



Neutral Citation Number: [2021] EWHC 3096 (Ch)

Case No: IL-2020-000114

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

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

Date: 19/11/2021

**Before :**

**MR JUSTICE MILES**

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**Between :**

**ABP TECHNOLOGY LIMITED**

**Claimant**

**- and -**

**(1) VOYETRA TURTLE BEACH, INC.**  
**(2) TURTLE BEACH EUROPE LIMITED**

**Defendants**

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**Chris Aikens (instructed by AA Thornton & Co) for the Claimant**  
**Benet Brandreth QC (instructed by Bird & Bird LLP) for the Defendants**

Hearing dates: 9 and 10 November 2021  
Written submissions on 17-18 November 2021  
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**APPROVED JUDGMENT**

**Handed down remotely by email to the parties and by publication on Bailii at 10.30 am  
on 19 November 2021.**

**Mr Justice Miles :**

**Introduction**

1. This is a trade mark claim. The companies on both sides sell computer gaming accessories, including audio headsets for use on gaming platforms.
2. The claimant is the registered proprietor of two UK registered trade marks for STEALTH and STEALTH VR (the latter in stylised form), both registered in relation to “audio headsets for playing video games”.
3. The defendants have also used the sign STEALTH in the UK in relation to video game headsets.
4. In November 2020 the claimant brought proceedings against the defendants for infringement under ss. 10(1) and 10(2) of the Trade Marks Act 1994 (“the TMA”) on the basis that the defendants (a) have used in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered; and (b) have used in the course of trade a sign where, because the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.
5. In their defence served on 2 February 2021 the defendants relied on the defence of honest concurrent use of the STEALTH mark.
6. The claimant has applied for summary judgment for the entire claim.
7. The defendants now seek to amend their pleadings to advance a second string. They wish to plead that the first defendant has recently acquired an earlier registered trade mark for the word STEALTH (pre-dating the claimant’s marks) from a third party. They seek to deploy the earlier mark as a sword and a shield: to contend that the claimant has infringed the earlier mark, that the claimant’s trade marks are invalid, and as a defence to the claimant’s claim for infringement.
8. There are therefore two applications: the claimant’s for summary judgment, and the defendants’ for permission to amend their defence and counterclaim to enable them to rely on the earlier STEALTH trade mark.

**Factual background**

9. The claimant is an English company in the business of selling computer gaming accessories, in particular audio headsets for use on multiple platforms. Such products are sold under the names STEALTH and STEALTH VR.
10. The claimant is the proprietor of UK Trade Mark Nos 3211021 for STEALTH VR and 3476958 for STEALTH (with the registration for STEALTH VR being in stylised font), which are both registered in relation to “audio headsets for playing video games”. Mark 3211021 was registered with effect from 6 February 2017 and mark 3476958 with effect from 24 March 2020.

11. The first defendant is a company incorporated and existing under the laws of Delaware, USA. It is a global gaming accessory manufacturer headquartered in New York state. It designs, manufactures, markets and sells gaming headsets for multiple platforms. As of 2017 it claimed to have c.42% of the world market share in the manufacture and supply of gaming headsets. The second defendant, an English company, is the exclusive distributor of the first defendant's gaming headsets and accessories in the UK and Ireland.
12. The present claim is the continuation of a previous dispute between the claimant and the first defendant in the UK Intellectual Property Office ("IPO"). That concerned the registration of the trade mark STEALTH. On 8 June 2018 the first defendant applied under s. 47 of the TMA for a declaration that the claimant's registration of STEALTH VR was invalid. The claim was made under s. 5(4)(a) of the TMA: the first defendant claimed that, as a result of its sales of headphones and headsets in the UK under the sign STEALTH, it had acquired a goodwill attached to that sign, that the use of the STEALTH VR mark by the claimant would be a misrepresentation to the public resulting in damage to that goodwill, and therefore that the claimant's use of the STEALTH VR mark could be prevented by virtue of the law of passing off.
13. The first defendant had also itself filed, on 16 March 2018, an application to register STEALTH as a trade mark in respect of inter alia "headsets for use with computers; headphones". The claimant filed an opposition against that application. The first defendant's application for a declaration of invalidity and the claimant's opposition were heard and determined together. It was common ground that if the first defendant's application for a declaration of invalidity failed the claimant's opposition would succeed.
14. The IPO rejected the first defendant's application for a declaration of invalidity; and the claimant's opposition therefore succeeded. The first defendant's appeal of both decisions to the Appointed Person was dismissed in a written decision dated 17 June 2020.
15. The consequence was that the claimant owned a UK trade mark registration for STEALTH VR and the first defendant did not own any trade mark registration consisting of or containing the word STEALTH. The IPO Hearing Officer's decision turned on findings that (a) the first actionable use of the STEALTH mark in relation to headphones in the UK by the claimant's predecessor-in-title was in early to mid-2014 and (b) this pre-dated the earliest date on which the first defendant had generated goodwill in the UK attached to the sign STEALTH.
16. Following an exchange of pre-action correspondence, the current claim for infringement was issued on 24 November 2020. The claimant's application for summary judgment was issued on 31 March 2021.
17. It is helpful at this stage to set out some of the main undisputed events chronologically:

Mid 2014	The first external use of the STEALTH sign by the claimant's predecessor in title.
Aug/Oct 2014	The defendants used the name STEALTH in the UK through sales of headphones to major UK retailers. (The

parties dispute whether this happened in August or October but this does not matter for present purposes.)

