



Neutral Citation Number: [2023] EWHC 1480 (IPEC)

Claim No: IP-2022-000092

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY AND ENTERPRISE COURT

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

Date: Friday, 23 June 2023

Before:

MS. PAT TREACY

(sitting as a Deputy High Court Judge)

Between:

(1) JBC DISTRIBUTORS INC.

**(a company incorporated under the laws of
the State of Florida)**

**(2) JBC DISTRIBUTORS UK LIMITED
- and -**

Claimants

**(1) PETER MUDAHY TRADING AS
PAK COSMETIC CENTRE**

**(2) TANVIR HUSSAIN TRADING AS
PAK COSMETIC CENTRE**

Defendants

JAMIE MUIR WOOD (instructed by **Reed Smith**) appeared for the **Claimants**.
DENISE MCFARLAND (instructed by **in-house solicitor at Pak Cosmetic Centre**)
appeared for the **Defendants**.

Hearing date: 9 June 2023

APPROVED JUDGMENT

*This judgment was handed down remotely at 10.30 am on 23 June 2023 by circulation to
the parties or their representatives by email and released to the National Archives.*

DEPUTY JUDGE TREACY:

Introduction

1. This judgment relates to the Claimants' application dated 13 March 2023 (the 'Application').
2. The Claimants are referred to as 'JBC'. The Application sought summary judgment on the claim and/or strike out of the Defence and Counterclaim. In the alternative, in the event of failure of the Application (in part or in whole) JBC sought directions to a combined trial of liability and quantum.
3. The First Defendant, Mr Mudahy, and the Second Defendant, Mr Hussain, are together referred to as the Defendants unless the context requires otherwise.
4. The Defendants resist the Application on the basis that there is a genuine dispute of fact between the parties for which disclosure, witness evidence and possible expert evidence is required, and which should be determined at trial. A point is also made by counsel for the Defendants, Ms McFarland, about their position as individuals and my attention was drawn to the cautionary note under CPR 3.4.2:

"The ECHR art 6(1) right of access to a court may require caution on the part of courts in exercising the r. 3.4(2)(a) power to strike out a statement of case which appears to disclose no reasonable grounds for bringing or defending a claim ..."

5. During oral submissions, Ms McFarland made clear that there was no suggestion that ECHR rights differ for individuals, while also referring to the reputational damage that the Defendants as individuals would suffer if their defence was not permitted to proceed to trial and a full hearing.

The Claim and procedural history

6. The procedural background is, in brief:
 - the litigation was commenced by claim form dated 31 October 2022;
 - the Defence and Counterclaim was served on 13 December 2022;
 - the Claimants' Reply and Defence to Counterclaim was served on 11 January 2023;
 - the Application was issued on 13 March 2023.
7. The Claim is summarised below:
 - JBC manufactures and distributes products made from Jamaican black castor oil sold under the sign 'SUNNY ISLE';
 - JBC has trade mark registrations for "*hair oils; castor oil for cosmetic purposes; body oils*";

- JBC claims that its trade marks have a reputation and that it owns goodwill in the UK for the goods for which those trade marks are registered;
- JBC alleges that the Defendants have sold goods bearing JBC's trade marks which are in fact counterfeit and claims that they have infringed its trade marks and passed off those goods as genuine goods;
- JBC alleges that Mr Mudahy and Mr Hussain are jointly liable for the alleged acts.

8. The Defendants' position is, in summary:

- That JBC must prove that it purchased the alleged counterfeit goods from them;
- That all allegedly counterfeit goods were originally bought from JBC or its authorised suppliers;
- That the differences between the allegedly counterfeit goods and those accepted to be genuine goods arise from JBC varying its packaging.

9. The Defendants deny that trade mark infringement or passing off has taken place. Their Counterclaims seek damages arising from:

- unjustified threats; and
- compensation for unsold stock and/or stock returned by Sainsbury's.

