clothing and headgear, and a ladies' scarf. The B-in-wings device appeared on the front along with the word BENTLEY and below that in much smaller typeface the word MOTORS. As before, the only mark affixed to the goods themselves was the B-in-wings device.
11. In the same year, 2000, Bentley Motors distributed another catalogue under the title *The Bentley Collection Return to Le Mans*. The clothing and headgear in this catalogue was marked with the B-in-wings device and below it the words TEAM BENTLEY.
12. In 2002 Bentley Motors issued a catalogue entitled *The Bentley Collection* which for the first time showed clothing and headgear bearing the sign or combination of signs set out under paragraph 1 above. (There was one exception, a baseball cap which bore the sign BENTLEY alone on the front of the cap.)
13. In the last quarter of 2006 a website went live showcasing the BENTLEY COLLECTION of goods which included clothing and headgear. Again, this was sold under the sign or combination of signs set out above. From 2006 Bentley Motors expanded its range of clothing and headgear to include items for children and more for women, although total sales did not increase significantly and remained modest.
14. In December 2007 Bentley Motors produced a beanie hat and a scarf bearing the sign BENTLEY alone, small quantities of which were sold during the relevant period. This was accepted by Bentley Motors to be an infringement subject to the two defences mentioned below.
15. An example of the allegedly infringing use of the sign or signs shown under paragraph 1 above is depicted below.



The legal framework

16. Bentley Clothing's infringement allegations relate to periods covered by (i) European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks and (ii) its replacement, European Parliament and Council Directive 2015/2436/EU of 16 December 2015. As explained below, one of Bentley Motors' defences arises out of the first trade mark directive, First Council Directive 89/104/EEC of 21 December 1988. There is no material difference between the relevant provisions of the three Directives, although they have been renumbered in Directive 2015/2436. It is convenient to address the issues on the appeal by reference to the provisions of Directive 2008/95, which are as follows:

“Article 5

Rights conferred by a trade mark

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

...

- 4. Where, under the law of the Member State, the use of a sign under the conditions referred to in paragraph 1(b) or paragraph 2 could not be prohibited before the date of entry into force of the provisions necessary to comply with Directive 89/104/EEC in the Member State concerned, the rights conferred by the trade mark may not be relied on to prevent the continued use of the sign.

...”

- 17. Article 5(1) of Directives 89/104 and 2008/95 was implemented in the United Kingdom by section 10(1),(2) of the Trade Marks Act 1994. Article 5(4) was implemented by Schedule 3 paragraph 4 to the 1994 Act, which provides:

“(1) Sections 9 to 12 of this Act (effects of registration) apply in relation to an existing registered mark as from the commencement of this Act and section 14 of this Act (action for infringement) applies in relation to infringement of an existing registered mark committed after the commencement of this Act, subject to sub-paragraph (2) below. The old law continues to apply in relation to infringements committed before commencement.

- (2) It is not an infringement of-

- (a) an existing registered mark, or
- (b) a registered trade mark of which the distinctive elements are the same or substantially the same as those of an existing registered mark and which is registered for the same goods or services,

to continue after commencement any use which did not amount to infringement of the existing registered mark under the old law.”

- 18. The “old law” means the Trade Marks Act 1938 and any other enactment or rule of law applying to existing registered marks immediately before the commencement of the

1994 Act and “existing registered mark” means a trade mark registered under the 1938 Act immediately before the commencement of the 1994 Act: Schedule 3 paragraph 1. The 1994 Act entered into force on 31 October 1994.

One sign or two?

19. Bentley Clothing’s primary case is that Bentley Motors has infringed the Word Mark and the word part of the Series Mark pursuant to Article 5(1)(a) of Directive 2008/95. In the alternative, Bentley Clothing contends that Bentley Motors have infringed all of the Trade Marks pursuant to Article 5(1)(b). It is common ground that the applicability of Article 5(1)(a) depends on the threshold question of whether Bentley Motors has used two distinct signs, namely (i) the B-in-wings device and (ii) the word BENTLEY (as Bentley Clothing contend), or one sign consisting of the combination of the B-in-wings device and the word BENTLEY (as Bentley Motors contends). If the use was of two distinct signs, Bentley Motors has used a sign identical to the relevant Trade Marks in relation to goods identical to those for which they are registered. If the use was of one sign, however, Bentley Motors has used a sign similar to the Trade Marks and the infringement claim falls to be considered under Article 5(1)(b). The difference is that Article 5(1)(b) requires Bentley Clothing to establish a likelihood of confusion, whereas Article 5(1)(a) does not.
20. The judge held, for the reasons he gave at [39]-[60], that the average consumer of clothing and/or headgear would perceive the use to be of two distinct signs simultaneously. The key passage in his reasoning was as follows:
 - “55. Both the word BENTLEY and the B-in-Wings device were used extensively and separately for a long time before November 2011. The device was registered as a trade mark by Bentley Motors in 1980 and was used for some years before then. Mostly the two signs were used other than for clothing or headgear, but I was given no reason to suppose that the average consumer would perceive any difference in the use of those signs in one context or another. The average consumer’s perception would have developed from all use of those signs.
 56. The fact that the word BENTLEY and the B-in-Wings sign were used separately over a long period suggest to me that in the early 2000s the average consumer would have taken them to be separate signs.
 57. ... for the reasons given above I think that Bentley Motors continued to regard the word BENTLEY and the B-in-Wings sign as two separate signs up until 2014. I also think that this view would have been transmitted, expressly or by implication, to Bentley Motors’ trading partners. Consumers would not have received any contrary impression. I have no doubt that until 2014 the average consumer, long familiar with both the B-in-Wings device and the BENTLEY name as individual trade marks, when seeing the two used together in the Combination Sign would have taken them to be exactly that: two familiar signs being used together.”

