

[1999] F.S.R. 1
1998 WL 1043831 (CA), [1998] 4 All E.R. 476,
[1999] E.T.M.R. 61, [1997-98] Info. T.L.R. 423,
[1998] Masons C.L.R. 165, [1999] 1 W.L.R. 903,
[1998] I.T.C.L.R. 146, (1998) 95(37) L.S.G. 37,
(1998) 148 N.L.J. 1179, 7-29-1998 Times 1043,831,
7-31-1998 Independent 1043,831
(Cite as: [1999] F.S.R. 1)

*1 British Telecommunications Plc v. One In A
Million Ltd and Others
Virgin Enterprises Ltd v. One In A Million Ltd
J. Sainsbury Plc v. One In A Million Ltd
Marks & Spencer Plc v. One In A Million Ltd
Ladbroke Group Plc v. One In A Million Ltd

In the Court of Appeal

CA

Before: Lord Justice Stuart-Smith Lord Justice
Swinton Thomas Lord Justice
Aldous

Judgment delivered July 23, 1998

Passing off--Trade mark infringement--Internet
domain names--Registration of third parties" trade
marks or well-known names by the defendants--
Whether domain names in question instruments of
deception--Whether registration took unfair
advantage or was detrimental to character and repute
of the trade marks

Trade Marks Act 1994, ss. 1, 9(1), 10(3).

Trade Marks Registration Act 1875.

Trade Marks Registration (Amendment) Act 1876,
s. 1.

Patents, Designs and Trade Marks Act 1883.

Trade Marks Act 1905, ss. 42, 45.

Trade Marks Act 1938.

The defendant had registered a large number of

Internet domain names comprising the names or trade
marks of well-known commercial or other enterprises
without their consent. None were in use as active
sites. The defendants claimed that they registered the
domain names with a view to making a profit either
by selling them to the owners of the goodwill, using
the blocking effect of the registration to obtain a
reasonable price or, in some cases, selling them to
collectors or to other persons who could have a
legitimate reason for using them. In each action, the
plaintiffs obtained summary judgment restraining the
defendants from passing off and from infringing their
registered trade marks and obtained both negative
injunctions restraining passing off and infringement
and mandatory injunctions requiring the defendants to
assign the disputed domain names to them. In
granting the relief the judge held that whilst the mere
creation of an "instrument of deception", without
either using it for deception or putting it into the
hands of someone who would do so was not passing
off, the defendants *2 had clearly threatened to
infringe the plaintiff's rights in the future. [FN1] The
defendants appealed.

FN1 Reported as Marks & Spencer Plc v. One in a
Million Ltd & Others [1998] F.S.R. 265.

The defendants argued that where a name could be
used for a legitimate purpose, unconnected with the
plaintiff, it was not a vehicle of fraud, for example,
there were other people called "sainsbury" or
"ladbroke" who might legitimately want to use the
domain name. They said that injunctive relief should
not be granted unless the defendants either threatened
to pass off or were, with another, part of a common
design to pass off. They submitted that the
jurisdiction depended on the plaintiff establishing that
the name was of such a character that the trader
would be a joint tortfeasor when carrying out the
threatened use or that the trader would be identified
as the person who had performed the passing off. The
plaintiffs' case was that in each case their respective
business names were distinctive of themselves and
that use by another would be deceptive and that it
followed that registration of the name provided the
defendants with an instrument of fraud and that
injunctive relief was appropriate to require the names
to be relinquished and to prevent use or sale. They
also contended that even if that was not established,
injunctive relief was appropriate as the names were
registered with a view to fraudulent use and were of a
nature which lent itself to the fraud.

The plaintiffs also alleged that the acts of the defendants amounted to threats to infringe their registered trade marks contrary to section 10(3) of the Trade Marks Act 1994. The defendants argued that in order to infringe under this subsection there had to be use of the trade marks as a trade mark, that the use had to be trade mark use in relation to goods or services, in the sense that it had to denote origin, and the use had to be confusing use.

Held, dismissing the appeal:

(1) The cases showed that there was a jurisdiction to grant injunctive relief where a defendant was equipped with or was intending to equip another with an instrument of fraud. A name which would, by reason of its similarity to the name of another inherently lead to passing off, was such an instrument. If it would not inherently lead to passing off but the court concluded that in all the circumstances (including whether it was the intention of the defendant to appropriate the goodwill of another or to enable others to do so) the name was produced to enable passing off, was adapted to be used for passing off and, if used, was likely to be used fraudulently, an injunction would be appropriate.

Guinness v. Ullmer (1847) 10 L.T.O.S. 127; Farina v. Silverlock (1855) 1 K. & J. 509; Singer Manufacturing Co. v. Loog (1882) 8 App. Cas. 15; John Jameson & Sons Ltd v. R. S. Johnston & Co. Ltd (1901) 18 R.P.C. 259; John de Kuyper & Son v. W & G Baird Ltd (1903) 20 R.P.C. 581; Lever v. Goodwin (1887) 4 R.P.C. 492; Payton & Co. Ltd v. Snelling, *3 Lampard & Co. Ltd [1901] A.C. 308; John Walker & Sons Ltd v. Henry Ost & Co. Ltd [1970] R.P.C. 489; White Horse Distillers Ltd v. Gregson Associates Ltd [1984] R.P.C. 61; Panhard et Levassor v. Panhard Levassor Motor Company Ltd (1901) 2 Ch. 513; Suhner & Co. AG v. Suhner Ltd [1967] R.P.C. 336; Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd [1982] F.S.R. 1; Glaxo Plc v. Glaxo-Wellcome Ltd [1996] F.S.R. 388; Direct Line Group Ltd v. Direct Line Estate Agency Ltd [1997] F.S.R. 374 and Norwich Pharmacal Co. v. Customs & Excise Commissioners [1974] A.C. 133 referred to.

(2) The court would intervene by way of injunction in passing off cases in three types of case: first, where there was passing off established or it was threatened; secondly, where the defendant was a joint tortfeasor with another in passing off, actual or threatened and thirdly, where the defendant equipped himself with or intended to equip another with an instrument of fraud.

(3) There was clear evidence of systematic registration by the appellants of well-known trade names as blocking registrations and a threat to sell them to others. The purpose of the so-called blocking

registration was to extract money from the owners of the goodwill in the chosen name. Its ability to do so was in the main dependent on the threat, express or implied, that the appellants would exploit the goodwill either by trading under the name or by equipping another with the name so that he could do so.

(4) The placing on the Internet register of a distinctive name such as "marksandspencer" made a representation to persons who consulted the register that the registrant was connected or associated with the name registered and thus the owner of the goodwill in the name. This amounted to passing off. In addition, the registration of such a distinctive name as a domain name was an erosion of the exclusive goodwill in the name which damaged or which was likely to damage the owner of the goodwill.

(5) Domain names comprising distinctive names were also instruments of fraud. Any realistic use of them as a domain name would result in passing off.

(6) For the reasons set out under (4) above, passing off and threatened passing off had also been established in the case of the non-distinctive domain names registered.

(7) The trade names which had been registered were well-known "household names" and had been registered by the appellants without any distinguishing words because of the goodwill attaching to those names. It was the value of that goodwill, and not the fact that they could be used in some way by a third party without deception, which had caused the appellants to register the names. The registrations were made with the purpose of appropriating the respondents' property, *4 their goodwill, and with an intention of threatening dishonest use by them or another. Accordingly, the registrations were instruments of fraud and injunctive relief was appropriate.

(8) Whilst the court was not satisfied that section 10(3) of the Trade Marks Act 1994 did require the use to be trade mark use or to be confusing use, nevertheless on the basis that it did, the threats to infringe had been established. The domain names indicated origin and that was the purpose for which they had been registered and it was the intention that they would be used in relation to the services provided by the registrant who traded in domain names.