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|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| February 2015        | The claimant used the name STEALTH in consumer sales of headsets.                                                                                                                                                                                                             |
| April 2015           | The second defendant first learned of the claimant's use of STEALTH in relation to headphones through Argos. The defendants' evidence is that this was not escalated to the first defendant at that stage because the claimant's product was not seen as a commercial threat. |
| 6 Feb 2017           | The claimant filed its application for the STEALTH VR mark.                                                                                                                                                                                                                   |
| Late 2017/early 2018 | The first defendant's CEO, Mr Stark, first learned of the claimant's use of the STEALTH sign. He says he was annoyed and spoke to the defendants' legal department to see whether any legal action could be taken.                                                            |
| 16 Mar 2018          | The first defendant filed its application to register STEALTH.                                                                                                                                                                                                                |
| 26 Apr 2018          | The first defendant sent a letter before claim alleging passing off against the claimant by its use of STEALTH.                                                                                                                                                               |
| 8 June 2018          | The first defendant filed its application in the IPO for a declaration that the claimant's STEALTH VR mark was invalid.                                                                                                                                                       |
| 15 Aug 2018          | The claimant filed its opposition to the first defendant's STEALTH application.                                                                                                                                                                                               |
| 16 Sep 2019          | Hearing Officer's decision.                                                                                                                                                                                                                                                   |
| 17 June 2020         | Appointed Person's decision.                                                                                                                                                                                                                                                  |
| 24 Nov 2020          | Claim form issued in this action.                                                                                                                                                                                                                                             |
| 2 Feb 2021           | Defence.                                                                                                                                                                                                                                                                      |
18. I now turn to the events leading up to the recent acquisition by the first defendant of the earlier registered STEALTH mark.
19. As already explained, the proposed amendments concern the acquisition by the first defendant of UK trade mark no. 2014250. This was registered on 17 May 1996 for "Hi-fi apparatus, instruments and loudspeakers; parts and fittings for all the aforesaid goods" (which I shall call "mark-250"). The proprietor of mark-250 from November 2013 to 28 January 2021 was a company called REL Acoustics Limited ("REL").
20. On 28 January 2021 REL assigned mark-250 to a company called Name Creations Ltd ("NCL") for £8,500.

21. There was uncontroverted evidence before me that NCL is controlled by a firm called Bishop IP Investigations, which acts as an anonymous agent for its clients, often acquiring trade marks and domain names. The claimant's evidence (which was not contradicted) was that NCL purchased the trade mark for the defendants. The claimant's solicitors asked the defendants to explain the nature of the relationship between Name Creations Ltd and the defendants. Their solicitors' response was that the issue was irrelevant. During the hearing counsel for the defendants stated that NCL acted on the instructions of the defendants in acquiring mark-250 from REL; that it was always intended from 28 January 2021 that mark-250 would be eventually transferred to the first defendant; and that at some unidentified stage the defendants paid NCL the price paid by NCL to buy mark-250 from REL.
22. The Defence was served on 2 February 2021. It was verified by Mr Stark of the defendants on 1 February 2021.
23. Paragraph 4 of the Defence responded to paragraph 7 of the particulars of claim (which alleges that the defendants were joint tortfeasors). Paragraph 4 stated as follows:

“The First Defendant is the parent company of the Second Defendant. The First Defendant is the proprietor of the trade marks and branding used by the Second Defendant including the sign STEALTH. Insofar as consistent with the foregoing, paragraph 7 is admitted.”
24. On 3 March 2021 NCL notified the IPO of the 28 January 2021 assignment of mark-250 and this was recorded in the register on 1 April 2021.
25. On 15 March 2021 NCL executed a Trade Mark Licence Agreement in favour of the defendants to use mark-250. The Licence was exclusive and royalty free. The term of the licence commenced on 28 January 2021.
26. On 15 June 2021 NCL assigned mark-250 to the first defendant together with all goodwill and reputation in the mark and any accrued causes of action. The assignment was by deed and there was no stated consideration.
27. On 28 June 2021 the defendants notified the IPO of the assignment of 15 June 2021 and it was noted on the register on 6 July 2021.
28. On 9 July 2021 the defendants' solicitors notified the claimant of its proposal to introduce amendments based on the acquisition of mark-250.
29. On 24 July 2021 the claimant applied to the IPO for the revocation of mark-250 pursuant to s. 46(1) of the TMA on the ground that it had not been put to genuine use by the proprietor or with its consent in relation to the goods in its specification.
30. In paragraph 4A(c) of the draft amended defence the defendants say that the “First and Second defendants' use of [mark-250] from 28 January 2021 to the date of acquisition was pursuant to a Trade Mark Licence Agreement dated 15 March 2021.”
31. The claimant contends that these events were deliberately sequenced to decouple the defendants' use of mark-250 from the transfer of title. The claimant says that the motive for the sequencing of the steps is self-evident:

- i) There is no suggestion that REL used mark-250 for (at least) five years before it transferred it to NCL. Mark-250 was therefore vulnerable to being revoked under s. 46 of the TMA for five years' non-use.
- ii) Had the defendants acquired mark-250 and registered the transfer in January 2021/early February 2021, the claimant would have known that it had an unanswerable case for revocation of mark-250.
- iii) The power to revoke under s. 46(1) is however subject to a limitation in subsection (3):

“(3) The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) [i.e. non-use] if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made:

Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.”

- iv) The claimant submitted that the series of steps (acquisition by NCL, licence to the defendants, eventual transfer of mark-250 to the defendants) was deliberately structured to enable the defendants to use mark-250 for the three month period stipulated in the proviso to s. 46(3) without disclosing that this was happening. They made this point in their evidence for the hearing and the defendants did not seriously contest it.
32. As already explained, the defendants confirmed during the hearing that NCL was acting on the instructions of the defendants when it acquired mark-250 and it was always intended that the defendants would acquire mark-250 at some stage. The defendants said however that they have acted lawfully and in accordance with the TMA. They argued that the court should allow them to plead and rely on what they say are the full legal consequences under the TMA of their use and acquisition of mark-250.
  33. The claimant objected to the proposed amendments on a number of grounds. They said that the use made by the defendants of the word STEALTH in selling gaming headsets falls outside the registered specification of mark-250 (“hi-fi apparatus” etc.) and that, on a proper interpretation of the TMA, the defendants’ attempts to deploy mark-250 in its amendments are unarguable in point of law. But the claimant also advanced an overarching submission that the court should refuse the proposed amendments in the exercise of its discretion: it says that the defendants have carried out a covert plan to use and acquire mark-250 and that allowing the amendments would lead to irreparable prejudice to the claimant in that it has been deprived of the chance to seek the revocation of mark-250 for non-use. I shall return to these objections below.

