



Neutral Citation Number: [2022] EWHC 1895 (Ch)

Claim No. IL-2019-000011

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

The Rolls Building
7 Rolls Buildings
Fetter Lane
London, EC4A 1NL

Date: Friday, 15th July 2022

Before:
MRS JUSTICE FALK

Between:

(1) MONTRES BREGUET S.A. **Claimants**
(2) BLANCPAIN S.A.
(3) MONTRES JAQUET DROZ S.A.
(4) OMEGA S.A.
(5) COMPAGNIE DES MONTRES LONGINES,
FRANCILLON S.A.
(6) TISSOT S.A.
(7) MIDO S.A.
(8) HAMILTON INTERNATIONAL S.A.
(9) SWATCH S.A.
(companies incorporated in the Swiss Confederation)
(10) GLASHÜTTER UHRENBETRIEB GmbH
(a company incorporated in Germany)
- and -
(1) SAMSUNG ELECTRONICS CO. LTD
(a company incorporated in South Korea) **Defendants**
(2) SAMSUNG ELECTRONICS (UK) LIMITED

MR SIMON MALYNICZ QC, MR GEOFFREY PRITCHARD and DR DANIEL SELMI (instructed by **Wilmer Cutler Pickering Hale and Dorr LLP**) for the **Claimants**

MR DANIEL ALEXANDER QC and MS ASHTON CHANTRIELLE (instructed by **Allen & Overy LLP**) for the **First Defendant**

Approved Judgment

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MRS JUSTICE FALK :

Injunctive relief

1. As Mr Alexander accepted, I ought to grant an injunction unless there are special reasons that justify me not doing so: Article 130 of the EU Trade Mark Regulation ((EU) 2017/1001).
2. There is a very helpful summary of the principles to apply in Arnold J's judgment on consequential issues in *Sky Ltd v SkyKick UK Ltd* [2020] EWHC 1735 (Ch) at [14] to [36]. Relevantly here, "special reasons" would include the possibility of Samsung showing that an injunction would not be proportionate or would not strike a fair balance. That takes account, amongst other things, of Article 3(2) of the Enforcement Directive (European Parliament and Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights).
3. I should grant an injunction in this case, therefore, unless Samsung can show that it would not be fair and proportionate to do so. I do not consider that Samsung has discharged that burden and persuaded me not to grant the conventional form of injunction.
4. The considerations I have taken into account include that Samsung is effectively seeking to persuade me that the steps it says it has taken in the light of paragraph 226 of my judgment are sufficient to give it a defence under Article 14 of the e-Commerce Directive (Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000). However, in addition to the fact that I am not in a position to assess that evidence and that Swatch have not had a chance to respond to it, paragraph 226 of the judgment is framed the other way round: it was a highlighting of particular deficiencies, or examples of them, that led me to conclude that Samsung was not behaving as a diligent economic operator and therefore did not benefit from the Article 14 defence because it did not satisfy the condition in Article 14(1)(a). I did not decide that if Samsung did address those deficiencies it would be a diligent economic operator. Further, I did not decide that if it did then that would necessarily mean that the Article 14 defence would be available. I made my decision on the grounds that the condition in Article 14(1)(a) was not satisfied: see the judgment at paragraph 222.
5. I have taken into account Samsung's concern that the grant of a standard form of injunction is not only, it says, unnecessary because of the measures it has implemented (a point I have just commented on), but also creates a state of uncertainty as to what Samsung can or cannot do. Samsung fairly makes a point about the position of an app store operator dealing with third party suppliers who are putting these apps together, and suggests that it has less control than a supplier.
6. A practical answer to this is Samsung does have full control of the system, as I found in the judgment, and it does actively screen any app before it is loaded.
7. More importantly, there is frequently some element of uncertainty in questions of trade mark infringement, for example, in determining similarity of marks and sign or similarity of goods. That sort of uncertainty is not sufficient to justify not granting an injunction. Further, realistically there will not be an application for contempt in the event of an inadvertent breach which occurs despite Samsung acting as a diligent

operator, particularly given the way in which I expressed my decision. In addition, if there is real uncertainty, then it is open to Samsung to seek declaratory relief from the court: see *Lifestyle Equities CV & Anor v Amazon UK Services Ltd & Ors (Consequential Issues)* [2022] EWCA Civ 634 at [14].