(9) The domain names were registered to take advantage of the distinctive character and reputation of the marks. That was unfair and detrimental.

(10) This was a plain case and the judge was right to grant summary judgment.

The following cases were referred to in the judgments:

Credit Lyonnais Bank Nederland NV v. Export Credit Guarantee Department [1998] 1 LL.R. 19.

Direct Line Group Ltd v. Direct Line Estate Agency Ltd [1997] F.S.R. 374.

Draper v. Trist (1939) 56 R.P.C. 429.

Farina v. Silverlock (1855) 1 K. & J. 509.

Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd [1982] F.S.R. 1.

Glaxo Plc v. Glaxo-Wellcome Ltd [1996] F.S.R. 388.

Guinness v. Ullmer (1847) 10 L.T.O.S. 127.

Jameson (John) & Sons, Ltd v. R. S. Johnston & Co., Ltd (1901) 18 R.P.C. 259.

de Kuyper (John) & Son v. W & G Baird Ltd (1903) 20 R.P.C. 581.

Lever v. Goodwin (1887) 4 R.P.C. 492.

Magnolia Metal Co. v. Tandem Smelting Syndicate Ltd (1900) 17 R.P.C. 477.

Nicholson & Sons Application (Bass v. Nicholson) (1931) 48 R.P.C. 227.

Norwich Pharmacal Co. v. Customs & Excise Commissioners [1974] A.C. 133.

Orr-Ewing v. Registrar of Trade Marks (1879) 4 App. Cas. 479.

Panhard et Levassor v. Panhard Levassor Motor Company Ltd (1901) 2 Ch. 513; (1901) 18 R.P.C. 405.

Payton & Co. Ltd v. Snelling, Lampard & Co. Ltd [1901] A.C. 308.

Reddaway v. Banham [1896] A.C. 199.

Royal Brunei Airlines Sdn. Bhd. v. Tan [1995] 2 A.C. 378.

Singer Manufacturing Co. v. Loog (1880) 18 Ch.D. 395.

Singer Manufacturing Co. v. Loog (1882) 8 App.Cas. 15.

Spalding (A G) & Bros v. A W Gamage Ltd (1915) 32 R.P.C. 273.

Suhner & Co. AG v. Suhner Ltd [1967] R.P.C. 336.

Walker (John) & Sons Ltd v. Henry Ost & Co. Ltd [1970] R.P.C. 489.

Warnink (Erven) BV v. J. Townend & Sons (Hull) Ltd [1980] R.P.C. 31.

White Horse Distillers Ltd v. Gregson Associates Ltd [1984] R.P.C. 61

Representation

Alastair Wilson, q.c. and Michael Hicks instructed by Finers appeared on behalf of the appellants/defendants. Geoffrey Hobbs, q.c. and Malcolm Chapple instructed by Messrs Alan Whitfield appeared on behalf of the respondents/plaintiffs British Telecommunications Plc and TelecomSecurior Cellular Radio Ltd. Geoffrey Hobbs, q.c. and James Mellor instructed by S. J. Berwin & Co. appeared on behalf of the respondents/plaintiffs Marks & Spencer Plc, Ladbroke Group Plc and J. Sainsbury Plc and instructed by Harbottle & Lewis appeared on behalf of the respondent/plaintiff Virgin Enterprises Ltd.

ALDOUS L.J.:

There are before this Court appeals in five actions. Those actions came before Mr Jonathan Sumption, Q.C. sitting as a deputy judge of the High Court. On November 28, 1997 he granted summary judgment under Order 14 as the defendants had threatened to pass off and infringe the registered trade marks of the plaintiffs [1998] F.S.R. 265.

In each case the first defendant was One In A Million Limited, a company owned and controlled by its two directors, Mr Conway and Mr Nicholson. They are the second and third defendants. The fourth defendant, Global Media, and fifth defendant, Junic, are firms through which Mr Conway and Mr Nicholson trade. Each of the defendants has done acts

alleged to infringe the rights of a plaintiff, but resolution of the issues in this appeal does not depend upon the identity of any particular defendant. I will refer to them generally as the appellants except where it is necessary to differentiate between them.

The appellants are dealers in Internet domain names. They register them and sell them. They have made a speciality of registering domain names for use on the Internet comprising well-known names and trade marks without the consent of the person or company owning the goodwill in the name or trade mark. Examples are the registration and subsequent offer for sale to Burger King by the second defendant of the domain name `burgerking.co.uk` for <<PoundsSterling>>25,000 plus VAT and of `bt.org` to British Telecommunications for <<PoundsSterling>> 4,700 plus VAT.

The plaintiffs Marks & Spencer Plc, J. Sainsbury Plc, Virgin Enterprises Ltd, British Telecommunications Plc, Telecom Securior Cellular Radio Ltd, Ladbroke's Plc are well-known companies. In the actions brought by them, they allege that the activities of the appellants amount to passing-off, to infringement of their well-known registered trade marks, to threats of passing-off and infringement, and to wrongful acts such as to entitle them to injunctive relief. Their complaints stem from the registration by One In A Million Ltd of `ladbrokes.com`; `sainsbury.com`; `sainsbury.com`; `j-sainsbury.com`; `marksandspencer.com`; `cellnet.net`; `bt.org` and `virgin.org`; by Global Media Communications of `marksandspencer.co.uk`; `britishtelecom.co.uk`; `britishtelecom.net`; and by Junic of `britishtelecom.com`.

At its simplest the Internet is a collection of computers which are connected through the telephone network to communicate with each other. As explained by the judge [FN2]:

"The Internet is increasingly used by the commercial organisations to promote themselves and their products and in some cases to buy and sell. For these *6 purposes they need a domain name identifying the computer which they are using. A domain name comprises groups of alphanumeric characters separated by dots. A first group commonly comprises the name of the enterprise or a brand name or trading name associated with it, followed by a "top level" name identifying the location, and sometimes the location of the organisation. Marks & Spencer, for example, have a number of domain names, including `marks-and-spencer.co.uk`, `marks-and-spencer.com` and `stmichael.com`. The domain name `marks-and-`

`spencer.co.uk`, for example, will enable them to have an e-mail address in the form `johnsmith@marks-and-spencer.co.uk` and a web site address in the form `http://www.marks-and-spencer.co.uk`. The top level suffix `co.uk` indicates a United Kingdom company. Other top level names bear conventional meanings as follows:

- `.com` International commercial organisations
- `.edu` Educational organisation
- `.gov` Government organisation
- `.org` Miscellaneous organisations

FN2 [1998] F.S.R. 265 at 267.

There is an argument, which does not matter, about whether this last designation is confined to non-profit-making organisations.

There is no central authority regulating the Internet, which is almost entirely governed by convention. But registration services in respect of domain names are provided by a number of organisations. Network Solutions Inc. of Virginia in the United States is the organisation generally recognised as responsible for allocating domain names with the top level suffixes "com" and "edu". In the United Kingdom a company called Nominet U.K. provides a registration service in respect of domain names ending with the geographical suffix `uk` preceded by functional suffixes such as `co`, `org`, `gov` or `edu`."

Nominet U.K. applied to intervene in this appeal. It is a "not-for-profit" limited company which is registered with the Internet Assigned Numbers Authority. It operates what is known as the Register Database which contains the domain names and IP addresses for `.co.uk`, `.net.uk`, `.ld.uk` and `plc.uk` and full details of the registrant of the domain name and its registration agent. It charges a fee for its service. From time to time (e.g. every two hours or so) the information on the database is extracted to a number of Domain Name Servers. Domain Name Servers are computers which hold the index of names which map to particular numbers used in intercomputer transactions. For example, if I wanted to contact Marks & Spencer Plc, I can use the domain name `marks-and-spencer.co.uk`. The Domain Name Server will recognise the domain name and provide the appropriate sequence of numbers, called the IP address. It is that address which identifies the computer. It is that address which identifies the computer enabling my computer to contact that owned by Marks & Spencer Plc.