The legal issues

10. Mr Muir Wood referred me to Part 3 and Part 24 of the CPR and the accompanying notes. No bundle of authorities was provided, but Ms McFarland's written skeleton referred to and quoted from various relevant authorities.
11. To summarise, CPR 3.4(2)(a) enables the Court to strike out the whole or part of a statement of case which discloses no reasonable grounds for bringing or defending a claim. This may be:
 - where the pleading consists of a bare assertion (for example, in the case of a defence, a bare denial) or sets out no coherent statement of facts; or
 - where the facts it sets out, while coherent would not, even if true, amount in law to a defence or the basis for a claim because they disclose no reasonable grounds for bringing or defending a claim.
12. CPR 24.2 empowers the Court to give summary judgment against a party which has no real prospects of succeeding on its claim or defence.
13. I have had in mind these tests and the relevant guidance on both CPR 3.4 and CPR 24.2 as discussed during the hearing. I am grateful to both counsel for their submissions.
14. Of the many judicial formulations of the correct approach, it is convenient to set out as a guide the portion of the judgment from *EasyAir Ltd. v Opal Telecom Ltd.* [2009]

EWHC 339 (Ch) at [15], approved by the Court of Appeal in *AC Ward & Son Ltd. v Catlin (Five) Ltd & Ors.* [2009] EWCA (Civ) 1098 to which I was referred by Ms McFarland.

15. While it refers to claims by defendants for summary judgment against claimants, the test is the same for both parties:

“... the court must be careful before giving summary judgment on a claim. The correct approach on applications by defendants is, in my judgment, as follows:

- i) The court must consider whether the claimant has a “realistic” as opposed to a “fanciful” prospect of success: Swain v Hillman [2001] 2 All ER 91;*
- ii) A “realistic” claim is one that carries some degree of conviction. This means a claim that is more than merely arguable: ED & F Man Liquid Products v Patel [2003] EWCA Civ 472 at [8]*
- iii) In reaching its conclusion the court must not conduct a “mini-trial”: Swain v Hillman*
- iv) This does not mean that the court must take at face value and without analysis everything that a claimant says in his statements before the court. In some cases it may be clear that there is no real substance in factual assertions made, particularly if contradicted by contemporaneous documents: ED & F Man Liquid Products v Patel at [10]*
- v) However, in reaching its conclusion the court must take into account not only the evidence actually placed before it on the application for summary judgment, but also the evidence that can reasonably be expected to be available at trial: Royal Brompton Hospital NHS Trust v Hammond (No 5) [2001] EWCA Civ 550;*
- vi) Although a case may turn out at trial not to be really complicated, it does not follow that it should be decided without the fuller investigation into the facts at trial than is possible or permissible on summary judgment. Thus the court should hesitate about making a final decision without a trial, even where there is no obvious conflict of fact at the time of the application, where reasonable grounds exist for believing that a fuller investigation into the facts of the case would add to or alter the evidence available to a trial judge and so affect the outcome of the case: Doncaster Pharmaceuticals Group Ltd v Bolton Pharmaceutical Co 100 Ltd [2007] FSR 63;*
- vii) On the other hand it is not uncommon for an application under Part 24 to give rise to a short point of law or construction and, if the court is satisfied that it has before it all the evidence necessary for the proper determination of the question and that the parties have had an adequate opportunity to address it in argument, it should grasp the nettle and decide it. The reason is quite simple: if the respondent's case is bad in law, he will in truth have no real prospect of succeeding on his claim or successfully defending the claim against him, as the case may be. Similarly, if the applicant's case is bad in law, the sooner that is determined, the better. If it is possible to show by evidence that although*

material in the form of documents or oral evidence that would put the documents in another light is not currently before the court, such material is likely to exist and can be expected to be available at trial, it would be wrong to give summary judgment because there would be a real, as opposed to a fanciful, prospect of success. However, it is not enough simply to argue that the case should be allowed to go to trial because something may turn up which would have a bearing on the question of construction: ICI Chemicals & Polymers Ltd v TTE Training Ltd [2007] EWCA Civ 725.”