8. Overall, I consider that an injunction is justified. I am not persuaded that without it there is no real risk of further infringement. I have to take into account that no undertakings were offered until very late. The offer that was then made was of undertakings in very limited terms, and only this morning were they offered to be provided to the court. The undertakings that were offered before this morning required nothing of Samsung in terms of positive action, and contained no commitment to cure the deficiencies that I found to exist. I accept that the undertakings offered were slightly widened this morning, but by reference to the steps Samsung says it has implemented in the light of paragraph 226 of my judgment, which I am not in a position to assess.
9. In the circumstances, I consider that a grant of an injunction in the normal form is appropriate.

(After further argument)

Stay of injunction pending appeal

10. On the question of stay pending appeal, I need to apply the normal principles. I am going to consider the risk of irremediable prejudice and the balance of hardship. The actual effect of my decision is that if Samsung acts as a diligent operator, then it is not infringing. If an injunction is stayed, then, in the absence of undertakings, Samsung could unwind any improvements put in place since the infringing apps or not implement those improvements as it says it has.
11. Samsung raises what Mr Kim describes in his latest witness statement as a “possibility” of closing the SGA store to new apps in the event that an injunction is granted. That word was no doubt chosen advisedly. No reasons are given and there is no real elaboration of the point. It is really not possible for me to determine that there is a material risk of that occurring.
12. The same witness statement also refers to the difficulty of putting in place alterations and then reversing those alterations. But Samsung says it has made alterations already, and no doubt Samsung has been advised that those alterations ought to ensure that it does not infringe. I cannot place material weight on the evidence about putting something in place and unwinding it when Samsung says it has already done what it needs to do. To re-emphasise, the judgment does not provide authority that Samsung cannot rely on Article 14 at all, but that on the facts it did not meet the standard of a diligent economic operator. That is the current position as between the parties, and pending any appeal, that remains the case.
13. If I stay an injunction, then there must be some risk to Swatch because Samsung would not be under any obligation to take steps to ensure that infringing action does not occur. The onus ought to be on Samsung, not Swatch, to ensure that infringement does not occur. I have already made points about the difficulty of Swatch monitoring the SGA store: see the judgment at paragraphs 53 and 54.

14. Overall, and taking account of the comments I have already made about inadvertent errors not leading to contempt proceedings and the ability of Samsung to seek declaratory relief if necessary, I have concluded that there is insufficient reason to justify a stay of the injunction pending any appeal.

(After further argument)

Quantum determination

15. This issue is whether I should require any steps to be taken towards determining quantum pending any appeal. Swatch's position is that all steps should be deferred pending the outcome of any appeal, and then there should be disclosure on the *Island Records* basis (*Island Records Ltd v Tring International plc* [1995] FSR 560), followed by an election for an account of profits or an inquiry. That would then be followed in due course by points of claim.
16. Samsung says that it has been making the point for a number of years that it does not understand Swatch's case on quantum, and essentially that the time has come for Swatch to come off the fence. Before Swatch does so Samsung is also prepared, with the benefit of confidentiality undertakings, to provide sales and profit figures in relation to smartwatches, although it says that that information is not relevant.
17. I indicated yesterday that, given Swatch's preparedness to agree to stay issues of quantum pending any appeal, there was much to be said for staying any substantive work on inquiry or account issues as well. However, that was subject to a caveat. I could see that there was something to be said for Swatch being asked to clarify its case (and for proportionate steps to be taken to enable that to occur) if I could be persuaded that there was a realistic prospect that doing so would avoid the need for an appeal. I asked the parties to consider this prior to the hearing.
18. Swatch say that clarifying their case on quantum would involve a lot of work to do properly, and further that resolution of the dispute by settlement is highly unlikely, indeed impossible. They point to the existence of a parallel dispute in the US. Swatch's position is that there is no prospect that going through a process of the kind just described would improve the chances of settlement.
19. Samsung makes the point that clarification by Swatch would not only improve the chances of settlement but would enable it to make a meaningful Part 36 offer.
20. Overall, my assessment is that the steps that would be required for Swatch to articulate their case to the level that Samsung would need for it to understand Swatch's position on quantum to the extent that it says it needs to, would not be proportionate pending appeal. In particular, if *Island Records* disclosure was given, let us say in accordance with Swatch's draft order, that would need to be assessed by them. Any election that Swatch then made for an inquiry or an account would not, by itself, necessarily enable Samsung to understand Swatch's quantum claim further. Swatch would have to go further and produce points of claim.
21. Realistically, in order to produce points of claim Swatch are likely to require input from one or more experts. That is particularly so in determining damages based on a notional royalty, which, as Mr Malynicz says, is a perfectly standard way of approaching an

inquiry, and which would certainly not be straightforward in this case. Determining an appropriate royalty could involve material expense and work. I have to ask myself whether that is likely to be justified in the interests of promoting settlement, as opposed to deferring that work until the outcome of an appeal which might mean that the work did not need to be carried out.