As part of its service Nominet offers a "Whois"

service to the public. Thus the public can type in a domain name on Nominet's website and press the appropriate button to execute the "Whois" search. The answer sets out the recorded information on the organisation or person who has registered the domain name. This is useful if, for example, a person wishes to contact the owner of a domain name.

Members of the public would not ordinarily have a domain name. They would subscribe to a Service Provider and have an e-mail address. That enables a subscriber to send messages to another computer through the Service Provider which forwards the message when requested to the appropriate computer. The subscriber can also browse around the world wide web and seek web pages associated with a particular domain name. Thus if he transmits a domain name to his Service Provider, it will contact the domain name and the web pages sought and provide the information obtained.

Web sites are used for many activities such as advertising, selling, requesting information, criticism, and the promotion of hobbies.

The Judgment

The judge referred to *Singer Manufacturing Co. v. Loog* (1880) 18 Ch.D. 395 and *Reddaway v. Banham* [1896] A.C. 199 as two cases which set out the principles upon which the law of passing-off depends. He then considered *Direct Line Group Ltd v. Direct Line Estate Agency* [1977] F.S.R. 374 and *Glaxo Plc v. Glaxo-Wellcome Ltd* [1996] F.S.R. 388. Those were cases where interlocutory relief was granted which prevented use of company names that had been registered with, it seems, either an intention of trading upon the plaintiff's reputation or transferring the name to another who might.

The judge held at page 271:

"The mere creation of an "instrument of deception", without either using it for deception or putting it into the hands of someone else to do so, is not passing-off. There is no such tort as going equipped for passing-off. It follows that the mere registration of a deceptive company name or a deceptive Internet domain name is not passing-off. In both of these cases the court granted what amounted to a quia timet injunction to restrain a threatened rather than an actual tort. In both cases, the injunctions were interlocutory rather than final, and the threat is no doubt easier to establish in that

context. But even a final injunction does not require proof that damage will certainly occur. It is enough that what is going on is calculated to infringe the plaintiff's rights in future.

In the case of *Marks & Spencer*, it is in my judgment beyond dispute that what is going on is calculated to infringe the plaintiff's rights in future. The name *marksandspencer* could not have been chosen for any other reason than that it was associated with the well-known retailing group. There is only one possible reason why anyone who was not part of the *Marks & Spencer* group should wish to use such a domain address, and that is to pass himself off as part of that group or his products off as theirs. Where the value of a name consists solely in its resemblance to the name or trade mark of another enterprise, the court will normally assume that the public is likely to be deceived, for why else would the defendants choose it? In the present case, the assumption is plainly justified. As a matter of common sense, these names were registered and are available for sale for eventual use. Someone seeking or coming upon a website called <http://marksandspencer.co.uk> would naturally assume that it was that of the plaintiffs."

The judge considered the main plank of the defence which was that registration of the particular domain names did not constitute passing off as the names had not been used and there was no threat to use them in a manner which would amount to passing off. In particular, the domain names could be used in a way that would not constitute passing off, for example, to retain or block registration by *Marks & Spencer Plc*. He rejected those submissions. He said at page 271:

"The point is that the names are only saleable to *Marks & Spencer* and blocking their use by *Marks & Spencer* is only a useful negotiating tactic on the footing that they are names which it is dangerous for *Marks & Spencer* to allow to remain out of their control. The danger arises from the risk of deception which their existence necessarily presents. The allegation that this was the defendants' object in this case is fairly made, supported by overwhelming evidence, and is left wholly unanswered by the defendants' affidavits. Any person who deliberately registers a domain name on account of its similarity to the name, brand name or trade mark of an unconnected commercial organisation must expect to find himself on the receiving end of an injunction to restrain the threat of passing-off, and the injunction will be in terms which will make the name commercially useless to the dealer."

The judge also held that the cause of action based on trade mark infringement succeeded. He analysed

section 10(3) of the Trade Marks Act 1994. He held that the appellants were dealers in domain names and that the use of a trade mark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trade mark owner amounted to "use in the course of trade". Further, if the subsection required there to be a likelihood of confusion it was clear that the respondents had established it.

The judge concluded that the facts relevant to the other respondents were substantially the same as that which he had arrived at in the Marks & Spencer Plc action and decided that there should be the same result. He concluded at page 273 in this way:

"The history of the defendants' activities shows a deliberate practice followed over a substantial period of time of registering domain names which are chosen to resemble the names and marks of other people and are plainly intended to deceive. The threat of passing-off and trade mark infringement, and the likelihood of confusion arising from the infringement of the mark are made out beyond argument in this case, even in which (sic) it is possible to imagine other cases in which the issue would be more nicely balanced. The result is that the plaintiffs in all five actions are entitled to final injunctions "quia timet"."

Passing Off--The Law

It is important, when considering cases decided before 1938, to have in mind that prior to the Trade Marks Act 1938 actions for infringement of unregistered trade marks and for passing off were both possible.

Prior to 1875 there was no Trade Marks Act, and there existed two forms of action, sometimes elided, one for infringement of trade mark and the other for passing off. The right to restrain infringement of a trade mark depended, not upon reputation, but upon use. As stated by Lawrence L.J. in the Nicholson & Sons Ltd's Application (Bass v. Nicholson) (1931) 48 R.P.C. 227 at 253:

"The cases to which I have referred (and there are others of the like effect) show that it was firmly established at the time when the Act of 1875 was passed that a trader acquired a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and of the extent of his trade and that such right of property would be protected by an injunction restraining any other person from using the

mark."

The Act of 1875 [FN3] did not alter the common law rule that a mark did not become a trade mark until it had been publicly used. It provided for the establishment of a register of trade marks. In order to persuade proprietors of trade marks to register them, the Act contained a "carrot" and a "stick". Registration provided proof of title, and owners of registrable trade marks were prevented from instituting proceedings for infringement until they were registered.

FN3 Trade Marks Registration Act 1875.

Section 1 of the 1876 Act [FN4] (in provisions carried forward by section 77 of the 1883 Act) [FN5] relaxed the prohibition against proceedings for infringement of unregistered trade marks in relation to trade marks in use before August 13, 1876. The effect of this was described by Lord Blackburn in *Orr Ewing v. Registrar of Trade Marks* (1879) 4 App.Cas. 479 at 498:

"... if the proprietor of a trade mark in use before the passing of the principal Act has been refused registration, he may, notwithstanding such refusal, institute proceedings either for prevention of or damages for the infringement of such trade mark ...".

FN4 Trade Marks Registration (Amendment) Act 1876.

FN5 Patents, Designs and Trade Marks Act 1883.

The Trade Marks Act 1905 for the first time made registration the source of title to the exclusive right provided by registration as opposed to evidence of a title acquired under the common law. It also enabled registration of unused marks. However owners of trade marks in use before 13 August 1875 could still assert the right to sue for "infringement" if registration of their trade marks had been sought and refused under the 1905 Act (see section 42). Section 2 of the Trade Marks 1938 brought that to an end, but in terms, recognised (as section 45 of the 1905 Act had recognised) the continued existence of passing off. It stated:

"2. No person shall be entitled to institute any proceedings to prevent, or to recover damages for, the infringement of an unregistered trade mark, but nothing in this Act shall be deemed to affect rights of action against any person for passing-off goods as the

goods of another person or the remedies in respect thereof."

The action for passing off is old. Lord Halsbury L.C. in *Magnolia Metal Co. v. Tandem Smelting Syndicate Ltd* (1900) 17 R.P.C. 477 at 484 pointed out:

"My Lords, that cause of action is, as I have said, a very old and a very familiar one. 250 years ago, in the case of *Southern v. How*, reported in Popham's Reports at page 144, Doderidge J., quoting a case earlier in point of date, namely in the 22nd of Elizabeth, says,

"An action upon the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth, and by reason whereof he had great utterance to his great benefit and profit, and that he used to set his mark to the cloth whereby it should be known to be his cloth, and another clothier perceiving it, used the same mark to his ill-made cloth on purpose to deceive him, it was resolved that an action did well lie".