He went on to conclude that the average consumer's perception would not have changed as a result of efforts by Bentley Motors to tell its licensees that the B-in-wings device should always appear together with the word BENTLEY from 2014 onwards.

21. Bentley Motors' first ground of appeal is that the judge was wrong on this point. This contention was barely argued by counsel for Bentley Motors either in writing or orally, however. Moreover, it was submitted that the debate was an "arid" one because its only relevance was to the question of whether the infringement claim should be assessed under Article 5(1)(a) or 5(1)(b), and ultimately the answer was the same.
22. The only criticism made of the judge's reasoning was that he should not have placed reliance upon his finding that, prior to 2014, Bentley Motors had itself regarded the use as being of two signs rather than one. As can be seen from the extract from the judgment set out above, however, this was not a significant factor in his reasoning, although he did consider whether Bentley Motors' change of policy in 2014 had made any difference. It is therefore not necessary to consider whether he was wrong to take it into account.
23. In my judgment no error of principle in the judge's approach to this question has been identified, and his conclusion was an evaluative assessment which was clearly open to him. Moreover, I agree with it.

Infringement under Article 5(1)(a)?

24. The case law of the Court of Justice of the European Union establishes that six conditions must be fulfilled in order for there to be *prima facie* infringement under Article 5(1)(a) of Directive 2008/95:
 - i) There must be use of a sign by a third party within the relevant territory.
 - ii) The use must be in the course of trade.
 - iii) The use must be without the consent of the proprietor of the trade mark.
 - iv) The use must be of a sign which is identical to the trade mark.
 - v) The use must be (a) in relation to goods or services (b) which are identical to those for which the trade mark is registered.
 - vi) The use must affect, or be liable to affect, one of the functions of the trade mark.
25. The first five conditions are apparent on the face of the legislation. Condition (vi) has been read into the legislation by the CJEU as a matter of interpretation.
26. The judge set out the issues he had to decide at [16]. Having identified the issue as to whether the use complained of was of one sign or two, he went on:

"If it was perceived to be two signs, Bentley Motors did not dispute that the Word Mark and the word part of the Series Mark were infringed pursuant to s.10(1) of the Trade Marks Act 1994 ... , subject to the two defences referred to below."

The two defences referred to were (i) honest concurrent use and (ii) under the transitional provision contained in Schedule 3 paragraph 4 of the 1994 Act.

27. Having concluded that the use complained of was of two distinct signs, the judge held at [60] that the use was an infringement of the Word Mark and the word part of the Series Mark pursuant to Article 5(1)(a) “subject to the defences to infringement discussed below”. Again, the defences referred to were honest concurrent use and under Schedule 3 paragraph 4.
28. Bentley Motors’ second ground of appeal is that the judge was in error because he should have considered whether condition (vi) set out above was satisfied, but failed to do so. Bentley Motors contends that the judge should have concluded that condition (vi) was not satisfied, and therefore there was no infringement under Article 5(1)(a).
29. A preliminary point in this respect is that Bentley Motors contends that the judge’s approach was not only legally flawed, but also “wrongly based on a concession that he wrongly thought [Bentley Motors] had made”. In support of this, reliance was placed upon what the judge said in the passage I have quoted in paragraph 26 above. As counsel for Bentley Clothing pointed out, however, this is an inaccurate characterisation of what the judge said. As can be seen, what he actually said was that Bentley Motors had *not disputed* that, if the use was of two signs, then there was infringement subject to the two defences he referred to.
30. Before turning to consider whether the judge was correct in his understanding of Bentley Motors’ case, it is necessary to put the issue more fully in its legal context. Although the case law of the CJEU is clear that there cannot be infringement under Article 5(1)(a) if one of the six conditions set out above is not satisfied, it is less clear who bears the burden of proof in this regard, in particular with respect to condition (vi). I considered this question at length in *Supreme Petfoods Ltd v Henry Bell & Co (Grantham) Ltd* [2015] EWHC 256 (Ch), [2015] RPC 22.
31. I concluded at [143] that the CJEU’s case law with regard to exhaustion of trade marks indicated that it was for the trade mark proprietor to prove that conditions (i), (ii), (iv) and (v) were satisfied, but that, if there was an issue as to condition (iii), it was for the defendant to prove consent, not for the trade mark proprietor to prove its absence.
32. As for condition (vi), I concluded as follows:

“163. ... The conclusion which I draw from this analysis is that it is unclear which party bears the burden of proof with regard to condition (vi). There are four possible interpretations of Article 5(1)(a) The first is that, once the trade mark proprietor has shown that condition (v) is satisfied, the defendant bears the onus of proving that the use does not affect, nor is liable to affect, any of the functions of the trade mark. The second possibility is that the defendant bears the onus of proving that there is no likelihood of confusion, and hence no damage to the origin function, in which case the onus shifts to the trade mark proprietor to prove that the use affects, or is liable to affect, some other function of the trade mark. The third possibility is that, even if the trade mark proprietor bears the burden of proof in

keyword advertising cases and other cases of referential use, the defendant bears the burden of proof in ordinary cases. The fourth possibility is that the proprietor bears the onus of proof in all cases.

164. In my view this is an important issue of European trade mark law which will have to be referred to the CJEU for determination, preferably sooner rather than later. But having regard to my other conclusions, I do not consider it necessary to refer the issue to the CJEU in this case. I shall therefore adopt what I consider to be the better view, which is that the first interpretation set out in the preceding paragraph is the correct one. While the second interpretation might be preferred for the reasons given in paragraph 133 above, it seems to me that the first is more consistent with the CJEU's case law on exhaustion. ...”
33. For present purposes, two points should be noted about the reasoning which led to this conclusion. The first is that Article 16(1) of TRIPS provides:

“The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed ... ”

As noted in *Supreme Petfoods* at [48], the CJEU has repeatedly held that, in a field of intellectual property law where the European Union has legislated, such as trade marks, national courts must interpret both European and domestic legislation as far as possible in the light of the wording and purpose of relevant international agreements to which the EU is a party, and in particular TRIPS.

34. The second point is that one of the threads of CJEU case law I reviewed was its case law on honest concurrent use. Having considered the CJEU's reasoning in Case C-482/09 *Budějovický Budvar NP v Anheuser-Busch Inc* [2011] ECR I-8701 (a case decided under the parallel relative ground of objection to registration) at [144]-[146], I commented:

“147. It seems clear from this reasoning that it is for the defendant to the claim for a declaration of invalidity under Article 4(1)(a) to prove that the respective trade marks have coexisted on the market for a long period without there being confusion, and hence that the use of the defendant's trade mark has not had, nor is liable to have, an adverse affect on the origin function of the claimant's trade mark. Although the Court did not refer to a presumption or refer to Article 16(1) of TRIPS, this strongly supports the proposition that a likelihood of confusion is rebuttably presumed in a double identity case.

148. It is rather less clear what the position is with regard to adverse effect on the other functions of the trade mark. Does the defendant also have to demonstrate that there has been no effect on any other function? Or can the defendant rely upon coexistence without confusion as shifting the burden to the claimant to show an adverse effect, or a likelihood of adverse effect, on some other function?"
35. Counsel for Bentley Motors did not challenge the conclusion reached in *Supreme Petfoods* as to the incidence of the burden of proof with regard to condition (vi), and it is therefore not necessary for this Court to consider its correctness. (I note, however, that the issue has yet to be considered by the CJEU.)
36. Furthermore, questions as to the burden of proof only arise in relation to matters in issue. It is therefore necessary to consider what was in issue between the parties.
37. In paragraph 6 of the Particulars of Claim Bentley Clothing identified the sign the use of which was complained of as "the sign BENTLEY". In paragraph 10 Bentley Clothing alleged that this was use of a sign which was identical with each of the Trade Marks in relation to goods which were identical to those for which the Trade Marks were registered, alternatively use of a similar sign giving rise to a likelihood of confusion.
38. In paragraphs 12 and 19 of the Amended Defence Bentley Motors admitted and averred substantial use of the combination of the B-in-wings device and the word BENTLEY, which it defined as "the Combination Mark", as a trade mark for its own clothing. In paragraph 34 Bentley Motors denied (except for the use of the word BENTLEY in relation to beanie hats) use of an identical sign to any of the Trade Marks. It admitted that the Combination Mark was similar to the Word Mark, but denied that there was a likelihood of confusion. In paragraph 35 Bentley Motors pleaded:
- "If, which is denied generally as aforesaid, but admitted in relation to the Defendant's Beanies, the Defendant has used a sign identical to any of the First Claimant's Marks in relation to any goods identical to the goods for which such mark is registered, ... the Defendant avers that its use of the name BENTLEY and/or the Combination Mark has at all material times amounted to honest concurrent use of those signs. In particular: [various particulars were given in sub-paragraphs a to f]. g. In the premises, the Defendant's use of the name BENTLEY and/or the Combination Mark in relation to clothing is not liable to have any adverse affect on the functions of the First Claimant's Marks."
39. It is clear from this that Bentley Motors contended that condition (vi) was not satisfied because, but only because, its use amounted to honest concurrent use. Consistently with the position taken by counsel for Bentley Motors on this appeal, this pleading conformed to the analysis of the burden of proof in *Supreme Petfoods*.
40. On 27 July 2018 Chief Master Marsh made a case management order, paragraph 4 of which directed a trial "to determine issues of liability as identified in the Schedule to

