

Neutral Citation Number: [2006] EWHC 2509 (Pat)

Claim No: HC 05 C02121

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
PATENTS COURT**

Royal Courts of Justice
Strand, London, WC2A 2LL
18th October 2006

Before:

HIS HONOUR JUDGE FYSH QC, SC

Between:

**(1) KK SONY COMPUTER ENTERTAINMENT
(2) SONY COMPUTER ENTERTAINMENT
EUROPE LIMITED**

Claimants

- and -

**PACIFIC GAME TECHNOLOGY (HOLDING)
LIMITED**

Defendant

**Adrian Speck instructed by S J Berwin LLP appeared for the Claimants
The defendants did not appear
Dates of hearing: 10 and 18 October 2006**

HTML VERSION OF JUDGMENT

Crown Copyright ©

Introduction

1. This is an undefended infringement action involving certain of the claimants' registered designs, registered trade marks and copyrights. It is also another 'exhaustion of rights' case. – with a factual variation in that it involves sales of the claimants' goods into the EEA via an internet website. At the conclusion of the hearing I indicated that I would give judgment for the claimants. I now set out my reasons for coming to this decision.
2. Both claimants are corporate incarnations of the well-known Japanese electronics group known to one and all as 'Sony'. The second claimant is in fact a UK company which is a subsidiary of the first claimant, a Japanese company. I shall refer to both claimants collectively as 'Sony'. Mr Adrian Speck who represented them, told me that this is one of a number of similar actions taken by Sony involving the latest version of their highly successful family of computer game systems marketed under the name PlayStation which the second claimant^[1] markets and sells in over 100 countries that use the PAL system of television transmission – including significantly, countries within the EEA. More particularly, the rights in issue are associated with the hand-held (or portable) *console* with which the game is played and together with items such as the packaging associated with it. I shall henceforth refer to these consoles as 'PSP Consoles'^[2].

3. The defendant (which did not appear at this hearing) is a company incorporated in Hong Kong having a registered office in New Territories. It operates a website with the URL www.lik-sang.com. The website has been set up to offer for sale a variety of commercial video-games, consoles and accessories for playing music, video-games and suchlike. Mr Speck submits that the target of such solicitation is customers in the EEA and in the UK in particular – though going by past experience (see below) this would not be accepted by the defendant. At Mr Speck's invitation, I have visited the defendant's website and in the short time I have spent at it, have been able to confirm most of what Mr Speck has told me about it. I shall henceforth refer to the defendants as 'Pacific' though they trade under the Chinese name 'Lik-Sang'.
4. This action has some history about it. Sony have sued Pacific both here and in Hong Kong. The Hong Kong action was commenced a few days before the present action and, so I was told, is ongoing. Though there is undoubtedly overlap between these actions, they are not identical in scope. Before entering an appearance in London, Pacific applied for an order that the court should decline to exercise any jurisdiction over this case on the basis of *forum non conveniens* (see CPR r 11, 'Disputing the Court's Jurisdiction'). They instructed counsel to argue the application and after a hearing before Kitchin J., the application was dismissed. Kitchin J's judgment is dated 2 March 2006 and contains a thorough review of all the issues then facing him – many of which are also relevant for present purposes. I shall be referring to this judgment hereafter. I should add that Kitchin J ordered Pacific *inter alia* to pay a sum by way of costs and to enter a further acknowledgement of service. Pacific have done neither.
5. In this case, Sony could no doubt have moved for judgment in default of defence. Mr Speck told me however that there were sound commercial reasons why his clients preferred to receive a reasoned judgment of the Court. The first was because they believed that it would be easier thus to obtain effective relief which could be enforced against the defendant in Hong Kong. For present purposes however, I need not go into the procedural reasons behind this decision. Moreover, a favourable written judgment, said Mr Speck, might hopefully serve to discourage others who were waiting in the wings to follow Pacific.
6. Pacific markets and offers for sale from its website, *inter alia* PSP Consoles and related games, movies and accessories. The PSP Consoles so offered are undoubtedly genuine products made by Sony for sale within the Japanese market –only.
7. Though Pacific have taken no part in this action other than as indicated above, Sony's London solicitors have nevertheless served Pacific and its Hong Kong solicitors with all the major documents generated in connection with the present action.