Going back, therefore, as far as the reign of Elizabeth the form of action which this Statement of Claim adopts has undoubtedly been a form of action in which if the right of a man to have the reputation of selling that which is his manufacture as his manufacture, the right to prevent other people fraudulently stating that it is their manufacture when it is not—if that right is infringed there is a remedy. That has, as I have said, ever since the reign of Elizabeth, been established in our Courts as being a right of action upon which anybody may sue who has a ground for doing so."

The principles upon which actions for passing off were founded at the turn of the century were identified by Lord Parker in his well-known speech in *A. G. Spalding & Bros v. A. W. Gamage Ltd* (1915) 32 R.P.C. 273 *10 at 283:

"This principle is stated by Lord Justice Turner in *Burgess v. Burgess* (L.R. 14 C.D. p. 748) and by Lord Halsbury in *Reddaway v. Banham* (L.R. (1906) A.C. at page 204), in the proposition that nobody has any right to represent his goods as the goods of somebody else. It is also sometimes stated in the proposition that nobody has the right to pass off his goods as the goods of somebody else. I prefer the former statement, for whatever doubts may be suggested in the earlier authorities, it has long been settled that actual passing-off of a defendant's goods for the plaintiff's need not be proved as a condition precedent to relief in Equity either by way of an injunction or of any inquiry as to profits or damages (*Edelsten v. Edelsten* 1 De G., J. & S. 185 and *Iron-Ox Remedy Company Ltd v. Co-operative Wholesale Society Ltd* 24 R.P.C. 425). Nor need the representation be fraudulently made. It is enough that

it has in fact been made, whether fraudulently or otherwise, and that damages may probably ensue, though the complete innocence of the party making it may be a reason for limiting the account of profits to the period subsequent to the date at which he becomes aware of the true facts. The representation is in fact treated as the invasion of a right giving rise at any rate to nominal damages, the inquiry being granted at the plaintiff's risk if he might probably have suffered more than nominal damages."

Lord Parker also identified the basis of the cause of action and the property right which was damaged. He said at page 284:

"My Lords, the basis of a passing-off action being a false representation by the defendant, it must be proved in each case as a fact that the false representation was made. It may, of course, have been made in express words, but cases of express misrepresentation of this sort are rare. The more common case is, where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or of a particular class of the public. In such cases the point to be decided is whether, having regard to all the circumstances of the case, the use by the defendant in connection with the goods of the mark, name, or get-up in question impliedly represents such goods to be the goods of the plaintiff, or the goods of the plaintiff of a particular class or quality, or, as it is sometimes put, whether the defendant's use of such name, or get-up is calculated to deceive. It would, however, be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on.

There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question—property in what? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v. Banham* (L.R. (1906) A.C.) *11 expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view. In the first place, cases of misrepresentation by the use of a name, or get-up do not exhaust all possible cases of misrepresentation. If A says falsely, "These goods I am selling are B's goods," there is no mark, name or get-up infringed unless it be B's name, and if he falsely says, "These are B's goods of a particular

quality," where the goods are in fact B's goods, there is no name that is infringed at all."

Goddard L.J. in *Draper v. Trist* (1939) 56 R.P.C. 429 at 442 explained why an action for passing off can be maintained without proof of actual damage. He said:

"The action is one of that class which is known as an action on the case, akin to an action of deceit. In an action on the case, the cause of action is the wrongful act or default of the defendant. The right to bring the action depends on the happening of damage to the plaintiff. A man, for instance, may be negligent: and the consequences of his negligence may not cause damage for twelve months. The cause of action is the breach of duty: the right to bring the action depends upon the happening of the damage. But this class of case forms an exception, or an apparent exception, to the ordinary action of deceit; because, in an ordinary action of deceit, the plaintiff's cause of action is false representation, but he cannot bring the action until the damage has accrued to him by reason of that false representation.

But, in passing-off cases, the true basis of the action is that the passing-off by the defendant of his goods as the goods of the plaintiff injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business. The law assumes, or presumes, that if the goodwill of a man's business has been interfered with by the passing-off of goods, damage results therefrom. He need not wait to show that damage has resulted, he can bring his action as soon as he can prove the passing-off; because it is one of the class of cases in which the law presumes that the Plaintiff has suffered damage."

Lord Diplock in *Erven Warnink BV v. J. Townend & Sons (Hull) Ltd* [1980] R.P.C. 31 at 93 identified, from the cases decided before 1980, five characteristics which had to be present. He said:

"My Lords, *Spalding v. Gamage* and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation (2) made by a trader in the course of trade (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so."

The cause of action called passing off is of ancient origin. It has developed over time. As Lord Diplock pointed out in the *Warnink* case, Parliament has over the years progressively intervened in the interests of consumers and traders so as to impose standards of

conduct and to ensure commercial honesty. It is therefore not surprising that the courts have recognised that the common law, in that particular field, should proceed upon a parallel course rather than a diverging one. Lord Diplock explained how the cause of action had moved from the classical form over the years. His five characteristics were those he identified in 1980 from previously decided *12 cases, but I do not believe that he was thereby confining for ever the cause of action to every detail of such characteristics, as to do so would prevent the common law evolving to meet changes in methods of trade and communication as it had in the past.

It was not suggested by the respondents that relief was appropriate on the basis that the appellants' actions rendered them joint tortfeasors with others who would or had passed off. However, it was the respondents' case that there was passing off or at least a threat to pass off. Further, despite the conclusion of the judge that the creation of an instrument of deception was not actionable without a threat to actually cause deception, the respondents submitted that the law enables a plaintiff to prevent another trader equipping himself or others with a name, the use of which would be likely to give rise to a false representation that such trader is the plaintiff or is associated or connected with him. In short, the court will not stand by and allow, what can be graphically called, an "instrument of fraud" to remain in the hands of a trader, if it is likely the name could result in passing off.

Mr Hobbs, q.c., who appeared for all the respondents, submitted that the principles upon which a court acted to prevent creation and use of instruments of fraud were long established in cases going back over a hundred years. He submitted that the basis of the jurisdiction was "knowing assistance" of passing off and sought to draw an analogy with the law of constructive trusts as explained in *Royal Brunei Airlines Sdn. Bhd. v. Tan* [1995] 2 A.C. 378. For myself I believe that to seek to draw that analogy could mislead. However, he is right that for many years the courts have granted injunctions to prevent the creation and disposal of instruments of fraud. Recourse to those cases is necessary to ascertain why and in what circumstances an injunction should be granted, bearing in mind that prior to 1938 there were two causes of action, one for infringement of trade mark and one for passing off. Both instruments were used to protect property; the former being to protect property represented by the right to the mark and the latter to prevent damage to goodwill associated with the name or mark.

Mr Wilson Q.C., who appeared for the appellants, accepted that where a name was inherently deceptive, in the sense that use by a trader was bound to cause passing off unless special remedial measures were taken, injunctive relief was appropriate despite the fact that the name had not actually been used to pass off. Such a name was a true instrument of fraud and injunctive relief was appropriate to prevent threatened use and dissemination. But if the name could be used for a legitimate purpose, it was not a vehicle of fraud and injunctive relief would not be granted unless it was established that the defendant either threatened to pass off or was, with another, part of a common design to pass off. He submitted that the jurisdiction depended upon the plaintiff establishing that the name was of such a character that the trader would be a joint tortfeasor when carrying out the threatened use or that the trader would be identified as the person who had performed the passing off.

