



Neutral Citation Number: [2017] EWCA Civ 1834

Case No: A3/2016/1428 and A3/2016/1442

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION (INTELLECTUAL PROPERTY)
THE HON MR JUSTICE NORRIS
[2016] EWHC 49 (Pat)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 24/11/2017

Before:

LORD JUSTICE PATTEN
LORD JUSTICE KITCHIN
and
LORD JUSTICE FLOYD

Between:

Merck KGaA

Respondent/
Appellant/
Claimant

- and -

- (1) Merck Sharp & Dohme Corp**
- (2) Merck & Co., Inc.**
- (3) Merck Sharp & Dohme Ltd**
- (4) Intervet UK Ltd**
- (5) Intervet International BV**

Appellants/
Respondents/
Defendants

Adrian Speck QC and Benet Brandreth (instructed by Bird & Bird LLP)
appeared on behalf of the Respondents (Appeal 2016/1428)/Appellants (Appeal
2016/1442)/Claimant

Geoffrey Hobbs QC and Guy Hollingworth (instructed by Linklaters LLP)
appeared on behalf of the Appellants (Appeal 2016/1428)/Respondents (Appeal
2016/1442)/Defendants

Hearing dates: 19/20/21 June 2017

Approved Judgment

Lord Justice Kitchen:

Introduction

1. These are appeals against the judgment of Norris J given on 15 January 2016 ([2016] EWHC 49 (Pat)) and his consequential order in these proceedings which concern a dispute between the parties about the use of the word “Merck” in connection with their respective pharmaceutical businesses.
2. In 1668 an apothecary’s shop opened in Darmstadt, Germany. It was the start of a family business conducted under the name “E. Merck”. The business was very successful and grew substantially over the years, establishing its own manufacturing facilities and developing markets in a number of countries. In 1889 a member of the family established another business in the USA which was economically supported by but not part of the family business. In time this further business was incorporated as “Merck & Co., Inc.”. It too was very successful and established its own manufacturing facilities and developed markets in the American continent. By the end of the Great War these two businesses were run separately but cooperated together over their use of the word “Merck”. In broad terms the American business used the word “Merck” in the USA (including its territories and dependencies) and in Canada; and the original German business used the word “Merck” in the rest of the world.
3. For the purposes of these proceedings it may be taken that the claimant is the successor of E. Merck and the defendants are the successors of Merck & Co., Inc. The judge referred to the claimant as “Merck Global” and to the defendants collectively as “Merck US”. Save where from the context otherwise appears, I shall do the same.
4. Merck Global and Merck US have, from time to time, made agreements in an attempt to regularise their respective uses of the word “Merck” and avoid the risk of confusion and conflict between them. They made their first formal agreement in 1932. This agreement, termed “the Treaty Agreement”, recognised the right of Merck US to the exclusive use of the word “Merck” in the USA and Canada, and the right of Merck Global to the exclusive use of the word “Merck” in the rest of the world.
5. The Treaty Agreement did not survive. It was attacked by the US Department of Justice under the Sherman Anti-Trust Act and in 1945 it was cancelled by a consent decree in the New Jersey District Court. This decree contained provisions which required Merck US to file with the Department of Justice notice of an intention to make any other agreement with Merck Global relating to or affecting its business policy.
6. By this time, Merck Global, as the older business, held trade mark registrations in many countries of the world outside the USA and Canada. Over the next few years both Merck Global and Merck US sought to develop their businesses within and beyond their home territories. Clashes between them were inevitable and litigation ensued. In 1953 Merck US merged with Sharpe & Dohme, a US pharmaceutical company with a large foreign business. Merck US wanted to take advantage of and expand this business and so it made vigorous attempts to secure the right to use the “Merck” trade mark around the world. But it had only modest success in light of Merck Global’s earlier trade mark registrations.

7. Nevertheless, the parties did communicate and, from time to time, meetings took place between them. By 1948 they had recognised the distinction between the use of a word as a trade mark and its use as the name of a business and, at a meeting in Germany in the autumn of that year, Merck US expressed agreement with Merck Global's view that its ownership of a registered trade mark for the word "Merck" could not restrain Merck Global from using that word as or as part of its corporate or business name. This was one of the matters the parties had in mind when, in September 1955, they met to discuss further proposals for co-operation.
8. By 10 September 1955, the parties had reached an understanding that if Merck US wanted to use its corporate names "Merck & Co., Inc." and "Merck & Co. Limited" outside the USA then Merck Global would consent provided that each such name was geographically identified with the USA. For its part, Merck US would consent to the use by Merck Global of its corporate name in the USA if used with the geographical identifier "Darmstadt, Germany". A memorandum of these discussions states:

"It was understood that as to E. Merck's names and Merck & Co's names we were speaking of use as a corporate name and firm name and not as a trademark."