this Order”. The list of issues contained in the Schedule was a list which had been agreed between the parties. Counsel for Bentley Clothing pointed out that the list of issues included the issues of whether the Combination Mark was identical to any of the Trade Marks and whether Bentley Motors had a defence of honest concurrent use, but did not include condition (vi) as such or any other issue referable to condition (vi). Counsel for Bentley Motors pointed out that the list of issues included a statement that it was “not intended to take the place of the statements of case herein” and that the list of issues did not include the Schedule 3 paragraph 4 defence (which was introduced by an amendment to the Defence for which Chief Master Marsh gave permission by the same order). The upshot is that the list of issues did not identify any issue with respect to condition (vi) other than that raised by paragraph 35 of the Amended Defence, namely the defence of honest concurrent use.

41. The parties exchanged and filed skeleton arguments prior to trial. Bentley Clothing’s skeleton argument set out at paragraph 9 the list of issues contained in the Schedule to the order dated 27 July 2018. In a section on the law, Bentley Clothing quoted Article 16(1) of TRIPS at paragraph 58 and discussed conditions (v) and (vi) (as I have numbered them) as general requirements for infringement under both Article 5(1)(a) and (b) at paragraphs 59-69. The question of one sign or two was addressed in paragraphs 89 and 90. In paragraph 95 and 96 Bentley Clothing addressed conditions (v) and (vi), saying in paragraph 95 that it was “common ground that these conditions are satisfied” (implicitly, subject to the defence of honest concurrent use) because Bentley Motors had admitted and averred in paragraph 19 of its Defence that it had used the Combination Mark as a trade mark for its own clothing. At paragraphs 107 to 119 Bentley Clothing addressed the defence of honest concurrent use.
42. Bentley Motors’ skeleton argument referred to the list of issues at paragraph 4, but said that there were “3 main points to be decided: (1) Is BENTLEY identical to the Combination Mark? (2) Is there is a likelihood of confusion between BENTLEY and the Combination Mark? (3) If necessary, can D rely upon a defence of honest concurrent use?”. Bentley Motors addressed the allegation of infringement under section 10(1) of the 1994 Act at paragraphs 37-65. In paragraph 46 Bentley Motors argued that use of the Combination Mark was not use of a sign identical to any of the Trade Marks because of the presence of the B-in-wings device. There was no discussion of conditions (i)-(vi), still less any contention that condition (vi) was not satisfied (implicitly, otherwise than by virtue of honest concurrent use). Bentley Motors addressed the defence of honest concurrent use at paragraphs 81-100.
43. In opening submissions at trial, no complaint was made by counsel for Bentley Motors that paragraph 95 of Bentley Clothing’s skeleton argument had mis-stated its position. Nor was any reference made to condition (vi).
44. Nor was any reference made to condition (vi) by counsel for Bentley Motors in closing submissions. She did submit, however, that “[t]he reason for the strict test” of identity of signs laid down by the CJEU in Case C-291/00 *LTJ Diffusion SA v Sadas* [2003] ECR I-2799 “is the advantage to the proprietor that they do not have to prove a likelihood of confusion because it is assumed”. A likelihood of confusion is, of course, the paradigm case of an adverse effect on one of the functions of the trade mark, namely the function of identifying the origin of the goods or services. Again, therefore, this submission conformed with the analysis of the burden of proof in *Supreme Petfoods*.

45. Thus the judge did not mis-state Bentley Motors' position in his judgment at [16] and [60]. On the contrary, he was entirely correct to say that Bentley Motors did not dispute that, if the so-called Combination Mark was perceived to be two signs, then Bentley Motors had infringed pursuant to Article 5(1)(a) subject to the two defences. More specifically, the only case advanced by Bentley Motors as to why condition (vi) was not satisfied was its case of honest concurrent use.