The PSP Console and its Accessories

8. The Particulars of Claim (§ 15.4) refer to a PSP product which had been obtained from Pacific as a result of the activation of their website. This item had been sent to England directly from Pacific in Hong Kong as a result of a test purchase by a UK resident prior to the commencement of the action^[3]. During the hearing, Mr Speck handed me a cardboard box containing a PSP Console and accessories (which I understand was that subject of the test purchase) and invited me to open it and to inspect its contents. The cardboard box is printed on its outside with coloured artwork and narrative, the latter being almost entirely (so I was told) in Japanese. There are however a few phrases printed in English, one of which reads as follows:

FOR SALE AND USE IN JAPAN ONLY

9. Within the box one finds the PSP Console itself together with accessories such as a charger, headphones and a book of instructions (or user manual), the latter again being printed almost entirely in Japanese. The Console is a rectangular object a few centimetres thick with a viewing screen and controls on one side and a closable port on the other into which a universal media disc ('UMD') may be inserted when one wishes to play a game. Mr Speck also invited me to play a UMD entitled *LocoRoco* which is stated on its sleeve to be a game suitable for over three year olds. After the conclusion of the hearing, I did play this game.
10. There is no doubt that this box and its contents are genuine, are made by Sony and were intended for distribution and sale in Japan. Neither do I doubt that the box and its contents incorporate a number of items of intellectual property and, says Mr Speck, it is respect of some of those rights that Sony brings this action.

Witnesses

11. Sony served a number of witness statements [Bundle B]. These fall into two categories: on the one hand there is that of Ms Marian Toole who is the second claimant's Vice-President of Legal & Business Affairs and on the other, those of a number of Japanese witnesses who are resident in Japan. Mr Speck called Ms Toole to prove her evidence and a few questions from the Court were put to her. I have no reason to doubt her evidence which was principally concerned with producing certificates of registration of trade marks and designs and explaining Sony's territorial policy with regard to sales of its PSP product. She also describes the activities of Pacific of which complaint is made. In paras 20-22 of her witness statement, Ms Toole states that the intellectual property rights in issue are all present in or on the PSP Consoles as purchased from Pacific – or are printed on the cardboard container.
12. With regard to the Japanese witnesses, they were called in connection with the copyright case to prove authorship, originality and ownership of the various items in issue under that head (see below). Sony took the view that it would be wholly disproportionate to bring these witnesses to London and instead served notices under CPR 33(2) ('Notice of Intention to Rely on Hearsay Evidence'): see SJ Berwin's letter to Pacific of 11 August 2006^[4]. I endorse the course taken by Sony in this regard.

The Intellectual Property Rights in issue.

13. Sony rely on the following intellectual property rights:
 - (a) Registered Trade Marks. Five Community trade marks and one UK registered trade mark are relied upon, full details of which are set out in para 8 of the Particulars of Claim^[5]. These registrations include the word PLAYSTATION. Ms. Toole exhibits the relevant certificates of registration.
 - (b) Registered Designs. Two designs are relied upon, one a UK registered design and the other a Community registered design^[6].
 - (c) Copyright. Several copyright works are relied on including the computer programme or the PSP system software (together with upgrades thereof), the menu icons, the surface design of the box and the user manual.

Having regard to the evidence relating to these rights to which I already have referred, I have no doubt that the intellectual property rights in issue are subsisting and are owned by one or other of the Claimants. Of course, no attack has been made on the validity of any right in issue and having regard to the provenance of the impugned goods, unless they have been marketed/sold in the EEA with Sony's consent, no issue arises on infringement either.

The Particulars of Claim

14. I need say little about the Particulars of Claim as they have been drawn in terms which are conventional in relation to this area of litigation. The operative act in relation to the allegation of trade mark infringement is 'use in the course of trade'^[7]. In relation to design infringement the operative act is 'use by (inter alia) offering and/or putting on the market and/or importing' a 'product in which the registered design is incorporated or to which it is applied'^[8]. In relation to the copyright works in issue, the operative act which is alleged to infringe is issuing copies of the copyright work to the public^[9]. Particulars of all the alleged acts are given in the pleading, are considered by Ms Toole in her evidence and are unchallenged.
15. The relief prayed for is also conventional and seeks appropriate injunctions, delivery up, disclosure of names, an enquiry as to damages or in the alternative, an account of profits and costs (with interest thereon). The relief prayed for in relation to Community rights has been drafted to cover the European Union.

The Law

16. The policy of Community exhaustion is reflected in both the trade marks and design legislation by excluding from infringement goods put on the market in the EEA by the right owner or with his consent. Exclusion by reason of the owner's consent also arises in a similar manner in s 18 (2) of the CDPA '88.