22. It is obviously very difficult for the judge to assess the likelihood of settlement, but everything I have heard in this case suggests to me that the parties are poles apart on quantum. I am not persuaded that the gap is going to be bridged without a lot of additional work. There is clearly a dispute in the US which is at an earlier stage. I cannot tell whether resolution of that dispute would be assisted by this process, but I would also make the point that the key bases on which Samsung is seeking permission to appeal are not going to be affected by views as to quantum. The grounds of appeal go much more fundamentally to the operation of the app store and what Samsung's obligations are in that respect. I have to take that into account as well in trying to assess whether there is a real chance of settlement, such that ordering further steps to be taken in respect of quantum at this stage would be a proportionate use of resources.
23. I appreciate Samsung's position that it cannot make a Part 36 offer without the claim being properly articulated, but equally Samsung could have the courage of its convictions that this claim is "not worth the candle" and make a Part 36 offer on that basis. There is nothing to prevent Samsung making a Part 36 offer.
24. Overall, weighing up the different considerations, my discretion is exercised in favour of staying further steps on quantum pending the outcome of any appeal.

(After further argument)

Costs

25. I will now give my decision on costs. It was not disputed that it is appropriate for me to make a decision on costs now, and to make a decision about an appropriate interim payment. It was also not disputed that in assessing costs, I should make an issues-related reduction, which the parties agree should be in percentage form. The rival percentages were 5% for Swatch and 30% for Samsung.
26. There was also no dispute about the principles that I should apply. The parties referred me to a recent summary in *George Hugh Pigot v Environment Agency* [2020] EWHC 1444 (Ch) at [6]. Picking up one or two points referred to there, an issues-based costs order is not justified just because a person was not successful on every issue, but may be appropriate if there is a discrete or distinct issue which caused additional costs to be incurred, or if overall costs were materially increased by the unreasonable raising of one or more issues. If a discrete issue caused additional costs to be incurred, then if the issue was raised reasonably, the successful party may be deprived of its costs. If raised unreasonably, it may be ordered to pay the costs incurred by the unsuccessful party.
27. Overall, Swatch won. All 23 marks relied on at trial were found to be infringed. Swatch did not pursue their claim to passing off in respect of any of those marks at trial, a claim which also involved six extra apps. However, the passing off claim was not discontinued. Swatch say it was not pursued at trial in order to manage the trial, or the

issues at trial, more effectively. Swatch also did not pursue a claim in respect of two international marks.

28. In relation to the claims that Swatch did pursue at trial, they did not succeed on Article 9(2)(c) except in respect of four marks and three apps. They also did not succeed on all their allegations of identity of mark and sign, and did not succeed in establishing infringement at all in relation to four of the apps.
29. As indicated, both parties accept that some percentage reduction should be made. As is often so in these cases, my view of the appropriate reduction is something between the parties' respective 5% and 30%.
30. I have taken into account the quantity of the Civil Evidence Act evidence that Samsung would have needed to assess in respect of the reputation claims that did not succeed. I also accept that the passing off claims raised different issues and involved some additional cost, although I do not think that a page counting exercise straightforwardly captures that cost. Mr Pritchard also fairly made the point that, in so far as the Civil Evidence Act evidence was relevant to passing off, that evidence had to be reviewed in any event.
31. As to Samsung's point that the case should have been streamlined and, in particular, a suggestion that Swatch should have acceded to Samsung's proposal to use exemplars, I am not convinced that that would have made a material difference. Ultimately, the burden was really on the judge rather than the parties in terms of assessing all the individual apps. However, as already indicated I do take account of the extent of evidence that was put in in relation to reputation, in particular, where the Article 9(2)(c) case was not established for all claimants. As to the witness evidence related to that, the witness evidence put in by Swatch was relevant and helped to determine the reputation claim in their favour, to the extent they succeeded on Article 9(2)(c).
32. A point was also made about the need for Swatch to redraft witness statements to comply with PD 57AC. I recall reading the evidence and seeing the mark-ups with the changes. The changes were relatively modest, and I do not think that is a material factor to take into account.
33. Overall, I think a fair reduction is 15%, in other words, an award of 85% of Swatch's costs, on the standard basis.
34. I now move on to the question of payment on account. Again, there is no dispute about the principle to apply. I am going to make a realistic assessment of what is likely to be recovered on assessment. I will, as the parties did, look separately at three categories of cost. The three categories are incurred costs, budgeted costs and "out of budget" (in other words, in excess of budget) costs. It is necessary to consider these separately because different considerations apply, but that does not mean that I should ignore a holistic approach, so I have also stepped back to think about what a realistic assessment is overall.
35. Incurred costs, meaning costs incurred before the budget was set, are obviously not covered by costs budgeting, and I understand that those costs were not commented on by the Deputy Master at the time the budget was approved. There is, in sterling terms, about £490,000 of these costs in total. Swatch say the payment on account should be