The difference between the parties' submissions can be illustrated by assuming the appellants registered the name "virgin.co.uk". Their case was *13 that such a registration was not an instrument of fraud, restrainable at the suit of Virgin Enterprises Ltd, as the name was not inherently deceptive in that there are other companies, having no connection with Virgin Enterprises Ltd, which might use the name Virgin. They submitted that injunctive relief would not be appropriate, even if it was their intention to sell the registration to another company which would, to their knowledge, pass-off, as that would not make them joint tortfeasors: mere assistance not being sufficient (see *Credit Lyonnais Bank Nederland NV v. Export Credit Guarantee Department* [1988] 1 L.L.R. 19) and they would not be identified as the party who did the passing off.

The respondents' case was that "virgin.co.uk" as a business name was distinctive of themselves and therefore use by another would be deceptive. It followed that registration of the name provided the registrant with an instrument of fraud and injunctive relief was appropriate to require the name to be relinquished and to prevent use or sale. Even if that was not established, such injunctive relief was appropriate as the name was registered with a view to fraudulent use and was of a nature which lent itself to the fraud.

Against the background I turn to the cases to which we were referred, some of them being cases where the defendant had produced goods which would or could be used by another to pass-off and others where the

defendant had equipped himself with means of identification similar to that of the plaintiff.

Guinness v. Ullmer (1847) 10 L.T.O.S. 127 was a case concerning labels similar to those used by the plaintiffs that had been printed by a Mr Taylor from blocks manufactured by the defendants. An injunction was granted preventing the defendants producing or selling blocks or plates adapted to print labels similar to those of the plaintiff. The report of the judgment is short and it seems likely that the action was for infringement of trade mark. If so it is of little assistance to the issues in this case as the production of the printing blocks would have been an infringement.

Trade mark infringement and passing-off was alleged in *Farina v. Silverlock* (1855) 1 K. & J. 509. At page 515 Sir William Page Wood V.-C. explained the law on trade marks and passing off. He went on to point out that the defendants, when they sold the offending Eau de Cologne labels, had made it clear to the purchasing retailers that they were produced by them and not by the plaintiff. Thus no misrepresentation was made to the retailers; they were not deceived. However an injunction was granted against the defendants. The Vice-Chancellor said:

"But if it be stated that the defendant is manufacturing that which is known to be the trade mark which the Plaintiff alone has the right to use, and the use of which on the goods of a third party would be a fraud upon the Plaintiff; and that the Defendant is selling such labels to anyone who asks for them, and is thus scattering over the world the means of enabling parties to commit frauds upon the Plaintiff, and that such frauds have been committed; that is, I think, a sufficient averment to entitle the Plaintiff to an injunction. The ground of the jurisdiction being fraud, if the Defendant be committing fraud, either by selling goods under the Plaintiff's trade mark, or enabling others to do so by *14 distributing the means of doing so, it cannot be said that this Court has no power to interfere by injunction to arrest the evil at its source, without compelling the Plaintiff to wait until the whole fraud is brought to a completion by the sale of the goods." The defendant might have been a joint tortfeasor with the retailers, but the Vice-Chancellor indicated that an injunction was appropriate even where the fraud was to be committed by another person. He said the jurisdiction was based on fraud and an injunction would be granted to inter alia prevent the defendant from enabling passing off.

The injunction in *Farina* was dissolved on appeal,

but was followed by a trial at which the jury found for the plaintiff. The plaintiff renewed his application for an injunction before the Vice-Chancellor and the injunction was granted in its original form.

In *Singer Manufacturing Co. v. Loog* (1882) 8 App.Cas. 15, the plaintiffs established that the name Singer denoted their machines. The defendants, wholesalers, imported from Germany sewing machines which they sold using documents which referred to the machines as using the Singer system. All the retailers who purchased the machines from the defendants knew that they were not made by the plaintiffs. The main issue in the House of Lords was whether an injunction should be granted. Lord Selborne L.C. said at page 21:

"It was contended, that the acts of the defendant enabled his wholesale customers to shew these documents to their own retail customers, for the purpose of passing off the goods bought from the defendant as the plaintiffs' manufacture. The answer is, that, unless the documents were fabricated with a view to such a fraudulent use of them, or unless they were in themselves of such a nature as to suggest, or readily and easily lend themselves to, such a fraud, (which in my opinion they were not), the supposed consequence is too remote, speculative, and improbable to be imputed to the defendant, or to be a ground for the interference of a court of justice with the course of the defendant's business. There is no evidence that, in point of fact, any such use was ever made of them. The "directions for use" spoke unmistakably of "Frister and Rossmann's shuttle sewing machine"; and no one, however careless, could read, in that document, the words "on Singer's improved system" without seeing and understanding their context."

The Lord Chancellor contemplated that even when a party is not himself passing off an injunction would be granted in two circumstances; first, when fraudulent use was intended; secondly, when the name was inherently deceptive, and the name readily and easily lent itself to such a fraud.

John Jameson & Son Ltd v. R. S. Johnston & Co. Ltd (1901) 18 R.P.C. 259 and *John De Kuyper & Son v. W. & G. Baird Ltd* (1903) 20 R.P.C. 581 were cases where printers of labels were restrained. Those cases throw no light on the issues as the plaintiffs were proprietors of registered trade marks and the printing was an infringement.

Chitty J. in Lever v. Goodwin (1887) 4 R.P.C. 492 at 498 referred to two classes of cases when relief was appropriate for passing off. The second class he

referred to in this way:

"In the second class of cases which I am considering, the trade is not deceived. I am speaking from my large experience in these matters. The retail buyers know *15 from whom they are buying, and, if there is anything like a fraudulent device, such as I am referring to, they are not taken in, they are not deceived. But what is done by the manufacturer is this--he puts an instrument of fraud into their hands. It has been said more than once in this case, in substance, that the manufacturer ought not to be held liable for the fraud of the ultimate seller, that is, the shop-keeper, or the shop-keeper's assistant. But that is not the right view of the case. Have the Defendants in this case, or not, knowingly put into the hands of the shopman, who is more or less scrupulous or unscrupulous, the means of deceiving the ultimate purchaser? That is the question which I have to try, and that is a question of fact, and nothing else."

I believe, when *Chitty J.* referred to the "means of deceiving the ultimate purchaser", he had in mind a name or a get-up which made a false representation. That was the instrument of fraud. He could not have contemplated that a manufacturer of goods which did not themselves make a false representation was liable for the fraud of a retailer. For example a wine producer cannot be liable for passing-off if a waiter covers a bottle with a cloth and serves it as champagne when it is not. In any case, the suggestion that a manufacturer of goods, which did not by their get-up make a false representation, would be liable for the passing off was rejected in *Payton & Co. Limited v. Snelling, Lampard & Co. Ltd* [1901] A.C. 308 and in subsequent cases.

In more recent times the courts have prevented traders from equipping others with instruments of fraud. *Foster J. in John Walker & Sons Ltd v. Henry Ost & Co. Ltd* [1970] R.P.C. 489 granted an injunction against suppliers of bottles and labels used for the purpose of passing off in Ecuador. *Foster J.* cited at page 506 these passages from *Singer v. Loog* in the Court of Appeal:

"I have often endeavoured to express what I am going to express now (and probably I have said it in the same words, because it is very difficult to find other words in which to express it); that is, that no man is entitled to represent his goods as being the goods of another man; and no man is permitted to use any mark, sign or symbol, device or other means, whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such a person to tell a lie or to make a false representation to somebody else who is the ultimate customer." (per James L.J. at 412)

"But it was urged . . . that it might be used as an instrument of deception by the purchasers from the defendant when they were selling again. In my opinion, if a man does that, the natural consequence of which (although it does not deceive the person with whom he deals, and is therefore no misrepresentation to him) is to enable that other person to deceive and pass off his goods as somebody else's, for that he is answerable. But this is confined to those things which in their necessary or natural uses accompany the things sold. For instance, the corks of champagne bottles marked "Moet and Chandon" must be in the bottles sold and must accompany the bottles. They must necessarily accompany the thing to the retail buyer, and so must labels to be put on the bottles. The very reason for their existence is that they must be put on the bottles and if they are deceptive and fraudulent, then the person who prepares them is answerable for it. Such things must not be used if their natural and legitimate consequence is, not to deceive the person to whom they are sold, but to enable the seller to pass off the goods as being the goods of other persons." (per Cotton L.J. at 422)

Foster J. then said at 508: *16

"I would be slow to decide that if a trader in England sells goods and labels which are true and has no knowledge of any improper use of those goods in a foreign country, such trader has committed a tort in England. But when I have already held as a fact that Mr Jindrich Ost, the proprietor of the first defendant, not only knew that the second defendant was going to add cane spirit and sell it as Scotch Whisky but intended that the whisky which was supplied should be admixed, bottled and have the labels put on the bottle describing it as Scotch Whisky, then in my judgment the first defendant's acts in selling those instruments amount to tortious acts done in England."