**Summary judgment: principles**

34. Under CPR 24.2 the court may give summary judgment on a claim or issue if it considers that the defendant has no real prospect of successfully defending the claim or issue.
35. It was common ground that the principles were helpfully set out by Lewison J in *Easyair Ltd v Opal Telecom Ltd* [2009] EWHC 339 (Ch) at [15], as approved in many later cases.
36. The defendants underlined that one of Lewison J's points in *Easyair* was that the court must hesitate before making a final decision where reasonable grounds exist for believing that a fuller investigation at trial would add to or alter the evidence available or would show the existing evidence in a new light.
37. In *TFL Management Ltd v Lloyds TSB Bank Plc*, [2013] EWCA Civ 1415, Floyd LJ said (at [27]):

“Neither side sought to challenge these [*Easyair*] principles. I would add that the court should still consider very carefully before accepting an invitation to deal with single issues in cases where there will need to be a full trial on liability involving evidence and cross-examination in any event, or where summary disposal of the single issue may well delay, because of appeals, the ultimate trial of the action: see Potter LJ in *Partco Group Ltd v Wragg* [2002] 2 Lloyd's Rep 343 , para 27(3) and cases there cited. Removing road blocks to compromise is of course one consideration, but no more than that. Moreover, it does not follow from Lewison J's seventh principle that difficult points of law, particularly those in developing areas, should be grappled with on summary applications: see *Partco Group Ltd v Wragg*, para 28(7). Such questions are better decided against actual rather than assumed facts. On the other hand it may be possible to say that the trajectory of the law will never on any view afford a remedy: see for example *Hudson v HM Treasury* [2003] EWCA Civ 1612.”

**Amendment: principles**

38. The court has a broad discretion under CPR 17.3 to permit amendments. The application of that discretion is by reference to the overriding objective. The general principles guiding the exercise of discretion have been helpfully set out by Coulson J in *CIP Properties v Galliford Try* [2015] EWHC 1345 (TCC) and Lambert J in *Lucien Pearce v East and North Hertfordshire NHS Trust* [2020] EWHC 1504 (QB) at [10]. I shall follow this guidance.
39. The claimant also relied on *Cluley v RL Dix Heating* [2003] EWCA Civ 1595. In that case the defendant had initially admitted that it was party to a contract with the claimant. It later sought to amend to deny the existence of a contract between them. The Court of Appeal refused permission to amend. By the time of the amendment the claimant was no longer able to protect itself by joining different parties as additional defendants. One of the potential additional defendants had been dissolved and the limitation period had expired in the claim against both of them. There was therefore obvious prejudice caused by the earlier admission which the claimant wanted to withdraw.

40. An application for permission to amend will also be refused if it is clear that the proposed amendment lacks real prospect of success: see *Groveholt v Hughes* [2010] EWCA Civ 538 at [50].
41. When the court makes any order under the CPR (including an order giving a party permission to amend a statement of case), it may make it subject to conditions, including, but not limited to, including a condition to pay a sum of money into court: see CPR 3.1(3)(a). It was common ground that where a court permits amendment to a statement of case, it may impose such conditions as it thinks fit, including conditions as to the date from which the proposed amendment is to take effect.

### **Summary judgment application in relation to the existing defence**

42. As already explained, the claim is brought for infringement of registered trade marks. By s. 9 of the TMA 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.
43. The acts amounting to infringement, if done without the consent of the proprietor, are specified in s. 10. Kitchin LJ helpfully listed the conditions to be satisfied for a claim under s. 10(1) in *Interflora v Marks and Spencer* [2014] EWCA 1403 at [67]: (1) there must be use of a sign by a third party within the relevant territory; (2) the use must be in the course of trade; (3) it must be without the consent of the proprietor of the trade mark; (4) it must be of a sign which is identical to the trade mark; (5) it must be in relation to goods or services which are identical to those for which the trade mark is registered; and (6) it must affect, or be liable to affect, one of the functions of the trade mark.
44. The sixth condition, that the use of the sign complained of must be liable to affect the functions of the trade mark, is not found in the legislation. It became established as part of the law of trade mark infringement as a result of a sequence of judgments of the CJEU. The functions of a trade mark include the “essential” function, which is to guarantee to consumers the origin of the goods or services, but also “the function of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising” (*L’Oreal v Bellure* [2009] ECR-I-1585, CJEU at [58]).
45. The conditions that must be satisfied in order to establish infringement under s. 10(2) of the TMA are the same as those for s. 10(1), save that condition (6) is that the relevant use must give rise to a likelihood of confusion (*Interflora* at [68]).
46. The only defence pleaded in the unamended defence is that of honest concurrent use of the STEALTH sign or mark. This defence has no basis in the legislation; it has been developed in case law.
47. The principles were reviewed and set out by Henry Carr J in *Victoria Plum Ltd v Victorian Plumbing Ltd* [2016] EWHC 2911 (Ch) at [59] to [79]. He said at [59]:

“It may come as something of a surprise that this issue has to be considered at all, given that there is no provision for such a defence in the relevant European trade mark legislation. However, any rational system of registered



trade marks has to cater for the situation where two traders have co-existed, using trade marks which have caused confusion, for many years.

48. After reviewing the authorities Henry Carr J said, at [74]:

“The case law to which I have referred establishes the following principles:

i) Where two separate entities have co-existed for a long period, honestly using the same or closely similar names, the inevitable confusion that arises may have to be tolerated.

ii) This will be the case where the trade mark serves to indicate the goods or services of either of those entities, as opposed to one of them alone. In those circumstances, the guarantee of origin of the claimant's trade mark is not impaired by the defendant's use, because the trade mark does not denote the claimant alone.

iii) However, the defendant must not take steps which exacerbate the level of confusion beyond that which is inevitable and so encroach upon the claimant's goodwill.”

