



Case No: A3/2018/1095

Neutral Citation Number: [2019] EWCA Civ 712
IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
BUSINESS & PROPERTY COURTS IN MANCHESTER
(HIS HONOUR JUDGE HODGE, QC, sitting as a Judge of the High Court)

The Royal Courts of Justice
Strand, London, WC2A 2LL

Tuesday, 12 March 2019

Before:

LORD JUSTICE FLOYD
and
LADY JUSTICE ROSE

Between:

MEDIA AGENCY GROUP LIMITED
TRANSPORT MEDIA LIMITED

Respondent

- and -

(1) SPACE MEDIA AGENCY LIMITED & ORS

Appellant

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(Official Shorthand Writers to the Court)

Mr A Clark (instructed by Public Access) appeared on behalf of the **Appellant**
The **Respondent** did not appear and was not represented

Judgment

LORD JUSTICE FLOYD:

1. This is an appeal from the decision of HHJ Hodge QC sitting as a judge of the High Court in Manchester dated 18 April 2018 and its consequent order dated 25 April 2018, by which he upheld a claim based amongst other things on passing off against a company, Space Media Agency Limited ("SMA") and two individuals, Mr Faraz Shafiq and Mr Mohammed Buksh ("Mr Shafiq" and "Mr Buksh"), who between them owned all its shares. The appeal is brought only by Mr Buksh, whose case is that the judge's findings which underpinned his decision on the passing off claim against him and the other defendants were not open to the judge. His co-defendants, SMA and Mr Shafiq, have not appealed. SMA is apparently no longer trading. On the appeal there was no appearance from the respondents for reasons related to unrecovered costs from the proceedings below.
2. The judgment would have benefitted from a short exposition of the facts and the nature of each of the respondents' claims. What follows is my synthesis of the facts which are relevant to the passing off claim against the third defendant and appellant derived from the papers. The first claimant and respondent, Media Agency Group Limited ("MAG"), was incorporated on 17 September 2009. It carries on business as an advertising agency and more particularly as an independent media planning and buying specialist which delivers integrated advertising campaigns. At the date of its incorporation, its name was Transport Media Limited. The second claimant and respondent, Transport Media Limited ("TML"), was incorporated on 7 February 2012. At that point it had the name Agency Media Group Limited. The name was changed to Media Agency Group Limited shortly thereafter. It has been a dormant company since incorporation. On 19 February 2013 the two claimants swapped names to the names which they currently

hold. Mr Shafiq was employed by MAG until early 2015, when he was engaged as a consultant. There was a lively dispute before the judge as to whether Mr Shafiq had entered into a consultancy agreement, which apparently bore his signature, but that dispute was resolved against him. On 26 April 2016 Mr Shafiq did not come into work, and on 3 May 2016 he informed MAG that he would not be returning.

3. SMA was incorporated on 10 October 2016 with Mr Shafiq as its sole director and Mr Shafiq and Mr Buksh as its sole shareholders. It holds itself out as an independent advertising agency. At some point thereafter MAG discovered that SMA was using the trading style "Transport Media Agency" and that Mr Buksh had acquired the internet domain name www.transportmmediaagency.co.uk. In 2014 MAG applied for and were granted a registered trademark, "Trackaccountable". The mark was said to be registered for a product which was under development for outdoor media. It is not suggested that any sales had been made by MAG under that mark prior to the commencement of the proceedings. Amongst the domain names registered by Mr Buksh was www.trackaccountableadvertising.com.

4. Because it is said that the judge was not entitled to find that MAG as opposed to TML owned the goodwill in the trading style "Transport Media", I must set out the way in which the case in passing off was pleaded. In the re-amended Particulars of Claim, MAG is referred to as Media Agency Group and TML as Transport Media. The relevant parts of the pleading are as follows:

“1. This is a claim for relief arising out of the misuse by the 1st and 2nd Defendants of confidential information having the character of trade secrets and belonging to the 1st Claimant (“Media Agency Group”) and out of the passing off by the 1st, 2nd and 3rd Defendants

of the business of the 1st Defendant (“Space Media Agency”) as the business of the Claimants.

2. Media Agency Group was incorporated on 17 September 2009 and carries on business as an advertising agency. More particularly, it is an independent media planning and buying specialist which delivers and integrates advertising campaigns. Its main place of business is Lowry Plaza, Salford Quays.

3. The 2nd Claimant (“Transport Media”) was incorporated on 7 February 2012 and is one of several connected companies within the Media Agency Group (“the Group”).

4. The names of the connected companies are descriptive of the various advertising media which are used in the business and their purpose is to drive relevant business to Media Agency Group.