Nourse J. in White Horse Distillers Ltd v. Gregson Associated Ltd [1984] R.P.C. 61, having referred to the judgment of Foster J. in the John Walkercase (supra) came to the submission made by counsel for the defendants at 75:

"He submitted that there can never be a tort where the English exporter exports nothing but the malt whisky, that being something which is susceptible of being used innocently in the foreign country. It seems to me that Mr Cochrane's submission cannot be correct. Suppose, for example, a case where the English exporter has told the foreign importer exactly how to set up deceptive sales of the admixture. It cannot be the law that the English exporter will escape liability simply because he does nothing except export the Scotch Whisky. If he exports it with the intention that the admixture shall be sold in a

deceptive manner, it is immaterial that he has been responsible neither for the printing and production of the deception labels and cartons, nor for their actual implication in the sale of the liquor in the foreign country. In that state of affairs the whisky, being intended to facilitate the deceptive sales, is itself, if you like, an inchoate instrument of deception."

The conclusion reached by Nourse J. in the White Horse Distillers case was probably based upon his view that the defendants were part of a common design to pass off and therefore were joint tortfeasors. It would be wrong to hold that the whisky as such as an instrument of fraud and therefore its sale to Ecuador could be restrained.

The cases where trading names have been registered which encroach upon the goodwill of a plaintiff are in my view particularly pertinent to the issues in this case. In Panhard et Levassor v. Panhard Levassor Motor Company Ltd (1901) 2 Ch. 513, the plaintiffs were French motor manufacturers who had a reputation in this country. The defendants were formed by an English company. They said that their object was not to annex the plaintiffs' goodwill, but to block the plaintiffs from entering this country. Farwell J. granted injunctions preventing the defendants from trading and requiring the company's name to be changed. As to the first injunction, the judge said at 516:

"The question of the plaintiffs' right to an injunction is covered by Collins Co. v. Brown [FN6] but, apart from that authority, I should have thought it was plain that in a case such as I have stated this court would certainly interfere to protect a foreign trader who has a market in England, in the way I have specified, from having the benefit of his name annexed by a trader in England who assumes that name without any sort of justification."

FN6 3 K. & J. 423 *17.

The second injunction was granted because the persons who formed the company had fraudulently and wrongfully conspired together to form the company.

Farwell J. did not in his judgment explicitly state that the jurisdiction being exercised was based upon fraud, but that appears clear from what he said during argument. He concluded that the defendants had, by taking the plaintiffs' name, dishonestly appropriated the goodwill of the plaintiffs. The name in anybody's hands other than those of the plaintiffs was an instrument of fraud.

Similar relief was granted by Plowman J. upon motion for interlocutory relief in Suhner & Co. AG v. Suhner Ltd [1967] R.P.C. 336. In that case the defendants did not suggest that they had any justification for using the word "Suhner" as part of their name. The formation of the company was a manoeuvre to try to stop the plaintiffs trading in this country under their own name. That they claimed they were entitled to do. The judge held that they were not, and following Panhard et Levassor granted an injunction requiring the name to be changed.

Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd [1982] F.S.R. 1 was decided by Powell J. in the Supreme Court of New South Wales. The plaintiffs were a company formed as a result of an amalgamation of three well-known New Zealand companies. The defendants were formed in anticipation that they could be sold to the plaintiffs at a substantial profit. At the hearing, counsel for the defendants told the judge that the defendants had not traded and offered undertakings that they would not trade without making it clear that they were not associated with the plaintiffs. It followed that the defendants would not make a misrepresentation which was the basis of a passing-off action.

The judge considered each of the characteristics of passing off set out in the Warnink case. He went on to hold that, if the defendants started trading, they would be associated with or treated as part of the plaintiffs and that could affect the plaintiffs' reputation. He granted injunctions preventing passing off and requiring the name to be changed. In so doing he must have concluded that the name of the company was an instrument of fraud as its use would mean that passing off would result.

Glaxo Plc v. Glaxo-Wellcome Ltd [1996] F.S.R. 388 was a similar case. The second and third defendants formed the first defendant in anticipation of the merger of Glaxo and Wellcome. The idea was to require the plaintiffs to pay <<PoundsSterling>>100,000 for the name. Lightman J. held that the defendants had acted dishonestly. It was, in his view, a dishonest scheme to appropriate the goodwill of the plaintiff and to extort a substantial sum as the price for not damaging the plaintiffs' goodwill. He said at 391:

"The court will not countenance any such preemptive strike of registering companies with names where others have the goodwill in those names and the registering party then demanding a price for changing the names. It is an abuse of the system of

registration of company names. The right to choose the name with which a company is registered is not given for that purpose."

Direct Line Group Limited v. Direct Line Estate Agency Ltd [1997] F.S.R. 374 *18 was another case where a company was formed with a view to either selling the company to the plaintiffs or to a third party. Laddie J. made it clear that the courts would not permit such a course of conduct and granted injunctive relief pending trial despite the fact that it seemed that the defendants had not traded.

The ability to restrain dissemination of an instrument of fraud was recognised by the Court of Appeal in Norwich Pharmacal Co. v. Customs and Excise Commissioners [1974] A.C. 133. That was an action in which the plaintiffs sought discovery of the names of patent infringers. The plaintiffs submitted, by analogy to trade-mark and passing-off cases, that the Customs could be ordered to give discovery of the names. The most pertinent passage to the issue in this case is in the judgment of Buckley L.J. at 145:

"If a man has in his possession or control goods the dissemination of which, whether in the way of trade or, possibly, merely by way of gifts (see Upmann v. Forester (1883) 24 Ch.D. 231) will infringe another's patent or trade mark, he becomes, as soon as he is aware of this fact, subject to a duty (an equitable duty) not to allow those goods to pass out of his possession or control at any rate in circumstances in which the proprietor of the patent or mark might be injured by infringement ensuing. The man having the goods in his possession or control must not aid the infringement by letting the goods get into the hands of those who may use them or deal with them in a way which will invade the proprietor's rights. Even though by doing so he might not himself infringe the patent or trade mark, he would be in dereliction of his duty to the proprietor. This duty is one which will, if necessary, be enforced in equity by way of injunction: see Upmann v. Elkan (1871) L.R. 12 Eq. 140(1871) 7 Ch.App. 130. The man having possession or control may also be under a duty to give information in relation to the goods to the proprietor of the patent or mark: Upmann v. Elkan."

In my view there can be discerned from the cases a jurisdiction to grant injunctive relief where a defendant is equipped with or is intending to equip another with an instrument of fraud. Whether any name is an instrument of fraud will depend upon all the circumstances. A name which will, by reason of its similarity to the name of another, inherently lead to passing off is such an instrument. If it would not inherently lead to passing off, it does not follow that it is not an instrument of fraud. The court should

consider the similarity of the names, the intention of the defendant, the type of trade and all the surrounding circumstances. If it be the intention of the defendant to appropriate the goodwill of another or enable others to do so, I can see no reason why the court should not infer that it will happen, even if there is a possibility that such an appropriation would not take place. If, taking all the circumstances into account the court should conclude that the name was produced to enable passing off, is adapted to be used for passing off and, if used, is likely to be fraudulently used, an injunction will be appropriate.