49. One of the cases cited in *Victoria Plum* was *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439 where Kitchin LJ said at [48]–[49]:

“Now it is entirely true to say that the facts of the present case are different from those of *Budweiser*. Moreover, the circumstances of *Budweiser* were clearly exceptional. However, I do not understand the reasoning or guidance of the Court of Justice to be limited to only those cases which share all five characteristics of that case. To the contrary, it seems to me that the Court has made it clear that the fundamental question to be asked and answered in any particular case is whether the impugned use does or does not have an effect upon the functions of the trade mark. Further and importantly in the present context, the Court has not ruled that honest concurrent use cannot avail a trader if the impugned use is liable to cause some confusion. Indeed, this court was required to consider that very question in deciding the ultimate outcome of that case, for Anheuser-Busch argued that, in the light of the guidance given by the Court, the doctrine could only apply where the level of confusion was *de minimis*. It argued that if there was a level of confusion above that, then the essential function of the trade mark relied upon would be impaired and a case of permissible honest concurrent use would not be made out.”

50. The claimant submitted (in summary) that the defence of honest concurrent use advanced by the defendants in the present case lacks any reality or conviction. It submits that the case is a straightforward trade mark dispute. Two businesses have claimed the right to use the STEALTH name or mark. That led to disputes and litigation. There was a contest in the IPO which the claimant won. It is therefore entitled to use the STEALTH mark as a guarantee of origin of its goods and the defendants are not.

51. The claimant did not seek to contend on this application that the use of the STEALTH mark by the defendants had not been honest. But if there was a period of co-existence,

it was short-lived. There had been consumer sales using the STEALTH mark from 2014. The first registration of a STEALTH mark by one of the parties (the claimant) was in February 2017. By then the defendants were already considering legal proceedings. In March 2018 the first defendant filed its own application to register STEALTH. The first defendant filed an application against the claimant in the IPO. Since 2018 the parties have been disputing ownership of the marks. The cases where the defence has succeeded have involved a long period of co-existence. That was how the judge described the defence in his summary in *Victoria Plum* at [74]. In *Budejovicky Budvar Narodni Podnik v Anheuser-Busch Inc* (C-482/09) [2012] ETMR 2 there was concurrent use by the parties of the mark “Budweiser” in relation to beer for over 30 years. In *IPC Media Ltd v Media 10 Ltd* [2013] EWHC 3796 (IPEC) there was concurrent use by the parties of the mark “IDEAL HOME” (in relation to a magazine and an exhibition respectively) for over 90 years. The present case is not remotely analogous. The TMA sets out a clear a set of principled rules about the existence and enforcement of trade marks and while it is recognised there may be exceptional cases where the defence is available this does not come close to being one of them.

52. The defendants submitted (in summary) that the defence is a realistic one. There is no issue on this application about the defendants’ honesty in using the STEALTH mark. The fundamental question (identified by Kitchin LJ in *IPC*) is therefore whether the impugned use has an effect on the functions of the trade mark. This may not be the case where a trade mark fairly denotes the goods or services of two (or more) businesses by reason of them both honestly using the mark independently. In these cases the mark cannot be seen as a guarantee of origin of goods or services of the registered holder alone since consumers will recognise that the mark may apply to either or both businesses’ goods or services. The claimant has concentrated on the period of co-existence. But there is no minimum period in the authorities before such honest co-existence may be found to arise. Here both businesses were selling goods bearing the STEALTH mark for some years before the dispute started in 2018. The defendants commenced consumer sales in August or October 2014. The claimant started to sell to consumers in late 2014 or early 2015. They both carried on doing so for some years before any complaint was made. The court would benefit from further evidence about the conduct of the parties and the perceptions of consumers and should not shut out the defence without the fuller factual investigation that would be available at trial.
53. On balance I prefer the submissions of the defendants on this point. I am not satisfied that the defendants lack a real prospect of successfully defending the claim on the basis of honest concurrent use. While the cases in which the defence has succeeded concern much longer periods of concurrent use than that alleged in the present case, none of the cases define or stipulate a minimum period of use. It is to my mind arguable that the length of use is only one factor going to the ultimate question whether the trade mark serves to indicate more than a single origin of goods or services. The authorities suggest that the investigation is multi-factorial. It also seems to me that the court may be assisted by further and fuller evidence about the trading of the two businesses from 2014 onwards. It may also be relevant to the court’s determination to hear evidence about the perceptions of consumers. For instance one of the factors that influenced the court in the *Budvar* case was consumers’ understanding of the use of the mark by the two different brewing businesses. It therefore seems to me that this is a case where it is reasonable to suppose that further evidence may become available which will materially assist the court in deciding the dispute.

54. I have therefore decided that this is not an appropriate case for summary judgment. I shall therefore not comment further on the comparative merits of the claim and defence.

**The application for permission to amend**

55. The governing principles have already been addressed above.
56. The amendments proposed by the defendants may be summarised as follows:
- i) An explanation of the acquisition of the defendants' Mark is given in the proposed amendment at paragraph 4A.
  - ii) The defendants allege that mark-250, being registered earlier than the claimant's trade marks, provides a basis for challenging their validity under s. 47 of the TMA.
  - iii) The defendants seek to allege, as a defence to the claim of infringement, that the use complained about is use of an earlier registered trade mark (see s. 11(1B) of the TMA).
  - iv) The defendants also seek to deploy the acquisition of mark-250 as part of their case on honest concurrent use: proposed paragraph 7.8.
  - v) The defendants also seek to deploy mark-250 to allege infringement by the claimant: proposed paras 16 and 17 of the counterclaim and consequential pleadings at 18 to 20 and the prayer for relief.
57. As already explained, the claimant objects to these amendments on several grounds. It says, generally, that the court should exercise its discretion against permitting the amendments. It also contends that the amendments fail to disclose a realistic defence or claim.
58. I shall start with arguments about the court's discretion. The claimant submitted (in summary) that the proposed amendment was late in the sense that it could have been made earlier. Specifically the defendants could and should have applied to amend to plead the licence from NCL either soon after 28 January 2021 (on the footing that NCL must from then on informally have permitted the defendants to use mark-250) or, at the latest, soon after 15 March 2021 (being the date of the licence deed).
59. The claimant submitted that the defendants had delayed in making the application to amend and that this had caused them irreparable prejudice. Had the application being made earlier (by soon after 15 March 2021 at the latest) the claimant would have become aware of the defendants' plan to acquire mark-250 and would have been able to apply to revoke mark-250.
60. The claimant submitted that if the defendants had the right to use mark-250 from 28 January 2021 onwards paragraph 4 of the original defence was false and misleading as it did not refer to NCL as a proprietor of at least one of the relevant marks being used by the defendants. The claimant submitted that the defendants in any event came under an obligation to make an application to amend within a short time after they were licensed on 15 March 2021 because paragraph 4 of the defence had been rendered untrue or incomplete.