...

58. Transport Media was incorporated on 7 February 2012 and renamed on 20 February 2013 to be descriptive of a service provided by Media Agency Group, namely advertising on modes of transport such as buses, trains and the underground.

59. Transport Media is associated with the internet domain www.transportmedia.co.uk

60. Notwithstanding that there are circa 9,000 advertising agencies based in the United Kingdom (and for reasons set out in the confidential information) it is believed that there is not a single other agency which incorporates the words “Transport” and “Media” in any trading style or title or internet domain name.

61. For that reason (and for the reasons set out in Schedule 1) Transport Media has acquired a reputation (substantial goodwill) in the provision of advertising on modes of transport and is associated with the internet domain www.transportmedia.co.uk.

62. Space Media Agency and/or Mr Shafiq have adopted the trading style “Transport Media Agency” and Mr Buksh has acquired the internet domain www.transportmediaagency.co.uk and

they have each used them to promote the business of Space Media Agency.

63. Space Media Agency and Mr Shafiq and Mr Buksh have thereby made (and are continuing to make) a material and false representation to prospective customers leading to confusion or a deception that the services provided under the style or title of "Transport Media Agency" are the services of Transport Media and/or Media Agency Group.

5. The pleading then goes on to allege that each of TML and MAG is entitled to an injunction restraining the use of the trading styles "Transport Media Agency" and "Traccountable", the internet domain www.transportmediaagency.co.uk and any domain containing the invented word "traccountable" or similarly deceptive trading styles or titles. The prayer for relief for these injunctions is made on behalf of MAG and/or TML in contrast to the prayer for relief for breach of confidence which is brought in the name of MAG alone. The schedule to the Particulars of Claim is broadly concerned with the breach of confidence action but contains some details of the way in which the claimants were said to do business. Thus it is said in part 1 of the schedule:

"By incorporating 'Transport Media' and acquiring the domain transportmedia.co.uk and additional internet domains, e.g. londonbusadvertising.com, it was possible for Media Agency Group to dominate the advertising slots made available by Google's AdWords ... Transport Media would be used to drive the business of Media Agency Group and customers who came to the group via Transport Media could then be exposed to the other forms of advertising provided by Media Agency Group ... Transport Media as thereby secured its position as the market leader in transport advertising and there is substantial goodwill attached to it."

6. Turning to the defence, paragraph 40 of the defence of all three defendants denied that TML can have acquired a reputation and all goodwill in the provision of advertising in

modes of transport or being associated with the website in any meaningful way, since it was a dormant company until April 2017. It continued:

"Further, it is denied insofar as alleged that MAG has any goodwill in the name or trading style 'Transport Media'."

7. Paragraph 41 goes on to say that:

"It is denied that MAG ever traded as Transport Media Agency or used that trading style to promote MAG. It is admitted however that SMA acquired and used the website www.transportmediaagency.co.uk. SMA ceased using that domain name on or around 10 April 2017 due to poor performance."

8. Paragraph 25(2) of the reply accepted that TML had always been dormant. Paragraph 25(3) of the reply pleaded as follows:

"The third sentence of paragraph 40 is denied. The first claimant until 19 February 2013 was named Transport Media Limited and traded under the name Transport Media, and the first claimant continues to conduct business under that name and by reference to the website www.transportmedia.co.uk."

9. The evidence of Mr Cairney (who is described as a consultant to MAG), which relates to the passing off claim, was contained in the following paragraphs:

"62. Transport Media Limited ('Transport Media') was incorporated on 7 February 2012 and has acquired substantial goodwill and holds a trademark in the provision of advertising on modes of transport and is associated with the internet domain www.transportmedia.co.uk.

63. MAG has recently discovered that Space Media and/or Mr Shafiq have adopted the trading style Transport Media Agency, and Mr Buksh has acquired the internet domain name www.transportmediaagency.co.uk.

64. Within the advertising industry in the UK, the descriptive trading style Transport Media has always been exclusively associated with Transport Media Limited and MAG. The use of the words "Transport Media" in a trading style of Space Media and/or Mr Shafiq is leading or is likely to lead the public to believe that the services offered by Transport Media Agency are the goods and services of Transport Media and/or MAG. That is evident from the witness statements of Steven Crawley and Duncan Robertshaw showing confusion on behalf of individuals looking for advertising services."

10. Mr Kehoe, the chief executive officer of MAG, says at paragraphs 7 to 10:

"7. MAG was incorporated on 17 September 2009. It was incorporated as Transport Media and changed name in 2012 to Media Agency Group. At the same time a company recorded as Media Agency Group was name-changed to Transport Media. The other companies included within the group are [he then sets out a list] (hereafter referred to together as 'the Group').