It follows that a court will intervene by way of injunction in passing-off cases in three types of case. First, where there is passing off established or it is threatened. Secondly, where the defendant is a joint tortfeasor with another in passing off either actual or threatened. Thirdly, where the defendant has equipped himself with or intends to equip another with an instrument of fraud. This third type is probably mere *quia timet* action.

*19 The Facts

The basic facts are not in dispute. The appellants accept that the trade names Marks & Spencer, Ladbroke, Sainsbury, Virgin, BT and Cellnet are well-known brand names used by the respective respondents in the course of their businesses. Their use in this country is such that the respondents have built up and own a substantial goodwill attaching to them. The appellants also accept that the respondents are the registered proprietors of the pleaded trade marks which embody the trade names and that such trade marks are valid and subsisting. The dispute concerns the liability of the appellants for what they have done and whether they have threatened to do anything which is unlawful.

The appellants are dealers in Internet domain names and as part of their business, they secure registrations of prestigious names as domain names without the consent of the enterprise owning the goodwill in those names. Their case is that they register the domain names with a view to making a profit either by selling them to the owners of the goodwill, using the blocking effect of the registration to obtain a reasonable price, or, in some cases, selling them to collectors or to other persons who could have a legitimate reason for using them. That, they submitted, could not amount to passing off or a threat to pass off or render them liable as joint tortfeasors or

as being persons equipped with or who are likely to equip others with instruments of fraud.

The true attitude of the appellants can be seen from what they have said and done in the past. In 1996, British Telecommunications Plc became aware of the activities of Mr Conway who had registered domain names which included the word *britishtelecom*. They wrote threatening proceedings. The dispute between them and Mr Conway was settled upon Mr Conway giving written undertakings in a document dated November 3, 1996. The first two undertakings were in this form:

"1. To immediately cease all use of the domain names *britishtelecom.co.uk* and *britishtelecom.net* and forthwith to take all necessary steps to have the registrations of these domain names transferred to the ownership and control of BT by the relevant registration authority in each case.

2. Not at any time in the future to register on the internet any domain name or to host or operate on the internet any site using a domain name containing the words "British Telecom" or the letters "BT" (where the use of the letters might reasonably be taken to refer to BT) or any name containing any confusingly similar variation of those words, whether or not in conjunction with any other letters, numbers or symbols."

Pursuant to the first undertaking Mr Conway cancelled the domain names and they were transferred by re-registration at the cost of British Telecommunications Plc.

Despite Mr Conway's capitulation and the provision of undertakings at the end of 1996, the domain name *britishtelecom.com* was registered by Junic, the firm name used by Mr Nicholson on March 20, 1997. On May 16, 1997 BT wrote to Mr Nicholson complaining about the registration. That did not end the matter. One In A Million Ltd, the company owned and *20 controlled by Mr Nicholson and Mr Conway registered *bt.org* on May 28, 1997. BT complained about this in their letter of August 12, 1997. The reply dated August 18, 1997 accepted that the domain name had been registered by One In A Million. It stated:

"The domain name *bt.org* was registered on behalf of a client of One In A Million Limited, who requires the domain for his personal use, with his initial being BT

...

As a computer and telecommunications consultant and journalist myself, I am fully aware that British Telecommunications Plc have a habit of suddenly requiring domain names that are already registered to

third parties. This is despite the fact that British Telecommunications Plc has had ample opportunity to register such domain names previously had they required use of them.

Should you take up your threats of legal action then this will be most welcome as it will make the situation substantially more appealing to the media.

Additionally, if the sale to my client of the bt.org domain is hindered in any way due to any actions you may have taken, or will take in the future, then we shall immediately be taking all necessary and appropriate action against British Telecommunications Plc for the resulting loss of business."

The threat to involve the media was typical of the tactics used by the appellants.

The reference to the name being registered on behalf of a client of One In A Million Ltd may be a reference to a private investigator hired by British Telecommunications Plc who posed as an interested purchaser and was offered the domain name.

On September 19, 1997 British Telecommunications Plc wrote again to One In A Million Ltd stating that unless they were given appropriate undertakings by September 25, 1997 they intended to take legal proceedings. In the reply dated September 25, 1997, One In A Million offered to sell the domain name for the sum of <<PoundsSterling>>4,700 plus VAT together with the domain name cellnet.net for \$100.

In September 1997, British Telecommunications Plc downloaded the information on Global Media's web site. They found that Global Media were advertising that they had "Prestigious Domain Names In-Stock" thereby offering this for sale to anybody interested. Such names included "virgin.org". A page on the site stated:

"Your company name, its identity and the way in which it presents itself to the outside world is very important. Many companies have not taken the prospect of the Internet seriously and have failed to recognise the need to register, protect and maintain their unique name and corporate identity.

Don't join the list of the many companies that have been too late to act. Talk to Global Media, and we'll help you to register and protect your company name (domain name), its brand names and other corporate entities in not just one way, but in every way possible, and both in the UK and internationally.

Our clients include many blue-chip companies including British Telecommunications Plc for whom we registered the domain names britishtelecom.co.uk and britishtelecom.net, and News International Plc for

whom we registered the domain names thetimes.co.uk and sundaytimes.co.uk."

Mr Wilson submitted that the statement that British Telecommunications Plc was a client of Global Media was correct. He relied upon the transfer by deletion and re-registration that was carried out pursuant to the undertakings given on November 3, 1996. In my view Mr Wilson's submission is totally unacceptable. To refer to British Telecommunications Plc as a client of any of the defendants was misleading and Mr Conway must have realised that it misrepresented the relationship between Global Media and British Telecommunications Plc.

*21 Another example of the activities of the appellants is the registration of burgerking.co.uk and the letter written in September 1996 by Mr Conway to Burger King:

"Further to our telephone conversation earlier this evening, I confirm that I own the domain name burgerking.co.uk.

I would be willing to sell the domain name for the sum of <<PoundsSterling>>25,000 plus VAT.

In answer to your question regarding as to what we would do with the domain name should you decide not to purchase it--the domain name would be available for sale to any other interested party . . ."

Here the threat to sell a name which was inherently deceptive to a person not connected or associated with the goodwill attaching to the name was made explicitly.

Global Communications also registered tandycy.co.uk and in a letter dated September 17, 1996 to Intertan U.K. Limited stated:

"Further to our telephone conversation on Friday, 13 September 1996, I confirm that I have the domain name tandycy.co.uk available for sale or hire. Additionally, I have also the other following domain names that may interest you:

intertan.co.uk
tandy.net
intertan.net
tandyuk.com
intertanuk.com

As discussed, I would like these domain names to go to Tandy, as we have a mutual business relationship in the past.

I would be willing to offer you all six domain names for the sum of <<PoundsSterling>>15,000 plus VAT. This is a small one-off price to pay for a unique corporate identity on a medium that is the fastest growing information service in the world, the Internet . . ."

Again, the letter contained, this time by implication,

a threat to sell to another person.

J. Sainsbury Plc also complained to One In A Million Ltd about registration of domain names using the mark Sainsbury. The reply dated September 26, 1997 accepted that the registrations had been completed and made it quite clear that they would not be relinquished.

It said: *22

"We are not trading under the name Sainsbury nor do we intend to trade under the name Sainsbury. We have merely purchased the Internet domain names j-sainsbury.com, sainsbury.com and sainsburys.com as part of our personal collection."