61. The prejudice to the claimant from the delay is that the claimant no longer has a knock-out argument for the revocation of mark-250 under s. 46 of the TMA. Instead it will have to rely on its other objections to mark-250, which are more involved and complicated.
62. The defendants submitted (in summary) that the amendment was not late in any real sense. The proceedings are at a very early stage. There has not even been a CCMC. Indeed the pleadings had not yet closed. There is no question of work having been done which will now be wasted. The amendments raise new points. The defendants submitted that they were under no obligation to bring forward the proposed amendments until the first defendant became the proprietor of mark-250. That did not happen until 15 June 2021 and the defendants acted reasonably promptly thereafter. Counsel for the defendants did not seriously seek to contest the claimant's case that the defendants had deliberately taken the steps in a pre-planned sequence in order to strengthen their hand in deploying mark-250. But they contended that they had acted lawfully in terms of the TMA and they had no legal or procedural obligation to disclose their commercial plans.
63. The defendants submitted that they should be allowed to amend to plead the full legal consequences of their use and acquisition of mark-250. The first defendant has become the proprietor of mark-250 and as such has a number of arguable defences to the infringement claims and an arguable counterclaim for the cancellation of the claimant's registered marks and infringement by the claimant. Those defences and counterclaims are available to it under the statute and the court should permit the amendments to ensure that the true legal questions are adjudicated at trial.
64. I have concluded that I should not disallow the amendments on discretionary grounds for the following reasons.
65. In the first place this is not to my mind a case of a late amendment. The proceedings are at a very early stage and pleadings are not yet closed. There is no question of work that has already been done being wasted. I accept the defendants' submission that they were only required to propose the amendments when the first defendant became the proprietor of mark-250. While it might have been possible for the defendants to rely on the licence alone in relation to the s. 11(1B) defence, it was only upon the transfer of the legal title to mark-250 into the first defendant's name (so that, on registration, it became the proprietor) that the proposed counterclaims became available. I consider it was reasonable for the defendants to make one application to amend once the legal title had been acquired, rather than applying piecemeal as events developed; and that they did not abuse or violate the processes of the court by waiting until then.
66. In this regard, I consider that the claimant's reliance on the terms of paragraph 4 of the existing defence places more weight on the pleading than it will properly bear. That paragraph responded to the allegation in paragraph 7 of the particulars of claim that the defendants were joint tortfeasors. Its context shows that it was designed to describe in general terms the relationship between first and second defendants. It did not advance a positive case about the nature or legal effect of the marks or signs used by the defendants. For this reason I reject the claimant's contention that paragraph 4 was false or misleading when the defence was advanced, or that the defendants fell under a duty to correct paragraph 4 as soon as they acquired a licence to use mark-250. In this regard the amendments now proposed to be made to the defence do not in the event include

any amendment to paragraph 4. Since the defendants had (on the claimant's case) planned to take a series of steps which would, once fulfilled, require no amendment to paragraph 4, I do not consider that they had to apply to amend that paragraph (provisionally, so to speak) before the whole series of steps was carried out. They would then indeed have had to apply to re-amend by deleting such provisional amendments once the full series of steps had taken place.

67. It seems to me that the claimant's real grievance is that the first defendant has managed to acquire the legal title to mark-250, and the defendants also used that mark under licence without disclosing those facts to the claimant until they had been completed. I do not however consider that the non-disclosure to the claimant contravened any procedural requirements or was otherwise abusive of the court's processes. Counsel for the claimant accepted that the defendants were under no free-standing obligation to disclose their overall commercial plans in advance and it does not appear to me that the defendants have done anything to violate or abuse the court's processes which could or should now disable them from relying on their title to mark-250, or the fact that they have used it for three months. The fact that they managed to keep this from the claimant is no doubt galling for the claimant as they no longer have a knock-down answer to the additional possible defence and counterclaim. However as I see it there is nothing in the statutory scheme or the court's processes which requires a party to disclose their commercial plans.
68. I do not accept the claimant's submission that this case is on all fours with the decision in *Cluley*. Each case in this area very much turns on its own facts. In that case the defendant had admitted the contract between the parties. The claimant had acted on the basis of that admission by not taking obvious actions against third parties that would have been available to it had the contract been put in issue. Those actions were no longer available to the claimant. The claimant had relied to its detriment on an admission from which the defendant later wanted to resile. In the present case there is no similar admission. Rather the defendants seek to plead a series of recent events to advance different defences and counterclaims. For the reasons I have already given I do not consider that paragraph 4 of the existing defence carries the weight the claimant seeks to place on it; it certainly did not amount to a representation that the defendants would not seek to acquire additional rights.
69. Moreover, the claimant's complaints must be placed in perspective. Mark-250 was on the register of trade marks and it was always possible for the claimant to search for the mark and seek itself to acquire it or apply for it to be revoked. The claimant says that even had it carried out a search and discovered mark-250, there would have been no reason for it to take any action, as it would have appeared that the mark was unused. But it was always possible that someone (including the defendants) would seek to acquire and use mark-250.
70. It was common ground that the court must consider the prejudice to the parties of allowing or refusing the amendments. There is of course prejudice to the claimant if the amendment is allowed as it will be facing additional potential defences and counterclaims which would not otherwise be available to the defendants. But, for the reasons already given, I do not consider that that prejudice has arisen from any unjustified delay on the part of the defendants. Nor will the amendments disrupt the proceedings or lead to the waste of earlier work. On the other hand, if the court were to refuse permission to amend the defendants would not be allowed to assert what