The conduct of the hearing

16. During the hearing, both parties provided sample bottles for examination. This had been agreed in advance between the parties and the samples were described at Tabs 42 and 43 of the Bundle for the hearing.
17. JBC produced one example of a bottle of 4fl oz Jamaican Black Castor Oil bearing its trade marks, supplied by it and accepted by it as authentic. It also produced one bottle of the alleged infringing product said to have been purchased from a store connected to the Defendants by an agent acting on behalf of JBC. Mr Muir Wood explained that these two bottles were the bottles (or the same as the bottles) used to prepare Annex 5 to the Particulars of Claim which sets out the differences identified by JBC between the genuine product and the alleged infringing product.
18. The Defendants produced seven bottles in assorted sizes and for various products as well as two magazines.
19. During the process of producing and inspecting these products, it was said that there was a misapprehension on the part of the Defendants, based on paragraphs 11 and 12 of the Particulars of Claim, as to the scope of JBC’s allegation of infringement.
20. Mr Muir Wood confirmed that infringement is alleged only in respect of the goods described as ‘infringing goods’ in Annex 5 to the Particulars of Claim (4fl oz bottles of Jamaican Black Castor Oil) and not any other goods that may have been purchased by its private investigator in March 2022. While it appears from paragraph 45 of the first witness statement given by Mr Mudahy that he understood the products in issue to be only the 4fl oz 118 ml Sunny Isle Jamaican Black Castor Oil product, it was useful to have this issue clarified, for the avoidance of doubt.
21. As the purpose of the hearing was an application for summary judgment or strike out, rather than a mini trial, Mr Muir Wood invited me to make a brief examination of the bottles produced by JBC. That examination confirmed that there were differences between the two bottles relating to, for example, the shape, neck length and cap. Ms McFarland did not suggest otherwise.

Submissions – summary judgment on Claim / striking out defence

22. Mr Muir Wood submitted that the point to be decided was simple and could be decided on a summary basis: are the alleged counterfeit goods in fact counterfeit; and can the Court be sure of this now or does that question merit a full trial with evidence and cross-examination?

23. Mr Muir Wood acknowledged that the point might appear to require factual investigation and more detailed consideration than is possible in a summary application but contended that this was not so based on four propositions:
- (i) the alleged counterfeit goods were bought on behalf of JBC from Pak Cosmetic Centre at 25-27 Stroud Green Road, London N4 3EF (the ‘Centre’);
 - (ii) the only products relevant to the Claim are 4fl oz bottles of Jamaican Black Castor Oil;
 - (iii) the alleged counterfeit products clearly differ from the genuine products in height of bottle; volume of oil; bottle neck shape and size; bottle cap (including diameter); bottle glass type; bottle base marking; label, including typographical error and instructions given on that label; and the bar code;
 - (iv) whilst the First Defendant’s evidence provides potential explanations for these differences, Mr Reid (who gave evidence on behalf of JBC) stated that these changes reflect the counterfeit nature of the disputed products and not a change of bottle supplier or a labelling error.
24. Given the clear differences between the accepted genuine products and the alleged counterfeit products, their purchase from the Centre, and the lack of any documentary support for the alternative propositions put forward on behalf of the Defendants, Mr Muir Wood submitted in his written skeleton that the Court had sufficient information to give summary judgment on the Claim or to strike out the Defence, particularly in the light of the clear evidence given by Mr Reid about the packaging and bottling activities of JBC.
25. Mr Muir Wood’s written skeleton had not dealt with the second point set out above at paragraph 8 above namely that the Defendants’ case is that they purchased the allegedly counterfeit products from JBC or its authorised suppliers and that this gave rise to a clear defence.
26. The relevant part of paragraph 2 of the Defence reads:
- “... at all material times, since early 2020 all stocks and supplies of “Sunny Isle” products offered for sale at the Pak Centre have been purchased from C1 directly (and prior to early 2020 from suppliers who the Defs later came to understand to be designated by C1 themselves as their authorised suppliers) [...]”* [Emphasis in original, internal references omitted.]
27. Mr Muir Wood submitted that this did not give rise to a clear defence.
28. First, he submitted that the number of bottles of the product in issue purchased by the Defendants from JBC was small and now some time ago (as demonstrated by an examination of the invoices¹ rendered by JBC to the Defendants). In the circumstances,

¹ There was or had been a dispute between the parties as to whether this information had been provided on a Without Prejudice basis. Neither party objected to its use in this hearing for a limited purpose on the basis that no general waiver of privilege relating to without prejudice correspondence or material had occurred.

it was unlikely that the bottles purchased in March last year, showing multiple differences from those stated by JBC to be authentic, had been purchased from JBC.