In my view there was clear evidence of systematic registration by the appellants of well-known trade names as blocking registrations and a threat to sell them to others. No doubt the primary purpose of registration was to block registration by the owner of the goodwill. There was, according to Mr Wilson nothing unlawful in doing that. The truth is different. The registration only blocks registration of the identical domain name and therefore does not act as a block to registration of a domain name that can be used by the owner of the goodwill in the name. The purpose of the so-called blocking registration was to extract money from the owners of the goodwill in the name chosen. Its ability to do so was in the main dependent upon the threat, expressed or implied, that the appellants would exploit the goodwill by either trading under the name or equipping another with the name so he could do so.

The judge rightly analysed the position in his judgment. He said at page 269:

"For a dealer in Internet domain names there are in principle only four uses to which the names can be put. The first and most obvious is that it may be sold to the enterprise whose name or trade mark has been used, which may be prepared to pay a high price to avoid the inconvenience of there being a domain name comprising its own name or trade mark which is not under its control. Secondly, it may be sold to a third party unconnected with the name, so that he may try to sell it to the company whose name is being used, or else use it for the purposes of deception. Thirdly, it may be sold to someone with a distinct interest of his own in the name, for example a solicitor by the name of John Sainsbury or the Government of the British Virgin Islands, with a view to its use by him. Fourthly, it may be retained by the dealer himself and unsold, in which case it serves only to block the use of that name as a registered domain name by others, including those whose name or trade

mark it comprises."

In my view there was evidence that the appellants registered the domain names in issue in this case with all those forms of use in mind.

Conclusion--Passing Off

The judge considered first the action brought by Marks & Spencer Plc and then went on to deal with the other actions. I will adopt the same approach as the Marks & Spencer case raises slightly different issues to those raised in the other cases.

It is accepted that the name Marks & Spencer denotes Marks & Spencer Plc and nobody else. Thus anybody seeing or hearing the name realises that what is being referred to is the business of Marks & Spencer Plc. It follows that registration by the appellants of a domain name including the name Marks & Spencer makes a false representation that they are associated or connected with Marks & Spencer Plc. This can be demonstrated by considering the reaction of a person who taps into his computer the domain name marksandspencer.co.uk and presses a button to execute a "whois" search. He will be told that the registrant is One In A Million Limited. A *23 substantial number of persons will conclude that One In A Million Limited must be connected or associated with marks & Spencer Plc. That amounts to a false representation which constitutes passing off.

Mr Wilson submitted that mere registration did not amount to passing-off. Further, Marks & Spencer Plc had not established any damage or likelihood of damage. I cannot accept those submissions. The placing on a register of a distinctive name such as marksandspencer makes a representation to persons who consult the register that the registrant is connected or associated with the name registered and thus the owner of the goodwill in the name. Such persons would not know of One In A Million Limited and would believe that they were connected or associated with the owner of the goodwill in the domain name they had registered. Further, registration of the domain name including the words Marks & Spencer is an erosion of the exclusive goodwill in the name which damages or is likely to damage Marks & Spencer Plc.

Mr Wilson also submitted that it was not right to conclude that there was any threat by the appellants to use or dispose of any domain name including the

words Marks & Spencer. He submitted that the appellants, Mr Conway and Mr Nicholson, were two rather silly young men who hoped to make money from the likes of the respondents by selling domain names to them for as much as they could get. They may be silly, but their letters and activities make it clear that they intended to do more than just retain the names. Their purpose was to threaten use and disposal sometimes explicitly and on other occasions implicitly. The judge was right to grant quia timet relief to prevent the threat becoming reality.

I also believe that domain names comprising the name Marks & Spencer are instruments of fraud. Any unrealistic use of them as domain names would result in passing off and there was ample evidence to justify the injunctive relief granted by the judge to prevent them being used for a fraudulent purpose and to prevent them being transferred to others.

The other cases are slightly different. Mr Wilson pointed to the fact that there are people called Sainsbury and Ladbrooke and companies, other than Virgin Enterprises Ltd, who have as part of their name the word Virgin and also people or firms whose initials would be BT. He went on to submit that it followed that the domain names which the appellants had registered were not inherently deceptive. They were not instruments of fraud. Further there had been no passing off and none was threatened and a transfer to a third party would not result in the appellants becoming joint tortfeasors in any passing off carried out by the person to whom the registrations were transferred. Thus, he submitted, there was no foundation for the injunctive relief in the actions brought by four of the respondents.

I believe that, for the same reasons I have expressed in relation to the Marks & Spencer Plc action, passing off and threatened passing off has been demonstrated. The judge was right to conclude (at page 273):

"The history of the defendants' activities shows a deliberate practice followed over a substantial period of time of registering domain names which are chosen to resemble the names and marks of other people and are plainly intended to *24 deceive. The threat of passing-off and trade mark infringement, and the likelihood of confusion arising from the infringement of the mark are made out beyond argument in this case, even if it is possible to imagine other cases in which the issue would be more nicely balanced."

I also believe that the names registered by the appellants were instruments of fraud and that injunctive relief was appropriate upon this basis as well. The trade names were well-known "household

names" denoting in ordinary usage the respective respondent. The appellants registered them without any distinguishing word because of the goodwill attaching to those names. It was the value of that goodwill, not the fact that they could perhaps be used in some way by a third party without deception, which caused them to register the names. The motive of the appellants was to use that goodwill and threaten to sell it to another who might use it for passing off to obtain money from the respondents. The value of the names lay in the threat that they would be used in a fraudulent way. The registrations were made with the purpose of appropriating the respondents' property, their goodwill, and with an intention of threatening dishonest use by them or another. The registrations were instruments of fraud and injunctive relief was appropriate just as much as it was in those cases where persons registered company names for a similar purpose.

Trade Mark Infringement

British Telecommunications Plc did not press their claim that the appellants had infringed their trade marks by carrying out acts falling within section 10(1) of the Trade Marks Act 1994. The case of the respondents was that the acts of the appellants were threats of acts falling within section 10(3) of the 1994 Act and therefore injunctive relief was appropriate.

Section 1 of the 1994 Act defines a trade mark as:

"any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings."

Section 9(1) states:

"(1) the proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in the United Kingdom without his consent.

The acts amounting to infringement, if done without the consent of the proprietor, are specified in section 10."

Section 10(3) is in these terms:

"(3) A person infringes a registered trade mark if he uses, in the course of trade a sign which--

(a) is identical with or similar to the trade mark, and

(b) is used in relation to goods or services which are not similar to those for which the trade mark is registered,

where the trade mark has a reputation in the

United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark."

Mr Wilson submitted that to infringe there had to be use of the trade mark as a trade mark and that the use had to be a trade mark use in relation to goods or services, in the sense that it had to denote origin. He also submitted that the use had to be confusing use.

*25 I am not satisfied that section 10(3) does require the use to be trade mark as use nor that it must be confusing use, but I am prepared to assume that it does. Upon that basis I am of the view that threats to infringe have been established. The appellants seek to sell the domain names which are confusingly similar to registered trade marks. The domain names indicate origin. That is the purpose for which they were registered. Further they will be used in relation to the services provided by the registrant who trades in domain names.

Mr Wilson also submitted that it had not been established that the contemplated use would take unfair advantage of, or was detrimental to the distinctive character or reputation of the respondents' trade marks. He is wrong. The domain names were registered to take advantage of the distinctive character and reputation of the marks. That is unfair and detrimental.

I conclude that the judge came to the right conclusion on this part of the case for the right reasons.

I have had in mind that this was an appeal against an order giving summary judgment and that such judgment should only be given in plain cases. This is such a case. Such issues of fact as there are can be resolved from the documents emanating from the appellants.

For the reasons given I would dismiss this appeal.

SWINTON THOMAS L.J.:

I agree.

STUART-SMITH L.J.:

I also agree. *

Order: Appeal dismissed with costs, to be taxed if not agreed; application for leave to appeal to the House of Lords refused.

(c) Sweet & Maxwell Limited

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