otherwise would be their statutory defences and claims as proprietors of mark-250. I consider that the court should allow the defendants to rely on their ownership of mark-250 so that the court will be able to adjudicate fully on the statutory defences and claims that may arise from that acquisition. If the amendments were to be refused the court at trial would be required to apply the statute blinkered to the full legal reality (which includes the acquisition by the first defendant of mark-250).

71. The claimant submitted as a fallback that permission to amend should be given on the condition that the defendants are not entitled to rely on any use before 6 July 2021 (when the assignment was recorded at the IPO) or 9 July 2021 (when the claimant learnt of the proposed amendments). The claimant submitted that such a condition would remove the prejudice to the claimant and that this would be just. But the imposition of such a condition would also mean that the defendants would no longer be able to rely on a period of three months of use for the purposes of resisting an application to revoke under s. 46 of the TMA. I do not consider that the court should impose such a condition. It seems to me that the real question is whether the defendants should be allowed to deploy the recent acquisition and use of mark-250. I have already concluded that the defendants' actions were not unlawful and did not contravene or abuse the processes of the court and that the defendants should be allowed to advance such defences and counterclaims as are available to them by dint of becoming the proprietor of mark-250. I do not consider that it would be right to circumscribe those statutory defences and claims by deeming events to be otherwise than they were in the real world.
72. I therefore reject the claimant's general discretionary challenge to the amendments.
73. The claimant's next objection to the amendments is that the defences and counterclaims based on mark-250 have no prospect of success because the defendants' use of the STEALTH sign was not within the scope of the registered specification of mark-250. The use by the defendants of the STEALTH mark was and is for gaming headsets alone. The claimant submitted that these goods do not fall within the scope of "hi-fi apparatus, instruments and loudspeakers; parts and fittings for all the aforesaid goods".
74. The claimant cited *Sky v Skykick* [2020] EWHC 990 (Ch) at [56] where Arnold LJ helpfully explained that general terms are to be interpreted as covering the goods or services clearly covered by the literal meaning of the terms, and not other goods or services; in the case of services, the terms used should not be interpreted widely, but confined to the core of the possible meanings attributable to the terms; an unclear or imprecise term should be narrowly interpreted as extending only to such goods or services as it clearly covers; and a term which cannot be interpreted is to be disregarded.
75. The claimant submitted (in summary) as follows. "Hi-fi apparatus" is what is commonly known as a stereo or music system and that it consists of one or more inputs connected through amplifiers to loudspeakers. It submitted that this plainly and obviously does not include gaming headsets specifically designed for use with gaming consoles or PCs, and for the different purpose of gaming. The same goes for hi-fi instruments and loudspeakers. No specialist evidence is required for the court to be able to see whether given goods are within a specification. The court is in as good a position now as it would be at trial.
76. The defendants submitted (in summary) that there is no such bright line between gaming headsets and hi-fi apparatus. They said that the defendants' STEALTH branded

headsets provide high fidelity sound reproduction. The defendants relied on the evidence of Mr Stark (who they say is experienced in the relevant trade) that hi-fi audio equipment refers to devices, including headphones, used to play audio in high quality; and that each of the models in the defendants' STEALTH branded range are "hi-fi" because they reproduce a very high quality sound and eliminate surrounding sound and distortion. The defendants also referred to published reviews of gaming headsets, including their own STEALTH branded headsets, including a review in T3 titled "Best gaming headsets 2021: the high fidelity headphones for incredible gaming". A number of the headsets under review were described as having high quality audio production for music as well as gaming. Commenting on one of the defendants' STEALTH branded headsets the reviewer said that they "come with Bluetooth connectivity as well as Xbox wireless connectivity so you can hook up with laptops and phones as well - and music and movie performance is great too".

77. The defendants submitted that the issue was to be determined by considering the perspective of the average consumer and the purpose and intended use of the goods in issue: see *Merck KGaA v Merck Sharp & Dohme Corp* [2017] EWCA Civ 1834 at [248]; and that the court at trial would be potentially assisted by evidence about the way gaming headphones and/or hi-fi apparatus are sold.
78. The claimant argued in response that the defendant was conflating the use of the adjective "hi-fi" with the kinds of goods in issue. The question is not whether the headphones could be described as producing high fidelity sound. It was whether they were hi-fi apparatus etc. They said that it was plain and obvious that gaming headsets are different from hi-fi equipment.
79. I have concluded that the court at trial may well be in a better position to decide this issue than it is at this summary stage. The court is likely to be assisted by more extensive evidence about the way in which the gaming headphones sold by the defendants have been marketed and evidence about the marketing of hi-fi apparatus. On the evidence currently before the court it seems to me arguable to the summary judgment standard that headsets are hi-fi apparatus etc. The evidence relied on by the defendants shows that gaming headphones such as the STEALTH headphones are capable of producing high quality audio sound. They can also be linked to devices which produce music and not just to gaming consoles. The claimant may ultimately be right that there is a difference between the category of hi-fi apparatus on the one hand and high-fidelity (i.e. high quality) gaming headphones on the other. But it seems to me that it is a question properly to be determined at a trial with fuller evidence. I would also note that trial judges are far more immersed in the facts of cases than they can ever be at a summary stage, where things are inevitably more impressionistic. I conclude that this issue should be decided at trial.
80. It is convenient next to consider the claimant's objection to the proposed defence based on s. 11(1B) of the TMA. Subsections 11(1) and (1B) provide as follows:
  - "(1) A registered trade mark is not infringed by the use of a later registered trade mark where that later registered trade mark would not be declared invalid pursuant to section 47(2A) or (2G) or section 48(1).