Two issues therefore next require attention: first whether Sony has given its consent to what is now complained of and secondly, whether by offering the goods for sale on its website, Pacific has fallen within any of the acts which under a relevant statute, give rise to infringement. I shall first consider consent

(a) *The Law on Community Exhaustion: Consent*

17. Mr Speck first referred me to the well-known jurisprudence of the European Court of Justice ('ECJ') in relation to the issue of 'exhaustion of rights' or more accurately, 'Community exhaustion'. This has arisen in the past in relation to trade mark infringement but I agree with him that those principles are equally applicable to causes of action in designs and copyright. More particularly, the ECJ has held that putting a trade marked product on the market outside the EEA does not constitute consent on the part of the trade mark proprietor to the product thereafter being marketed within the EEA.
18. There is no evidence that Sony has ever given *express* authority to anyone to offer for sale, sell etc PSP Consoles and packaging intended for the Japanese market in the EEA. The first question is therefore whether it has impliedly done so.
19. Mr Speck correctly assumed my familiarity with the leading authority on the subject of consent to which he referred but as this judgement may be referred to elsewhere I should perhaps offer some explanation. The leading authority is an ECJ decision which is reported as *Zino Davidoff v A&G Imports Ltd/ Levi Strauss v Tesco Stores Ltd* and *Costco (Wholesale) Ltd* [2002] Ch 109, [2002] RPC 403. The claimants in the cases were the proprietors of well-known trade marks: DAVIDOFF for fragrances and toiletries and LEVI STRAUSS for jeans. In both cases, UK purchasers, observing an attractive price differential between the trade mark proprietor's goods within and outside the EEA *for the same genuine goods bearing the trade marks*, purchased such goods outside the EEA and sought to import and sell them in the UK. In the *Davidoff* case, the principal product concerned was a fragrance called COOL WATER. The defendants had openly purchased this product in bulk in Singapore from an official distributor of the trade mark proprietor. The Levi jeans cases concerned a garment style called 'Levi's 501' which Levi Strauss had consistently refused to sell to either Tesco or Costco (who were defendants) and to operate as authorised retailers. In each case, substantial quantities of the toiletries and the jeans in question had been so purchased and imported into the UK – far more than could be needed for personal use.
20. The trade mark proprietors sued for infringement of their UK registered trade marks by importation, the claimants asserting that they operated a non-export policy in relation to their discrete marketing territories (such as Singapore). They alleged that this was a fact which was well known to their main local dealers - but not perhaps, further down the wholesale supply chain. The defendants' principal riposte was one of consent by exhaustion of the trade mark proprietor's rights.
21. In argument, there were a number of submissions regarding the nature of the trade mark proprietor's 'consent': see [44]. Most of the EU countries' legal representatives proposed that the consent could be either express or implied. The French Government on the other hand argued for express consent only. The French view was rejected; consent could be express or *in exceptional circumstances*, be implied. The underlying reason for this was that the Community legislature has allowed the proprietor of the trade mark to control the initial marketing in the EEA of goods bearing the trade mark: see § [33]. In this regard the Court expressed the principle as follows § [44]:

'The Commission's view is that the question is not whether consent must be express or implied, *but rather whether the trade mark proprietor has had a first opportunity to benefit from the exclusive rights he holds within the EEA.*' [Emphasis added]

22. The principal findings of the court, which were all based on the abovementioned jurisprudential principle, were thus as follows:

(1) On a proper construction of Article 7(1) of First Council Directive 89/104 EEC, the consent of a trade mark proprietor of the marketing within the EEA of products bearing that mark which had previously been placed on the market outside the EU by the proprietor or with his consent could be implied where it followed from facts and circumstances, prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which, in the view of the national court, unequivocally demonstrated that the

proprietor had renounced his right to oppose the placing of the goods on the market within the EEA.

(2) Implied consent cannot be inferred from the fact that the proprietor of the trade mark has not communicated to all subsequent purchasers of the goods placed on the market outside the EEA his opposition to marketing within the EEA; from the fact that the goods carry no warning of a prohibition of their being placed on the market within the EEA; from the fact that the trade mark proprietor has transferred the ownership of the goods bearing the trade mark without imposing any contractual reservations and that, according to the law governing the contract, the property right transferred includes, in the absence of such reservations, an unlimited right of resale or at the very least, a right to market the goods subsequently within the EEA.

(3) With regard to the exhaustion of the trade mark proprietor's exclusive right^[10], it is not relevant that the importer of goods bearing the trade mark is not aware that the trade mark proprietor objects to their being placed on the market within the EEA or sold there by traders other than authorised retailers; or that the authorised retailers and wholesalers have not imposed on their own purchasers contractual reservations setting out such opposition, even though they have been informed of it by the trade mark proprietor. See generally §§ [44-46].

(b) Internet/website marketing in the UK/ EEA?