8. The Group has names which are associated with the various advertising media used by MAG.

9. They have each acquired goodwill in the provision of advertising services using the form of media associated with their name. Their purpose is to drive relevant business to MAG.

10. MAG is the contracting party for all advertising services provided by the Group."

11. Finally from the evidence, Mr Cairney's second witness statement says at paragraph 5:

"I note from paragraph 3 of the witness statement of Mr Buksh the point is made that the domain transportmedia.co.uk was transferred

to MAG on 15 March 2017. That was a matter of internal housekeeping ensuring all records of domains are accessible under one account. MAG has owned the aforementioned domain since its purchase on 15 December 2008."

The judgment of HHJ Hodge

12. At paragraph 4 of his judgment, the judge makes a finding that MAG trades under various names, including the name "Transport Media". MAG is said to be a very successful business with a turnover for 2016 in the sum of £9.8 million. At paragraph 9 the judge records that counsel for the claimants had accepted during the course of the trial that any goodwill in the names Transport Media and the product "Traccountable" was held by MAG and not TML. No relief could be granted in favour of TML, which the judge said "now passes out of the picture". At paragraph 125 the judge recorded (without necessarily accepting) some evidence of Mr Buksh:

"Mr Buksh told me that whenever he registered a domain name, he was mindful of issues over goodwill and passing off. He claimed that he had registered the Transport Media Agency domain names off his own bat. He said that he had undertaken a quick Google search on the name Transport Media before registering the domain name. He said he had seen that it was the name of a dormant company. He also said that he was aware that, according to the Transport Media website, its owner had 200 clients. Mr Buksh said that he undertook "cyber-squatting" domain names which might become valuable, and that he was not aware that that was illegal. He made the point that he had registered the domain name "Traccountable" on 6 October 2016, at a time when that product was under development and not in use. The "Traccountable" trademark had in fact been registered by the first claimant on 13 June 2014, with effect from 13 March 2014. Mr Buksh indicated that he registered descriptive domain names because a business in that area might want to buy that domain name in the future."

13. Then the judge made this finding:

"I am satisfied that Mr Buksh's knowledge of the names Transport Media and Traccountable was clearly derived from Mr Shafiq. I am satisfied that Mr Buksh, just as much as Mr Shafiq, was responsible for advancing a false case ..."

14. And then he goes on to deal with an issue in relation to service.

15. At paragraph 128 the judge says:

"I find that Mr Buksh decided to set up a media advertising agency, using the claimants' business model, with the assistance of knowledge that Mr Shafiq had derived while acting for the first claimant as a consultant because Mr Buksh saw it as a lucrative potential business opportunity."

16. And at paragraphs 194 to 196, the judge directs himself on the law of passing off by reference to the well-known judgment of Lord Oliver in the *Jif Lemon* case, *Reckitt and Coleman Properties Ltd v Borden Inc* [1990] 1 WLR 491, and as to other aspects of the law of passing off by reference to *Phones4u Ltd & Anor v. Phone4u.co.uk Internet Ltd & Ors* [2006] EWCA Civ 244. At paragraph 197 the judge says he was satisfied by reliance on *British Telecommunications plc v One in a Million Ltd and Others* [1999] 1 WLR 903 "that registration of a domain name is capable of amounting to an actionable passing off".

17. At paragraph 198 the judge recorded the submissions of counsel then appearing for the claimants, all of which he accepted. These included:

"[Counsel for the claimant] submitted that the first claimant had provided clear evidence of goodwill in the name "Transport Media". The first claimant had originally been incorporated with that name, and it attracted, and continued to attract, significant business through a website with that name. [Counsel for the claimant] acknowledged that the claim should have been one

brought by the first claimant alone, and that the second claimant had been included only on a belt and braces basis. [Counsel for the claimant] submitted that, considering all of the facts set out in relation to breach of confidence (and which I have accepted in the course of this judgment), it was plain that Mr Buksh had registered, and Space Media Agency Limited had used, the website Transport Media Agency in order to take advantage of the first claimant's goodwill in the name Transport Media."

18. At paragraph 200 the judge deals with the defendant's point that TML could not have acquired any goodwill as a dormant company. He records and accepts counsel for the claimant's submission that the defendant's case on goodwill was plainly wrong. The judgment does not contain much further analysis of the way in which MAG acquired the relevant goodwill.
19. Turning to the case on passing off based on Traccountable, the judge accepted submissions of the claimant's counsel along the following lines. Paragraph 65 of the amended Particulars of Claim (which I have set out above) had not been denied by the defendants, who in paragraph 44 of the defence had simply required the claimants to prove that allegation. However, CPR 16.5(1)(b) required a party to state which of his opponent's allegations he was unable to admit or deny and which he required the claimants to prove. As the contents of paragraph 65 were matters which the defendants were able to admit or deny, the claimants did not have to prove them. On that basis, the judge held that the passing off claim based on both Transport Media and the "Traccountable" word were made out.