(1B) Where subsection (1) applies, the later registered trade mark is not infringed by the use of the earlier trade mark even though the earlier trade mark may no longer be invoked against the later registered trade mark.”

81. The defendants seek permission to plead that their use of mark-250 is not an infringement of the later registered trade marks of the claimant.
82. The claimant contends that s. 11(1B) applies only where one of the parties is positively asserting a case under s. 11(1), and that is not the case here. It says that s. 11(1B) is therefore not triggered.
83. I am unable to accept this submission. It seems to me that it is at least arguable that the subsections are to be read as follows. Subsection (1) states (to paraphrase) that where there are two subsisting registered trade marks, the use of the latter does not constitute an infringement of the former. Subsection (1B) applies where subsection (1) applies: i.e., where there are two registered marks the second of which is not liable to be declared invalid under sections 47 or 48. Where that is the case subsection (1B) then provides that the later registered mark is not infringed by the use of the earlier mark even though the earlier mark may no longer be invoked against the later trade mark (i.e. may not be deployed as a basis for invalidating the later one). In that case the later registered mark is not infringed by the use of the earlier mark.
84. On the facts of this case, it seems to me that the section furnishes the defendants with an arguable defence (subject of course to any other arguments about the validity or effectiveness of mark-250). I am unable to accept the claimant’s threshold objection and consider that this amendment should be allowed.
85. I turn now to the proposed counterclaims. These are again premised on the acquisition by the first defendant of mark-250. The defendants seek to bring claims for a declaration (a) that the claimant has infringed mark-250 by the sale of audio headsets using the STEALTH sign and (b) under s. 47 of the TMA that (by virtue of mark-250) the claimant’s registered trade marks are invalidly registered.
86. It is common ground that in order to bring the claim for a declaration of invalidity under s. 47 the defendants must establish that the “use conditions” found in s. 47(2B)(a) of the TMA are met (there being no pleaded suggestion that s. 47(2B)(b) applies). These conditions include that the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with their consent in relation to the goods or services for which it is registered within the period of five years ending with the date of filing of the application for registration of the later trade mark.
87. As already explained the filing of the applications for registration of the claimant’s trade marks happened on 6 February 2017 and 24 March 2020 respectively. In the draft amended counterclaim the defendants plead that there was genuine use by the proprietor or with its consent within the five years before those dates (though I note there is an error in the relevant part of the draft for the STEALTH VR mark as the date is given as 24 March 2020 rather than 6 February 2017). The use relied upon is pleaded in paragraph 7 of the defence. This concerns sales by the defendants themselves of headsets under the STEALTH name from 2014 onwards and other uses by the defendants of the STEALTH name after that date.



88. It is common ground that in the five years before February 2017 and 24 March 2020 respectively the defendants were not the proprietor of mark-250. It is not pleaded that REL itself used the mark during those five year periods. Nor is it pleaded that REL consented to the defendants using mark-250 at any time during those periods.
89. The claimant submitted that the requirement in s. 47(2B)(a)(ii) - “the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with their consent in relation to the goods or services for which it is registered” - can only be satisfied where at the time of such use the user was the proprietor or a person whose use the proprietor has consented to. The claimant submitted that while the parties to a contract may agree to operate on the basis of a retrospective fiction that they are to be treated as having had rights or obligations between themselves, this cannot apply as regards third parties (cf. the discussion in *BIC UK Ltd v Burgess* [2019] EWCA 806 at [53]-[55]). The statutory words in s.47 are concerned with ascertainable real world events and those events cannot be rewritten or expunged by reason of the subsequent change of ownership of a trade mark.
90. Counsel for the defendants said that they had been ambushed on this point since the claimant did not refer to it in its evidence served in opposition to the application to amend. The defendants said that they would have been able to undertake broader and deeper research had they been given more notice and would have been able to develop their arguments more fully. I do not accept this complaint. The burden is on the party seeking to amend to show a case with some reality. The issue involves statutory construction. The parties served their skeletons on 5 November 2021 and the hearing did not conclude until 10 November 2021.
91. The defendants contended that the statutory wording is capable of being satisfied where (a) a person has in fact used a mark during the relevant five year period and (b) has subsequently become the proprietor of a registered version of the same mark that subsisted during that period. They submitted that the defendants, who have for a number of years used the name STEALTH, have merely regularised the existing de facto state of affairs by acquiring a registered mark for that name.
92. The defendants pointed out that they are unaware of any authority or textbook commentary to suggest that their interpretation is wrong. They submitted that the point was at least arguable to the summary judgment standard of a case having conviction. They also said that if there are other issues which are to go to trial the court should not shut out this one.
93. I prefer the arguments of the claimant on this issue. I consider that the defendants’ construction of the statute carries no conviction. I agree with the claimant’s submission that the section requires the use of the trade mark to be by the proprietor or with their consent during the relevant five year period i.e. at that time. That is the natural and ordinary interpretation of the words used and I see no reason to depart from them. S. 47(2B) is to my mind concerned with objectively ascertainable events occurring in the real world in real time. When the defendants made the uses of the STEALTH mark pleaded in paragraph 7 of the defence they were not the proprietors of the registered trade mark and they were not using the mark-250 with the consent of the proprietor (REL). I do not think it can realistically be argued that the real world of objectively ascertainable facts can be treated as transformed by the later acquisition by the first defendant of mark-250.