29. Secondly, Mr Muir Wood submitted that the mere fact that a product is purchased from an authorised supplier does not provide a defence to a claim of counterfeiting.
30. Finally, Mr Muir Wood submitted that if the Defendants had provided evidence showing the source of the bottles that would have been of assistance. He acknowledged, however, that no further information on this issue had been sought by JBC.
31. In summary, Mr Muir Wood's position was that it was more likely than not that the bottles had come from a source other than JBC and that therefore no defence arose.
32. Ms McFarland submitted that the Claimants' approach is simplistic, ignoring the factual issues between the parties which must be resolved through evidence at trial, in particular as the Defendants maintain that the small number of allegedly counterfeit goods identified by JBC are genuine; that JBC has offered insufficient evidence that they are counterfeit (rather than just 'different'); and that, in the Defendants' view, there are good reasons to believe that the evidence given on behalf of JBC is either inaccurate or misleading.
33. On Ms McFarland's case, the need for oral evidence and disclosure is clear given that the account provided in the Defendants' evidence explains or puts in issue the matters relied on by JBC. Ms McFarland pointed to documentary evidence already provided that between 2020 and 2021 around \$300,000 worth of products were purchased by the Defendants from JBC. The Defendants' position is that the samples relied on by JBC will most likely originally have come from those purchases.
34. Ms McFarland subsequently accepted a point made by Mr Muir Wood that the product in issue (4fl oz Jamaican Black Castor Oil) was only a portion of the \$300,000 worth of products purchased from JBC. However, she maintained that the Defendants' evidential point still stood: that if the bottles in question had been purchased from the Store, it is most likely that they had originated from JBC. Ms McFarland relied further on the fact that JBC had engaged with this paragraph of the Defence in paragraph 3 of their Reply:

“As to the remainder of paragraph 2, whilst it is admitted that the Defendants have bought genuine Goods from JBC, it is denied that the Counterfeit Goods were acquired from JBC, whether directly or through authorised suppliers or howsoever. For the reasons set out in the PoC, which will be further elaborated in evidence, the Counterfeit Goods are counterfeit and do not originate from JBC.”

35. Ms McFarland submits that this involves a critical issue of fact which can be resolved only at trial. She further submitted that the dispute as to the bottles' original source also provided additional context for JBC's reliance on observed differences in the bottles' design and appearance. The Defendants have clearly put the source of the bottles in issue and in the light of that contention evidence as to changes caused by JBC's packaging and bottling practices would be relevant. Ms McFarland noted that no documentary evidence on this topic had yet been disclosed, with only the written evidence of Mr Reid so far available to the Court.

36. In summary, Ms McFarland's substantive submission was that:
- there are significant issues to go to trial, arising from the initial pleadings as well as the Counterclaim and the Reply, not least the factual disputes arising from JBC's assertion that the goods in issue are counterfeit and the Defendants' assertion that they are genuine (non-counterfeit) goods;
 - facts and matters need to be resolved which require full investigation including disclosure from JBC in relation to its practices relating to labels and packaging;
 - JBC's application requires the conduct of a "*mini trial*" on an interim basis as discouraged under CPR 24.2.3 including the relevant notes, particularly (vi) "*... the Court should hesitate about making a final decision without a trial even where is no obvious conflict of fact at the time of the Application ...*".
 - In addition, Ms McFarland relied on CPR 3.4.2 (particularly the notes on page 92 Vol 1 2023 CPR): "*A statement of case is not suitable for striking out if it raises a serious live issue of fact which can only be properly determined by hearing oral evidence (see Bridgeman v McAlpine-Brown, 19 January 2000, unrep., CA). An application to strike out should not be granted unless the court is certain that the claim is bound to fail (Hughes v Colin Richards & Co [2004] EWCA Civ 266; [2004] P.N.I.R. 35, CA) ...*".
37. Ms McFarland submitted that there could hardly be a clearer defence than that the goods were supplied to the Defendant by JBC or its authorised distributors and were genuine (non-counterfeit) goods. As live issues of fact existed on these issues, the Court must, in the light of the authorities, dismiss JBC's Application given the necessarily summary nature of the assessment and the burden of proof on JBC.

Conclusion on the Application for summary judgment / striking out of Defence

38. Considering the tests as set out in the materials referred to above, the main question is whether the Defence has a realistic prospect of success or is merely fanciful. In answering that question, several considerations come into play which are addressed briefly below.
39. The Defendants' case as articulated before me carries a degree of conviction. Although that conviction may prove to be misplaced at trial, the Defendants' approach, as far as is apparent in the brief time available to review the pleadings and evidence on a summary basis, is not perfunctory. Documentary evidence has been provided which is relevant to factual aspects which have been put in issue. JBC has engaged with some of those issues.
40. In my view, the resolution of the factual dispute will require the trial judge to conduct a more thorough investigation of the facts than was possible during this short hearing and on the evidence available. The trial judge is also likely to have available more and different evidence relevant to the facts in issue including, for example, evidence from the Defendants as to their sources of supply and from JBC as to the matters underlying Mr Reid's evidence on packaging.