9. Two days later, on 12 September 1955, the parties signed an agreement in writing ("the 1955 Agreement"). This forms an important part of the history and so I must set out its material terms. In doing so, I shall retain the names of the parties as they appear in the agreement. But it may be taken that references to "E. Merck" are to Merck Global and references to "Merck & Co" are to Merck US. After a number of definitions which I need not recite, the agreement provided, in material part:

United States and Canada.

2.) a) Merck & Co. will not object to the use in the United States and Canada by E. Merck of "Emanuel Merck offene Handelsgesellschaft" or "E. Merck A. G." as all or part of a firm-name or corporate name provided such names are geographically identified with Germany as follows: "Emanuel Merck offene Handelsgesellschaft, Darmstadt, Germany" and "E. Merck A. G., Darmstadt, Germany" all words being given equal prominence.

b) E. Merck recognizes the exclusive right of Merck & Co. to the use of the trade-mark Merck in the United States and Canada and in such countries will not use or attempt to acquire rights in any trade mark containing Merck.

Germany

3.) a) E. Merck will not object to the use in Germany by Merck & Co. of

(i) Merck & Co. Inc. or Merck & Co. Limited as all or part of a firm name or corporate name provided such names are geographically identified with the United States or Canada

as follows: “Merck & Co. Inc., Rahway, N. J., U.S.A.”, and “Merck & Co. Limited, Montreal, Canada”, all words being given equal prominence.

(ii) “Merck-Sharp & Dohme” as all or part of a firm name, corporate name or name of a corporate subdivision, provided such names are geographically identified with a country other than Germany, all words being given equal prominence.

b) Merck & Co. recognizes the exclusive right of E. Merck to the use of the trade-mark Merck in Germany and in such country will not use or attempt to acquire rights in any trade mark containing Merck.

All other countries.

4.) In all other countries E. Merck recognizes that “Merck-Sharp & Dohme” as a trade-mark or name is not confusingly similar to any of the trade marks or names used or owned by E. Merck and E. Merck will not object to Merck & Co.’s use and registration of Merck-Sharp & Dohme as all or part of a trade-mark, trade name or corporate name. When requested E. Merck shall so state in writing. The embellishments of design of such trade marks shall not imitate marks owned by E. Merck.

5.) In all other countries E. Merck will not object to the use by Merck & Co. as all or part of a firm-name or corporate name of “Merck & Co. Inc.” used in association with words such as “Rahway, N.J., U.S.A.” which identify it geographically with the United States or “Merck & Co. Limited” used in association with words such as “Montreal Canada” which identify it with Canada, all words being given equal prominence.

6.) In all other countries Merck & Co. recognize that E. Merck is entitled to use the word Merck or combinations such as E. Merck as a trade-mark or name provided that any such marks or names adopted in the future shall not be confusingly similar to marks or names adopted or used by Merck & Co. under Paragraphs 4 and 5 above. When requested Merck & Co. shall so state in writing.

7.) In all other countries Merck & Co. shall promptly and in any event no later than three years after the effective date of this agreement cancel all existing registrations, withdraw all applications and discontinue all use of the trademarks Merck, Merck Cross and MerckMerckMerck.

8.) In all other countries Merck & Co. shall promptly and in any event no later than three years of the effective date of this

agreement discontinue all use of the following corporate names:

Merck (Pan America) Inc.,

Industrias Farmacéuticas Merck (Norte Americana) S.A.

Merck & Co. (Great Britain) Ltd.

9.) ...

b) It is understood that the requirements of paragraphs 8 ... hereof will be fulfilled wherever the words “Merck-Sharp & Dohme” are substituted for the word “Merck”.

...

11.) Merck & Co. and E. Merck will cooperate in the prompt termination of all litigation now pending between them involving trade-marks or trade names containing Merck. Each party will defray all expenses previously incurred to include such expenses as have already been paid or are still to be paid in compliance with a court decree already issued.”

10. The agreement was accompanied by a memorandum which reads:

“We [Merck US] emphasise that we wish to make clear that the agreement should not be interpreted to imply any restrictions not expressly stated as to what names or marks we could use. We suggested some provision for this purpose in the agreement. Dr Vogt [of Merck Global] felt that there was no ground for implication in the agreement that we would use only Merck & Co Inc and Merck-Sharp & Dohme; that the provision we desired was superfluous. It was finally agreed to make no reference in the agreement to marks and names which might be adopted in the future. Names or marks, other than those specifically referred to in the agreement, which Merck & Co Inc may adopt in the future will stand on their own feet and be considered in the light of the facts existing at the time. There is no obligation on Merck & Co Inc’s part to refrain from adopting or using such names; there is no obligation on the part of E. Merck to consent to their use.”