Grounds of Appeal

20. These are in summary:
 - (1) It was not open to the judge to find that MAG succeeded in its claim to passing off,

as the pleaded case was that it was TML who had had the goodwill to bring such a claim. Further, the judge's conclusion that MAG owned the goodwill on the basis that it had been incorporated with the name "Transport Media", and attracted business through a website with that name, was contrary to the evidence, because (a) MAG had transferred the name to TML in February 2013, which was more than three years and seven months before the appellant acquired the domain name www.transportmediaagency.com, and the website transportmedia.co.uk was owned by TML, not MAG.

(2) The judge failed to deal with the defence that the domain name was descriptive.

(3) The judge's finding of passing off based on the "Traccountable" name was wrongly made on the basis of CPR 16.5(1)(b) rather than on the evidence. Further, the trademark was owned by TML.

Ground (1)

21. Mr Clark, who appeared on behalf of the appellant, submitted that in upholding the claim to passing off based on the ownership of goodwill by MAG the judge gave judgment on a basis which was both unpleaded and inconsistent with MAG's pleaded case in its amended Particulars of Claim. If paragraph 25 of the reply was asserting that MAG as opposed to TML had acquired the goodwill, that could not rectify the position because it was inconsistent with the claim raised in the Particulars of Claim and was not permitted by CPR 16 PD 9.2. Mr Clark went on to say that if an amendment had been applied for at trial to allege that the relevant goodwill was owned by MAG, his client would have been able to object to it as an amendment made too late and which fundamentally altered the case. Furthermore, if it had been allowed he would have

been given the opportunity to consider what evidence he wished to call in answer to the new allegation. Moreover, even if unsuccessful in defending the new case, he would have been able to make submissions on costs, that he should not have to pay the costs because the case succeeded only on the basis of amendments made at the trial. Mr Clark continued that the evidence on which the judge supported his conclusion that the goodwill in question was owned by MAG was insufficient. The fact that Media Agency had the name "Transport Media" before February 2012 did not assist. The judge had made no enquiry of what goodwill had been acquired by MAG prior to the swap what arrangements had been made about assignment of the goodwill upon the swap or conducted the necessary analysis.

22. Finally, the judge had been wrong, said Mr Clark, to rely on the attraction by MAG of significant business through a website with the name "Transportmedia". The website in question had the company registration number of TML, and the association between the website and TML was acknowledged by the respondents in their amended Particulars of Claim. Moreover, the respondents' case as advanced in the pleadings was not that MAG traded under the name "Transport Media" but that it benefitted from business generated by and driven to it by TML. That arrangement would not have generated for MAG a proprietary interest in any goodwill.
23. I am not able to accept any of these arguments. First, so far as the pleadings are concerned, it was clear from the outset that the passing off claim was brought by both TML and MAG. The appellant was plainly aware of that fact, because in his defence he pleaded to the allegation that MAG had acquired goodwill in the name "Transport Media" by specifically denying it. The allegations in the reply are not therefore

contradictory to or inconsistent with the Particulars of Claim in the sense of CPR 16 PD 9.2. The defendant knew that he had to meet a case based on the reputation and goodwill being owned by MAG. Secondly, the judge was entitled to find that the method of doing business adopted by MAG and TML resulted in the relevant goodwill in the "Transport Media" name vesting in MAG rather than TML. Customers who sought out services via the TML transportmedia.co.uk website were channelled to MAG. The customer purchased services as a result of following that route. It was MAG who contracted with the customer and MAG's services which were supplied. I see no reason at all why the goodwill that is generated by exposure of the "Transport Media" name should be assumed to be vested in anyone other than MAG. The goodwill vests in the person who is in fact the source of the services, even if the customer is unaware of the identity of that person. I would therefore reject this ground of appeal.

Ground (2)

24. The starting point for Mr Clark's argument on this ground is the fact that the Particulars of Claim assert that Transport Media is descriptive of the advertising media that is used in the business. It is trite law however that a name or mark which is descriptive can nevertheless support an action for passing off if it has acquired by use a secondary meaning indicating origin (in other words, that it has become distinctive). Mr Clark relies on a passage from Clerk & Lindsell on Torts 22nd Edition at 26013, which says:

"It is not easy to establish goodwill as to source in a name which consist of descriptive words, and the law is reluctant to allow ordinary descriptive words in the English language to be fenced off so as to become the private preserve of one particular trader. A

trader who wishes to maintain an action for passing off in an expression *prima facie* descriptive of his goods must show that the expression has lost its primary descriptive meaning and has acquired a so-called secondary meaning as a term distinctive of its goods or services. Although the action may succeed, a court will not readily assume that the use of descriptive words is likely to cause confusion and will easily accept small but real differences as adequate to avoid it."