46. Furthermore, it is wrong for Bentley Motors to suggest that the judge was oblivious to condition (vi). On the contrary, he noted at [85] that there was no express provision for a defence of honest concurrent use in the Directives, but that it had nevertheless been recognised by the CJEU in the *Budějovický Budvar* case. He went on at [86]:

“The CJEU reiterated in *Budějovický Budvar* that a trade mark will be infringed only if use of the sign in issue is liable to affect the functions of the mark. The Court ruled that if there has been honest concurrent use of the accused sign, such use would not have, nor would it be liable to have, an adverse effect on the origin function of the trade mark. Honest concurrent use therefore provides a defence to infringement.”

That was an entirely accurate statement as to the legal foundation for Bentley Motors' pleaded case in paragraph 35 of the Amended Defence.

47. Given that (i) the only case advanced by Bentley Motors as to why condition (vi) was not satisfied was its case of honest concurrent use, (ii) that case was rejected by the judge and (iii) Bentley Motors has been refused permission to appeal against that rejection, it is not open to Bentley Motors to contend that the judge should have concluded that condition (vi) was not satisfied for some other reason. I also note that, even now, Bentley Motors has not applied to re-amend its Defence in this respect (by contrast with its application in respect of Schedule 3 paragraph 4 discussed below).

48. Even if it was open to Bentley Motors, I would not accept the argument which was advanced by counsel for Bentley Motors in this Court. In summary, this consisted of the following propositions: (i) whether condition (vi) is satisfied depends upon a contextual assessment of the use of the sign complained of; (ii) during the relevant period Bentley Motors' use of the sign BENTLEY was always (save for the minor exception of the beanie hats and scarves marked BENTLEY) in the context of simultaneous use of the B-in-wings device; (iii) the B-in-wings device was exclusively associated by consumers with Bentley Motors; and (iv) therefore the use was not liable to affect any of the functions of any of the Trade Marks.

49. Proposition (i) was not challenged by counsel for Bentley Clothing as being a correct statement of the law, although he pointed out that care is required when deciding what counts as the relevant context for this purpose. Equally, there is no dispute that proposition (ii) is correct having regard to the judge's findings of fact. Counsel for Bentley Motors submitted that proposition (iii) was established by the judge's finding at [69] that “the B-in-Wings device had a huge reputation in relation to Bentley cars such that it would have been known to the majority of people in the UK and, therefore, to the average consumer in early 2002”. There is no dispute that this finding was equally applicable during the relevant period. It is not the same, however, as a finding that the B-in-wings device was exclusively associated with goods of Bentley Motors when used

in relation to clothing, still less is it a finding that the sign BENTLEY when used in combination with the B-in-wings device in relation to clothing was exclusively associated by consumers with goods of Bentley Motors. Moreover, as counsel for Bentley Clothing submitted, propositions (iii) and (iv) are inconsistent with the core reasons given by the judge for rejecting the defence of honest concurrent use:

“157. [The available] evidence gives the strong impression that from around 2000 Bentley Motors engaged in a policy of ‘grandmother's footsteps’ in relation to Bentley Clothing – a conscious decision to develop the use of BENTLEY in relation to their range of clothing and headgear such as to increase the prominence of that sign, but only in incremental stages in the hope that no one stage would provoke a reaction from Bentley Clothing.

158. In my judgment this did not constitute honest concurrent use. It may be that because of the modest level of trading by both sides there has been little or no confusion caused by the ever-developing use of BENTLEY on the part of Bentley Motors as a sign for clothing and headgear. However, I think that Bentley Motors’ policy will have had the intended effect of increasingly arrogating to itself goodwill associated with BENTLEY in the clothing business. This amounted to a steady encroachment on Bentley Clothing’s goodwill.”

50. It is therefore not necessary to consider the correctness or otherwise of the submission made by counsel for Bentley Clothing that, had Bentley Motors pleaded a wider case that condition (vi) was not satisfied than its case of honest concurrent use, Bentley Clothing could and would have adduced evidence of the potential for an adverse effect on functions of the Trade Marks other than the origin function, such as the advertising and investment functions which have been recognised by the CJEU.

51. Given that the judge was correct to conclude that Bentley Motors had infringed the Word Mark and the word part of the Series Mark under Article 5(1)(a), it is not necessary to consider Bentley Clothing’s alternative case under Article 5(1)(b), Bentley Motors’ attack on the judge’s decision that there was infringement on that basis as well or Bentley Clothing’s Respondents’ notice seeking to uphold that decision for additional reasons.