41. While some of that evidence might have been made available for the hearing of the Application, it was not, nor had either party sought to obtain it through a Part 18 request.
42. The burden of proof in such an application lies with the applicant and is, as Mr Muir Wood acknowledged, a high bar. While Mr Muir Wood submitted forcefully that it was more likely than not that the bottles acquired by JBC from the Defendants were so different from those said by JBC to be genuine that they had not been part of the (limited numbers of) relevant products supplied by JBC to the Defendants in 2020 and 2021, this is not sufficient to succeed on a summary basis. Despite his able submissions, I cannot conclude with a sufficient degree of certainty at this interim stage that the Defendants' Defence will not succeed. I accept Ms McFarland's submission that proper determination of the dispute will require the fuller development of evidence and oral examination of witnesses that is possible at trial.
43. The Application for summary judgment / striking out of the Defence must therefore be dismissed.

Submissions on Counterclaims

44. Summarising Mr Muir Wood's descriptions of the counterclaims, they are as follows:
 - an allegation of loss and damage arising from unjustified threats;
 - an assertion that the counterclaimant is entitled to recover loss of profit on the stock of JBC products it holds; and
 - an assertion that the counterclaimant is entitled to recover a sum in respect of stock of JBC products said to have been returned to it from Sainsbury's.
45. As to unjustified threats, Mr Muir Wood's submission was that the counterclaim should be struck out as the pleading is extremely brief, containing no particularisation of the threats said to have been unjustified nor of the damage that is said to have followed from such threats.
46. Mr Muir Wood further submitted that there is no legal basis for recovering the sum sought for the alleged lost profit on stock. He further noted that, even if a legal basis could be identified (which he submitted was fanciful) then in any event if the stock were counterfeit there would be no basis for arguing that JBC should compensate the counterclaimant for any loss incurred. If, on the other hand, the stock was ultimately held to genuine, it can be sold and no loss will be suffered. Mr Muir Wood noted, for the avoidance of any doubt, that JBC believes that any stock of 4fl oz Jamaican Black Castor Oil now held by the Defendants to be counterfeit.
47. As to any Sainsbury's stock, Mr Muir Wood submitted that once again no legal basis for recovering the sum sought has been identified. JBC does not have a contract with Sainsbury's, nor has it indemnified the Defendants against the possibility that stock sold by them to Sainsbury's might be returned, if unsold. He further noted that, again, if the goods are genuine, they may be sold, and no loss will flow.
48. He submits that for these reasons, the counterclaims should be struck out entirely.

49. Ms McFarland did not engage with the arguments about the counterclaims in her written skeleton argument.
50. During oral submissions, Ms McFarland focused particularly on the threats counterclaim. She noted that Mr Muir Wood did not deny the factual basis for the pleading, and that his primary submissions were that any ‘threats’ were justified, and that no loss would flow. Ms McFarland observed that if the goods are held at trial not to be counterfeit, then the threats will have been unjustified, and the issue of loss will be further particularised at that stage. She also noted that in IPEC a claim of this type may have benefits, given the operation of the costs regime.
51. As to the other elements of the counterclaim, Ms McFarland submitted that if the goods were found to have been counterfeit and to have been supplied to the Defendants by JBC, then loss would flow and there would be a basis for the Claim.
52. Having considered the submissions on behalf of both parties, my conclusions on the strike out applications relating to the counterclaims are that:
 - the Application to strike out the first counterclaim relating to unjustified threats does not meet the relevant threshold. While sparsely particularised, the basis and nature of the counterclaim is sufficiently clear.
 - the Application to strike out the second and third counterclaims is granted. Neither counterclaim is particularised nor does the pleading disclose any legal basis. The Counterclaimant has not pleaded any reasonable grounds for bringing the counterclaim.

Final points

53. During the hearing, it became apparent that the sum of money involved in the dispute may be small and it appeared to me that there may have been some misunderstanding as to this (and possibly other) issues. I strongly encourage the parties to consider further some form of Alternative Dispute Resolution. The alternative is to search for and produce further documentary evidence, which may be burdensome, and then to embark on the road to a trial involving, it appears, both fact and expert evidence with all the distraction, uncertainty and costs (both financial and other) entailed.