70%, whereas Samsung says 60%. Swatch say that this was hard-fought litigation. Samsung says that there is a really good chance that Swatch's costs will suffer a material reduction on assessment. I am not in a very good position to come up with a precise number. Taking account of my overall assessment, I think the appropriate percentage for this element is 65%.

36. I move on now to budgeted costs, where Samsung says that the payment on account should reflect 85% of budgeted costs, and Swatch's starting point is 100%. The total budget was approximately £1.15m. There is something of a pragmatic practice that has developed of awarding 90% of budgeted costs as a payment on account. I was shown the decision of Michael Green J in *Lifestyle Equities v Amazon* [2021] EWHC 721 (Ch) at [30]-[35], where there was an award of 90%. That reflects earlier cases, including the decision of Birss J in *Thomas Pink v Victoria's Secret* [2015] 3 Costs LR 463 at [60].
37. Samsung argues for 85%, pointing to elements of the budgeted costs that it says were generous. Samsung makes a specific point about witness evidence, comparing a pretty substantial budget with the relatively limited evidence that was ultimately relied on. Swatch make the point that the lead partner at their instructing solicitors has confirmed that all costs being claimed were in fact incurred.
38. I do not see a good reason to depart from a pragmatic approach that takes account, as Birss J said, of the vagaries of litigation. I am not going to allow 100% because there are elements in the budget that may result in reduction on assessment, so I have pragmatically gone with the 90% figure.
39. I now turn to out of budget costs. There are around £430,000 of costs incurred in excess of the budget. What I have is some relatively limited evidence from the lead partner at Swatch's solicitors, Dr Watts, setting out a number of reasons why costs were incurred in excess of the budget, in the form of different categories of additional cost. For example, one category relates to additional CMCs, whereas the budget assumed one CMC. There are also references to requests for information, to evidence being more extensive for a CMC than had been provided for, to disclosure involving more work than anticipated, to a need to instruct a third member of the counsel team, and to further applications for disclosure.
40. Samsung's response to this is in various parts. One point it makes is that, under CPR 3.15A, a party must revise its budgeted costs upwards or downwards (in this case upwards) if significant developments in the litigation warrant such revisions. Mr Stone, the lead partner at Samsung's solicitors, has given detailed witness evidence about the opportunities that he says there were that should have been taken to adjust the costs budget under that provision.
41. Mr Pritchard's response to that, for Swatch, is that the test which the costs judge will apply is that in CPR 3.18, which is that budgeted costs will be departed from if there is good reason. Departure is not precluded simply by a failure to apply under 3.15A. Nonetheless, I think Mr Pritchard accepted that the fact that the process exists to allow a revision is not irrelevant to the decision whether the costs budget should be departed from. Indeed, if that was not the case, it would raise a real issue about the proper value of costs budgeting.