The extent of Bentley Motors’ defence under the transitional provision

52. Before the judge, Bentley Clothing did not dispute that Bentley Motors had a defence to Bentley Clothing’s claim for infringement of the Lozenge Mark under Schedule 3 paragraph 4 to the 1994 Act by virtue of the fact that Bentley Motors had sold jackets, silk ties, scarves and caps prior to 31 October 1994 in the manner described in paragraph 9 above. None of those goods were identical to “articles of knitted clothing, shirts and waistcoats”, and thus use of the word BENTLEY in relation to those goods did not infringe under the 1938 Act. The judge held, for the reasons given in his judgment at [72]-[84], that Bentley Motors also had a defence to the claims for infringement of the Series Mark and the Word Mark under Schedule 3 paragraph 4, but this defence was limited to use of the sign on “promotional literature” (not on the goods themselves or

on swing tags or the like attached to the goods) advertising “jackets, silk ties, caps and scarves”.

53. Bentley Motors’ next ground of appeal is that the judge was wrong to hold that the defence was so restricted, and that he ought to have held that it extended to (a) a wider range of clothing (save for articles of knitted clothing, shirts and waistcoats) and (b) any use of the word BENTLEY in relation to such goods. Bentley Motors now wishes to put its case more widely than it did before the judge. To that end, it has applied to amend its Defence. That application is not resisted by Bentley Clothing, since the argument is purely a legal one.
54. There is no cross-appeal by Bentley Clothing against the judge’s conclusion that the defence applies to the Series Mark and the Word Mark as well as the Lozenge Mark, even though counsel for Bentley Clothing pointed out that Schedule 3 paragraph 4(2)(b) on its face extends further than Article 5(4). Nor is there any cross-appeal by Bentley Clothing against the judge’s conclusion that the defence extends to (a) jackets, silk ties, caps and scarves generally and (b) promotional literature generally.
55. Since Article 5(4) and Schedule 3 paragraph 4 are transitional provisions, it is appropriate to begin by saying a few words about transitional provisions, and in particular transitional provisions in intellectual property legislation.
56. Intellectual property rights endure for long periods. Under current European laws, patents last 20 years, registered designs up to 25 years, a copyright can easily last over 100 years and a trade mark may remain registered indefinitely. The law cannot remain static for such long periods, however. Changes in technology, business models and social attitudes, among other things, mean that intellectual property legislation must be periodically revised if it is to remain fit for purpose. Although the speed with which legislatures react to the need for change varies greatly, most countries do introduce new or amended laws from time to time. In addition, the desire for increased harmonisation, both internationally and regionally, is another factor which leads to legislative change. What happens when new legislation comes into force? If the legislation is creating an entirely new right, then it is possible for the legislature to start with a clean sheet. More usually, however, there will be existing rights to which the legislation may apply. In these circumstances the legislature is faced with a series of choices. Should the new legislation only apply fully prospectively, that is to say, to rights which come into existence after the legislation comes into force? Or partially prospectively, that is to say, both to existing rights and to new rights, but in the case of existing rights only in respect of future acts of infringement? Or retrospectively (which may extinguish existing causes of action if the right is narrowed or turn lawful acts retrospectively into unlawful ones if the right is broadened)? Should there be some kind of phasing-in period? Should there be protection for people who have started an activity and may now be turned into infringers, and if so what form should such protection take? How should existing transactions such as assignments and licences of existing rights be treated? It is the function of transitional provisions to address these questions.
57. In devising appropriate transitional provisions, a fundamental guiding principle that has often been applied by the UK Parliament is that of continuity of the law. The concept of continuity of the law is not easy to define with precision, but in broad terms it refers to the idea that the law should continue to apply in as seamless a manner as possible after a change in the law. A simple example is where legal proceedings are extant, but

have not yet been determined, as at the date when the law changes. The principle of continuity of the law means that such proceedings should not fall into some legal abyss, but should continue in being. As this example shows, however, the principle of continuity of the law can be given effect to in more than one way. The first way, and the way that is generally accepted as representing continuity of the law in the truest sense in this context, is for the old law to continue to apply to the subject-matter of the existing proceedings even if it has otherwise been repealed or replaced. A second way is for the new law to apply to the subject-matter of the existing proceedings. A third way is for the old law to apply to some aspects (e.g. damages for past infringements) and the new law to others (e.g. the availability of an injunction to restrain future infringements). As this example shows, there is a need for policy choices to be made as to when the new law applies.