25. Mr Clark develops his argument as follows. He says that the passages in *Phones4u* to which says the judge says he was taken did not include those passages which show that, in the case of a descriptive name, the public are expected to be more discriminating and that cases of mere confusion caused by the use of a very similar description must be tolerated. Mr Clark also submits that it is not open to the respondents to rely (as they do in their skeleton argument, on which they continue to rely) on any degree of inherent distinctiveness in the name "Transport Media". The judge made no findings about that, and it was contrary to the case of descriptiveness advanced in the pleading.

26. I should say straightaway that the judge's treatment of the extent to which the name "Transport Media" had acquired sufficient distinctiveness is somewhat cursory. Nevertheless, it is quite clear that he was aware of the relevant authorities. I reject the suggestion that the judge would have confined his attention only to those paragraphs of *Phones4u* to which he expressly referred in his judgment. Mr Clark's point has to be that the judge simply failed to apply those principles when considering the evidence. The judge made findings that the claimant had attracted significant business through the website "transportmediaagency" amounting to clear evidence of goodwill and that the defendants' activities had caused damaging confusion. To my mind, it is obvious that the name "Transport Media", whilst having a descriptive component, is not so descriptive that it is incapable of supporting a claim to passing off on the basis of

significant use, and I do not regard that case as being inconsistent with the pleadings. The pleadings do say that the name is descriptive but, understood in context, that means "have a descriptive element". The judge was entitled to find as he did by implication that the use of the name by MAG was sufficient to give rise to a protectable goodwill. There was no evidence whatsoever of the use of the use of this combination phrase by any of the other 6,000 advertising agencies in the UK either as part of their name or, as I understand it, in any other way.

27. As to whether the confusion was at such a level that the claimant should be obliged to accept it, it is difficult to describe the use which the appellant was making of the name as the sort of descriptive use which the principle in the authorities to which the judge was referred was designed to protect. As I have already pointed out, the judge found at paragraph 198 that Mr Buksh had registered the website "transportmediaagency" in order to take advantage of the first claimant's goodwill in the name "Transport Media". In other words, the judge found that the defendants were themselves using the name in its secondary meaning in order to attract business to themselves rather than to allow it to go to MAG. They were not using it in any ordinary descriptive sense. Mr Clark submitted that intention to pass off was not a component of the cause of action in passing off and was therefore irrelevant. I agree that intention is not a necessary component, but it is plainly relevant; see for example *Slazenger v Feltham* (1889) 6 RPC 531 at pages 537-8 and Lindley LJ. I would therefore dismiss this ground of appeal.

Ground (3)

28. Mr Clark's core submission under this ground was that there was no pleaded or factual base for a finding that the word "Trackaccountable" had acquired any goodwill or reputation. It was an unused trademark which was incapable of supporting an action for passing off. I think Mr Clark is right about this ground. The judge appears to have treated cybersquatting as a comprehensive basis for an allegation of passing off. In doing so, I think that he misinterpreted this court's decision in *British Telecommunications plc v One In A Million Ltd* [1998] EWCA Civ 1272, [1999] 1 WLR 903. The issue in that case was whether the cybersquatters, simply by registering well-known domain names, were using or threatening to use a trademark. I accept entirely the principle established by that case, but it does not dispense with the need to show, in the case of a passing off action, relevant reputation and goodwill in the name or mark relied on. There was no allegation of such a reputation in the name "Traccountable" in the amended Particulars of Claim, and accordingly the operation of CPR 16.5(1)(b) cannot deem the appellant to have made any admission about it. Moreover, the respondents' evidence made clear that no use had been made of the name, thereby expressly demolishing any possible claim to have acquired goodwill. It is unfortunate that, having taken the trouble to obtain a registered trademark for traccountable, the claimants did not think to sue Mr Buksh for threatened infringement of it, but, given no such action was raised, as the judge recorded at paragraph 197, there is nothing we can do about that.
29. I would therefore allow this ground of appeal, and the result is, if my Lady agrees, the appeal will be allowed on the third ground alone but otherwise it will fall to be dismissed.

LADY JUSTICE ROSE:

30. I agree.

Order: Appeal allowed in part