42. I agree with Mr Alexander that the proper way to deal with material changes is to apply for an increase in the costs budget. I also agree with his point that when it comes to assessment, the costs judge may well be in a more difficult position than the judge or master case managing the case at the time, to determine whether a variance from a budget was appropriate.
43. More generally, I have to take account of the fact that the costs judge is likely to have regard to the importance of costs budgeting and the fact that departures will not straightforwardly be permitted.
44. I was taken to a number of cases, starting with *Harrison v University Hospitals Coventry & Warwickshire NHS Trust* [2017] EWCA Civ 792, where there is reference at [44] to the court being empowered to sanction a departure if it is satisfied that there is a good reason for doing so. Davis LJ said this:
- "That of course is a significant fetter on the court having an unrestricted discretion: it is deliberately designed to be so. Costs judges should therefore be expected not to adopt a lax or over-indulgent approach to the need to find "good reason": if only because to do so would tend to subvert one of the principal purposes of costs budgeting and thence the overriding objective."
45. I am obviously not in the position of the costs judge. I am anticipating what the costs judge might decide in determining the appropriate level of interim payment. But in making that anticipation I have had regard to the principle in *Harrison*.
46. I was also referred to *Elvanite Full Circle v AMEC* [2013] 4 Costs LR 612, which is an earlier authority than *Harrison*, where at [47] the judge described a case which he said had not "lurched off track", but rather had gone as expected. That would indicate that there did not appear to be good reasons for departing from the original costs budget.
47. Mr Alexander submitted that the comments in *Elvanite* described this case too. The parties made provision in budgets, the case has gone as expected, and indeed those budgets were set at a time when the case was already well on foot and approaching £500,000 of costs had been incurred. This was not a case where Swatch's budget was set without real thought about what was to happen in the litigation.
48. Both parties also referred to *Walton International Ltd v Verweij Fashion Ltd* [2018] EWHC 2315 (Ch), where Arnold J took the approach, with which I agree, that the right test to apply in determining a payment on account in respect of out of budget costs is whether Swatch are likely to establish that there are good reasons for departing from the costs budget (see paragraph [7]).
49. Mr Alexander pointed out that in *Walton* there was some detailed evidence before Arnold J which enabled Arnold J to conclude that it was likely that there was going to be some departure from the costs budget, and that was required in order to justify an interim payment by reference to unbudgeted costs. Mr Alexander submitted that we do not have that sort of evidence here. Swatch could not simply defer providing that evidence until costs were to be assessed without accepting that an interim payment in respect of unbudgeted costs would not be justified.

50. I have taken all these considerations into account. I do place weight on the fact that there would have been opportunities to increase the costs budget which were not taken, and I do think the failure to do that under CPR 3.15A is relevant.
51. I am also concerned that the evidence before me that would really justify departures from the budget is limited at this stage. I have a lot more detailed evidence from Mr Stone in response than I do from Dr Watts. Nevertheless, I am going to make some allowance for out of budget costs, on the basis that I am sufficiently persuaded that an element of additional costs is likely to be established as justified on the basis that there was a good reason to depart from the budget. This relates in particular to additional CMCs and other departures from assumptions stated in the costs budget.
52. However, the adjustment is only a relatively modest one. My conclusion is that it is appropriate to award a payment on account only of 20% of those out of budget costs. In doing so, I do want to send a bit of a signal that this does look to be the sort of case where an increase in the budget should have been sought, and against that backdrop, I would have needed more detailed evidence to justify a higher interim payment. That obviously does not preclude Swatch from seeking to establish good reasons before the costs judge. But I am not in a position properly to assess that now.
53. In summary, the order for costs is 85% (on the standard basis). The payment on account is whatever comes out of the following calculations: 65% of incurred costs, 90% of budgeted costs, and 20% of out of budget costs (each applied to the 85% figure).

(After further argument)

Permission to appeal

54. I am minded to grant permission to appeal on genuine points of law in relation to (a) Article 14 and (b) "use". I do consider that the grounds of appeal are far too lengthy at the moment, so what I would like to see is reframed grounds that raise the key points raised by Mr Alexander orally now.
55. As regards Article 14, the issues are the correct approach for app stores in relation to Article 14, and the point that has been articulated about knowledge in Article 14(1)(a) requiring a knowledge of rights (although I do not think the latter point was put in quite that way at trial).
56. In relation to use, the issues are whether there was an error of law in taking a "look at everything" approach in determining whether there was use by Samsung in the course of trade, the "in relation to" issue, and specifically whether there was use in relation to smartwatches rather than apps (when considering downloaded watch faces), and the relevance of post-sale confusion.
57. I am not minded to grant permission to appeal on the pleading point (paragraph 22 of the current grounds) for the reason already given. In summary, the way in which I was being invited to decide the case was very clear from Swatch's opening submissions, and I did not understand Samsung to object to that. Regarding the points in paragraph 23 of the current grounds about my decisions on the identity of mark and sign in respect of certain apps, I do not think anything has been said that suggests that I made a material

error of law. I consider that I applied established tests to the facts. So permission is refused in respect of paragraphs 22 and 23.

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