58. Another fundamental guiding principle that has often been applied by the UK Parliament in making such policy choices is that of legitimate expectations. The legislature recognises that both right owners and users of intellectual property rights have legitimate expectations about the way in which changes to the law affecting their rights should be implemented. These expectations often revolve around the question of retrospectivity. Right owners expect that they will not be deprived of existing rights, while users expect that existing non-infringing uses will not be turned into infringements. Such expectations are not necessarily all-or-nothing ones, however. Thus right owners may be prepared to accept limitations on existing rights, at least in the future, particularly if such limitations are imposed, say, as part of the price for an extension of the term of their rights. Similarly, users may be prepared to accept certain activities being turned into infringements if they are given time to sell off existing stocks and to transfer their businesses to new areas of activity.
59. The question of legitimate expectations is, of course, tied up with that of fundamental rights. It is well established that intellectual property rights are “possessions” within the meaning of Article 1 of the First Protocol to the European Convention on Human Rights, as well as being protected by Article 17(2) of the Charter of Fundamental Rights of the European Union. If a new law reduces the scope and/or duration of an intellectual property right, then right owners may argue that they have been deprived of their possessions. If, on the other hand, a new law extends the scope and/or duration of an intellectual property right, then there can be no question of any complaint by right owners under Article 1 of the First Protocol; but other parties affected by the change may argue that it amounts to an interference with another fundamental right, such as freedom of expression (protected by Article 10 ECHR and Article 11 of the Charter) or the freedom to conduct a business (protected by Article 16 of the Charter). It is not necessary to explore this aspect of the matter further, however, since neither side advanced any argument based on fundamental rights.
60. Once the legislature has decided what transitional provisions are to be included, they must be interpreted using the same techniques as any other kind of legislation. Recognising the broad functions of transitional provisions outlined above is only the starting point. It is then necessary to consider the particular provision in issue by reference to its wording, context and purpose.
61. In the present case it is necessary to begin with Article 5(4), since Schedule 3 paragraph 4 must be construed, so far as possible, consistently with it. Although paragraph 4 forms part of a wider set of transitional provisions contained in Schedule 3 (which runs to 22

paragraphs and many sub-paragraphs), most of the other provisions did not have any specific foundation in Directive 89/104.

62. As for Article 5(4), this did not form part of a wider scheme of transitional provisions in Directive 89/104. There is nothing in the recitals to the Directive which sheds light on its interpretation. Although we were shown the relevant document in the *travaux préparatoires*, which is the Commission's Amended Proposal dated 17 December 1985 (COM(85) 793 final), the only assistance it provides is to confirm what might have been guessed as to the purpose of the provision:

“Paragraph 4 is a new paragraph which has been added in line with Parliament's proposal. It takes account of the particular legal situation in Member States which grant trade mark protection only for those goods in respect of which the application for registration of the trade mark was made. Since Article [5] of this proposal extends protection to similar goods, it was necessary to include a provision ensuring that the Directive would not impair existing rights.”

The UK was one of the Member States referred to.

63. Article 5(4) protects “the continued use of the sign”. The issue which divides the parties is as to the interpretation of the phrase “continued use”. At what level of generality is this to be assessed? Bentley Clothing are content with the degree of generality adopted by the judge. As I shall explain, Bentley Motors contends for a less granular assessment, but accepts that there must be some degree of granularity. I cannot see anything in the wording, context or purpose of Article 5(4) to guide the court as to the appropriate level of generality, however.
64. Turning to Schedule 3 paragraph 4, this permits the defendant to “to continue ... any use”. There is no material difference in the wording. Again, I cannot see anything in the wording, context or purpose of paragraph 4 to guide the court as to the appropriate level of generality.
65. Without any more definite guide in the legislation, the court must base its interpretation on the general functions of transitional provisions and on the general context provided by trade mark law. As can be seen from the judge's conclusion, there are two dimensions of use which must be considered in this case: first, use in relation to what goods or services; and secondly, use in what manner?
66. So far as goods or services are concerned, the most granular approach would be to say that the defendant could only continue to use the sign complained of in relation to goods or services of exactly the same kind as before the relevant date. In the case of clothing, that would mean precisely the same articles having precisely the same designs, colourways and sizes. The judge adopted a less granular approach than that, and hence an approach which was more favourable to Bentley Motors. He held that Bentley Motors could continue to use the sign in relation to “jackets, silk ties, caps and scarves” generally, and not merely the specific kinds of jackets, silk ties, caps and scarves which Bentley Motors sold prior to 31 October 1994. (It is not clear why the judge only held that “silk ties” were permitted, and not “ties”, but there is no ground of appeal attacking that aspect of his decision.) As I have said, Bentley Clothing do not challenge this.