94. I have referred to objectively ascertainable facts. It seems to me that the defendants' construction is inimical to legal certainty. A purpose of the statutory regime of registered marks is that enterprises should be able, by conducting searches and making inquiries, to seek to determine the existence and validity of their own and third parties' trade marks. That depends on being able to ascertain objectively ascertainable facts about the use of marks in the real world. On the defendants' interpretation it would have been impossible for a later registered trade mark holder in the position of the claimant to determine whether there were any valid existing marks which might be invoked against the later marks. A moribund mark that had not been used for five years by its proprietor or with the consent of the proprietor could (according to the defendants) be successfully resurrected years later by the simple expedient of transferring it to a third party who had happened to use the same mark (without owning it or having any consent) during the five years before the date of registration of the later trade mark.
95. Moreover, on the defendants' case the holder of the later mark would be vulnerable to a claim for a declaration of invalidity even if it had known nothing about the third party acquirer's use of the mark within the relevant five year period.
96. It will also be noted that on the defendants' construction there would be no limit of the time in which such a resurrective transfer could be effected provided that the transferee happened to have used the mark during the relevant period of five years before the application is made (subject only to the separate time limit in s. 47(2B)(a)(i)).
97. These considerations support what I consider to be the natural and ordinary reading of the statute.
98. Since I regard the defendants' case on this issue as not realistically arguable I shall refuse permission to amend. There is always some risk that appeals may disrupt proceedings but a party should not be able to amend to plead an unarguable point.
99. I initially observed in a draft of this judgment provided to the parties that this reasoning does not apply to the other element of the proposed counterclaim, which is that the claimant's trade marks infringe mark-250 (of which the first defendant is now the proprietor). The claimant made further written submissions (pursuant to the guidance in *Re T (a child)* [2002] EWCA Civ 1736) about the viability of the proposed infringement counterclaim.
100. The claimant's new argument was this: since the claimant's marks are registered and cannot (for the reasons set out above) be challenged, s. 11(1) and/or the defence of honest concurrent use would give the claimant a complete and unanswerable defence to the infringement of mark-250 and the entire counterclaim should therefore be disallowed.
101. The defendants submitted that the position is not so clear. The counterclaim has not yet been served and therefore there is no defence. It may however already be anticipated that there will be room for dispute about any defences that may be raised. As for the defence under s. 11(1), the defendants say, first, that the Claimant does not appear to have used its earlier mark, 3211021, for the stylised words STEALTH VR. So it is not clear that this defence would apply to the uses (or all the uses) said to infringe mark-250. Second, it is not clear that it would be available for uses of the later registered mark, 3476958, that predate its filing date of 24 March 2020. The full position needs to

be pleaded and separately considered. But s. 11(1) is not an “unanswerable defence” rendering the counterclaim for infringement bound to fail in its entirety.

102. As for the defence of honest concurrent use, the defendants submit that the claimant may not chose to raise it given their stance about the availability of the defence in law. The defendants also contend that they used the STEALTH sign for goods sold to consumers before the claimant started to use it for consumer sales. This may undermine the availability of the defence or may limit its availability temporally.
103. I prefer the submissions of the defendants on this point for the reasons they give, which require no further elaboration. There may be defences to some of all of the infringement counterclaim. But I do not think that it can be said at this summary stage that the entire counterclaim is unarguable to the necessary standard. It seems to me that the counterclaim and defences need to be fully pleaded out.
104. I turn finally to paragraph 7.8 of the draft amended defence. The defendants rely on the acquisition of mark-250 by the first defendant as part of their case on honest concurrent user.
105. Counsel for the defendants contended that the acquisition of mark-250 in 2021 simply gave legal effect to the underlying reality which was that the defendants had honestly used the STEALTH sign from 2014 onwards without knowing of the claimant’s use of the sign. The suggestion appeared to be that the acquisition of mark-250 in 2021 could somehow throw light on the earlier events. I am unable to accept this argument. I cannot see how events after the proceedings were commenced (which themselves followed on from the IPO dispute about the rival signs and marks) could possibly assist the defendants’ case of honest concurrent use. The events from 2014 onwards will fall to be assessed in their proper historical context. They cannot be affected or changed by the much later decision of the defendants to acquire mark-250. That was after the substantial IPO dispute between the parties when each was seeking to deny the other the right to use the STEALTH mark. I take account of the warning that the court should be slow to give dismiss single issues where there is to be a trial. But again the admission of this issue into the case requires the court’s permission to amend and the amending party must satisfy the court that the proposed amendments have some prospect of success. I do not think that this amendment satisfies this requirement.

#### **Further submissions concerning the discretion to allow the amendments**

106. As I have said, after receiving a draft of this judgment the claimant made further written submissions pursuant to the guidance in *Re T (a child)*. This part of the claimant’s argument was advanced on the assumption that the whole of the proposed counterclaim was found to be bad. As I have found that the infringement part of the counterclaim should be permitted, this additional argument does not arise. But I shall address it briefly in case I am wrong in allowing the infringement counterclaim. I shall therefore proceed by assuming (counterfactually) that the only permitted amendment is the s. 11(1B) defence.
107. The new argument is (in outline) this. The defendants have been allowed to amend to raise s. 11(1B) and no more. They could have pleaded that from the date of the licence to use mark-250 and did not need to wait until the assignment. The defendants deliberately and calculatedly delayed proposing the only sustainable amendment (that

under s. 11(1B)) and deployed an artificial scheme to avoid provoking a straightforward application by the claimant for the revocation of mark-250. The defendants should not be permitted to benefit from their scheme.

108. I am unable to accept this submission. It seems to me to turn on impermissible hindsight, by treating the defendants as if they were armed with the judgment when they were first considering the proposed amendments. The claimant in effect invites the court to see the proposed counterclaim as a stratagem, used to justify or vindicate the defendants' decision to advance the amendments in one go once they had taken the assignment. I do not think I can properly reach that view. I am satisfied that the defendants proposed the amendments in good faith (even if - on the counterfactual assumption of this argument - they failed). So even on the counterfactual assumption I would have seen no reason to revise the conclusion reached in [65] above or, more generally, to revisit my reasoning at [69] to [70] concerning the claimant's discretionary challenge.

### **Conclusions**

109. The claimant's application for summary judgment is dismissed. The defendants are permitted to make some (but not all) of the proposed amendments to the defence and counterclaim. The defendants should produce a further draft pleading which gives effect to the terms of this judgment.