23. In relation to this issue, the first question is: where is it intended by the website proprietor that business should take place? Mr Speck submitted that on this issue, the Court's approach should be pragmatic. One had to visit the website with an intelligent and discriminating attitude, he said, and then decide whether on a fair reading, the information it contained would convey to a reasonable person (or an average consumer), an offer for sale *within the UK* (or the EEA). In the context of websites, the contrast between commercial information of a general kind and information which has been specifically targeted was well brought out in a summary judgment case, *Euromarket Designs Inc v Peters and Crate & Barrel Ltd* [2001] FSR 20. This was a decision of Jacob J (as he then was) to which Mr Speck referred in support of his submission: see §§ 18-25. The learned judge made it clear that the owner of a website who used a sign (i.e. a trade mark) on that website should not be regarded as having thereby used it in every country of the world. In that case he likened the defendants' website as an invitation to visit its shop in Dublin:

"Via the web you can look into the defendant's shop in Dublin"

Jacob J's approach was endorsed by the editors of *Kerly's Law of Trade Marks etc* 14th Edn §§ 23-059-23-060. I too shall adopt this approach in what follows.

The Facts

24. Most of the facts which I regard as being relevant have been set out by Kitchin J in the judgment to which I have referred, since they were equally relevant to the enquiry then before him viz :Is England the most appropriate forum? I incorporate the learned judge's findings (which are set out in §§ 31-37 of his judgment) into this judgment by reference. Ms Toole has also deposed to relevant facts under the section in her witness statement entitled 'The Defendant's website is directed to the EEA' (§§ 24-36) I should however highlight some features which I regard as being important to this enquiry.

(a) The website is in English and English is its default language [see Annex 3 to the Particulars of Claim^[11]].

(b) The prices quoted are in pounds sterling and sterling is the default currency when the site is accessed from England. Promotions are given in sterling as well.

(c) The PSP manuals are available on the website in various European languages including English.

(d) There are a number of testimonials on the website from UK purchasers.

(e) Pacific ran a free shipping promotion until the very day before the PSP Console was launched in Europe.

(f) A spurious EC Certificate of Conformity was included with the product shipped to Europe.

25. Against this, Pacific pointed out in their evidence on the application inter alia that they were a Hong Kong company having no trading presence in the UK or EEA and that title to the goods they sold passed in Hong Kong. They asserted that their trading style 'Lik Sang' made sense only to Chinese speakers to whom the trading title and the characters '力生' meant 'powerful' and 'energetic'. Kitchin J either rejected these submissions or discounted them in the face of practical realities. So do I.
26. Finally, I note that Kitchin J records that Pacific (who were then represented by specialist counsel) conceded that Sony had an arguable case on infringement. He also referred to Pacific 'trading into the United Kingdom' (see § 37 of the judgment, generally).

Conclusion

27. The acts of which complaint is made have in my view been perpetrated not in Hong Kong but here in the EEA, and without Sony's consent. Moreover, it would make no sense if intellectual property rights in the EEA could be avoided merely by setting up a website outside the EEA crafted to sell within it. Were the acts of which complaint is made to have been committed physically within the EEA they would unarguably have been infringing acts. I cannot see how the electronic intermediary of a website which focussed at least in part on the EEA would make them any less so. In my judgment, Sony are entitled to relief in this action and in due course I shall hear Mr Speck on the form of order to be made and in addition, on the question of costs.

Note 1 Sony Computer Entertainment Europe Limited. The first Claimant is KK Sony Computer Entertainment which also trades as Sony Computer Entertainment Inc and is a company incorporated in Japan. It is responsible for the manufacture of PlayStation games consoles throughout the world . [\[Back\]](#)

Note 2 PSP signifying 'PlayStation Portable'. [\[Back\]](#)

Note 3 By the use of a credit card . Details of the transaction are contained in an invoice annexed to the Particulars of Claim. [\[Back\]](#)

Note 4 See Bundle D 80. The names of these witnesses are: Shuji Hiramatsu, Kojiro Umemura, Takshi Hatakeda, Tomonori Shimomura, Masafumi Chiba, Daisuke Miyazoe and Aoki Kayoko. [\[Back\]](#)

Note 5 The numbers are UK Tm no 2224389 and Community Tms 1274547, 786715,1545094, 3193463 and 1352517. Full details are set out in Annex 1 to the Particulars of Claim. [\[Back\]](#)

Note 6 These are UKRD No 3019042 and Community design No 244793 both of which relate to external aspects of the PSP Console: see Annex 2 to the Particulars of Claim. [\[Back\]](#)

Note 7 Trade Marks Act 1994, s 10(1) and Community Trade Mark Regulation Art 9(1)(a) [\[Back\]](#)

Note 8 Registered Designs Act 1949 as amended by Registered Designs Regulations 2001 and/or the Community Designs Regulation Art 19. [\[Back\]](#)

Note 9 Copyright, Designs and Patents Act 1988 ('CDPA'), ss 16-18 [\[Back\]](#)

Note 10 Defined in § 32 [\[Back\]](#)

Note 11 User guides are also offered in French and Spanish: see p. 3 of 10 of Annex 3. [\[Back\]](#)