67. Bentley Motors contends that the judge ought to have assessed the goods at a higher level of generality. In its grounds of appeal and Re-Amended Defence Bentley Motors contends that it was and is entitled to continue to use the sign in relation to “all the clothing types complained of (save for knitted clothing, shirts and waistcoats)”. (Curiously, it does not claim any entitlement to continue to use the sign in relation to headgear.) The obvious problem with this formulation is that it is result-oriented. Why should Bentley Motors be entitled to continue to use the sign in relation to a particular kind of clothing just because, many years later, its use of the sign in relation to that kind of clothing has been held to be an infringement subject to the defence under Schedule 3 paragraph 4?
68. Leaving aside the way in which the category of goods is formulated, the substance of the argument advanced by Bentley Motors in its skeleton argument and orally is that, given that Bentley Motors had sold “clothing of various kinds as merchandise of its car marque” prior to 31 October 1994, it should be entitled to continue to sell “clothing that serves the same purpose” after that date. It was accepted that this would not entitle Bentley Motors to step “wholly outside the types of goods which it has previously sold” e.g. by selling underwear.
69. I do not accept this argument, for three reasons. First, I am unable to see why Schedule 3 paragraph 4 should entitle Bentley Motors to sell any clothing that serves the same purpose. Counsel for Bentley Motors submitted that Bentley Motors had a legitimate expectation of being able to sell any clothing that served the same purpose, but I do not accept that. That would give Bentley Motors carte blanche to change the clothing it sold according to changes in business models. Merchandising in 2020 is a somewhat different activity to merchandising in 1994. Moreover, as counsel for Bentley Clothing submitted, this would defeat the legitimate expectations of the trade mark proprietor whose rights have been enlarged. Secondly, this test seems to me to be unacceptably vague and uncertain. Would it, for example, permit Bentley Motors to sell an overcoat or a pair of trousers or a pair of skiing gloves under the sign? What about children’s clothing? Thirdly, as counsel for Bentley Clothing pointed out, it is difficult to reconcile with Bentley Motors’ acceptance that it cannot use the sign in relation to knitted clothing, shirts and waistcoats. For example, T-shirts were in 1994 and remain a common form of merchandise.
70. During the course of oral argument counsel for Bentley Clothing suggested that the judge’s approach amounted to treating the appropriate level of granularity as that found in the Alphabetical List of Goods and Services which forms part of the Nice Classification. Since this suggestion had not been raised in advance of the hearing, the parties did not come to court equipped properly to argue it. Thus the Court was not even referred to the relevant provisions of the Nice Agreement or to the relevant entries in the Alphabetical List. In any event, this suggestion also seems to me to be fraught with difficulty. The Nice Classification changes periodically, so which version(s) would be determinative of the scope of the exception? Moreover, the level of granularity of the Alphabetical List is essentially a matter of happenstance, depending as it does in large part on history and the decisions of successive Committees of Experts appointed under the Nice Agreement to revise the Classification. Most fundamentally, why should the question depend on classification at all, given that classification is essentially, if not exclusively, an administrative tool? In any event, no attempt was made by either

counsel to relate the goods in issue in this case to the relevant entries in whichever version of the Alphabetical List was contended to be relevant.

71. Whether or not the judge's formulation of the kinds of goods to which the defence extends is supported by the Alphabetical List, I am not persuaded that Bentley Motors has established any basis for interfering with it.
72. Turning to the manner of use, again the judge adopted an approach which was more favourable to Bentley Motors than he might have done. He did not hold that Bentley Motors was only entitled to use the sign BENTLEY in the precise manner described in paragraph 9 above, but that it was entitled to use the sign on "promotional literature" generally.
73. Bentley Motors contends that the judge ought to have held that the defence extended to any use of the sign in relation to the specified goods. Again, counsel for Bentley Motors argued that Bentley Motors had a legitimate expectation of being able to use the sign in any way which amounted to use in relation to the relevant goods. I do not accept this. Prior to 31 October 1994 Bentley Motors had sold articles of clothing and headgear none of which had the sign BENTLEY affixed to them. Why, when the law was changed to give Bentley Clothing broader rights in respect of the Lozenge Mark, should Bentley Motors have had a legitimate expectation of being able to sell articles of clothing and headgear with the sign affixed to them, including e.g. jackets and caps emblazoned with the sign, for the first time?
74. As Lewison LJ pointed out during the course of argument, a nice question might arise if the issue was whether the permitted use extended to the online equivalent of "promotional literature". It is not clear that this is an issue in the present case, however. Certainly it was not an issue which was specifically raised by Bentley Motors in its grounds of appeal or skeleton argument. Even if it is an issue, it is not central to the dispute, which is primarily concerned with use affixed to the goods and on swing tags and the like. I therefore prefer to say no more about it.
75. Again, I conclude that no basis has been shown for interfering with the judge's formulation of the kind of use to which the defence extends.

Conclusion

76. For the reasons given above, I would dismiss this appeal.

Mr Justice Marcus Smith:

77. I agree.

Lord Justice Lewison:

78. I also agree.