11. In accordance with the consent decree, Merck US secured the sanction of the US Department of Justice and the New Jersey District Court for this new agreement.

12. In 1970 Merck Global sought a modification of the 1955 Agreement to reflect a change in its corporate name. This led to a new agreement in writing dated 1 January 1970 (“the 1970 Agreement”) but in fact signed a little later. This was intended to carry forward the obligations in the 1955 Agreement and, with a protocol agreed in 1975 and to which I will come in a moment, still governs the relationship between the parties. As in the case of the 1955 Agreement, I must set out its material terms. In

doing so, I shall once again retain the names of the parties as they appear in the agreement. As before, it may be taken that references to “E. Merck” are to Merck Global and references to “Merck & Co” are to Merck US. After a number of definitions which I need not recite, the agreement provides, so far as material:

“United States and Canada:

2.) a) Merck & Co. will not object to the use of the name E. Merck in the United States and Canada by E. Merck as all or part of a firm-name or corporate name provided such names are geographically identified with Germany as follows: “E. Merck, Darmstadt, Germany” all words being given equal prominence.

b) E. Merck recognizes the exclusive right of Merck & Co. to the use of the trademark Merck in the United States and Canada and in such countries will not use or attempt to acquire rights in any trade mark containing Merck.

Germany:

3.) a) E. Merck will not object to the use in Germany by Merck & Co. of

(i) Merck & Co., Inc. or Merck & Co. Limited as all or part of a firm name or corporate name provided such names are geographically identified with the United States or Canada as follows: “Merck & Co., Inc., Rahway, N.J., U.S.A.”, and “Merck & Co. Limited, Montreal, Canada”, all words being given equal prominence.

(ii) “Merck Sharp & Dohme” as all or part of a firm name, corporate name or name of a corporate subdivision, provided such names are geographically identified with a country other than Germany, all words being given equal prominence.

b) Merck & Co. recognizes the exclusive right of E. Merck to the use of the trademark Merck in Germany and in such country will not use or attempt to acquire rights in any trademark containing Merck.

All other countries:

4.) In all other countries E. Merck recognizes that “Merck Sharp & Dohme” as a trademark or name is not confusingly similar to any of the trademarks or names used or owned by E. Merck and E. Merck will not object to Merck & Co.’s use and registration of Merck Sharp & Dohme as all or part of a trademark, tradename or corporate name. When requested E. Merck shall so state in writing. The embellishments of design of such trademarks shall not imitate marks owned by E. Merck.

5.) In all other countries E. Merck will not object to the use by Merck & Co. as all or part of a firm-name or corporate name of “Merck & Co., Inc.” used in association with words such as “Rahway, N.J., U.S.A.” which identify it geographically with the United States or “Merck & Co. Limited” used in association with words such as “Montreal Canada” which identify it with Canada, all words being given equal prominence.

6.) In all other countries Merck & Co. recognizes that E. Merck is entitled to use the word “Merck” or combinations such as “E. Merck” as a trademark or name provided that any such marks or names adopted in the future shall not be confusingly similar to marks or names adopted or used by Merck & Co. under Paragraphs 4 and 5 above. When requested Merck & Co. shall so state in writing.

7.) In all other countries Merck & Co. has undertaken to cancel all existing registrations, withdraw all applications and discontinue all use of the trademarks “Merck”, “Merck Cross” and “MerckMerckMerck”.

8.) In all other countries Merck & Co. has undertaken to discontinue all use of the following corporate names:

Merck (Pan America) Inc.

Industrias Pharmaceuticas Merck (Norte Americana) S.A.

Merck & Co. (Great Britain) Ltd.

9.) It is understood that the requirements of paragraph 8 hereof will be fulfilled wherever the words “Merck Sharp & Dohme” are substituted for the word “Merck”.

...

11.) Merck & Co. and E. Merck will co-operate in the prompt termination of all litigation now pending between them involving trademarks or tradenames containing Merck. Each party will defray all expenses previously incurred to include such expenses as have already been paid or are still to be paid in compliance with a court decree already issued.”

13. As I have mentioned, in 1975 the parties agreed a protocol to the 1970 Agreement (“the 1975 Protocol”). The purpose of this further agreement was to resolve some problems of a practical nature which had emerged over the preceding five years. The parties agreed (by clause 1) that they could use domestic stationery in foreign correspondence; (by clause 2) that domestic representatives travelling abroad could use domestic visiting cards in the country of travel; (by clause 3) a practical interpretation of the phrase “all words being given equal prominence” in the 1970 Agreement; and (by clause 5) that each of the parties would not object to the use by

the other of the word “Merck” as a trade mark in advertisements in journals emanating from its own territory.

14. The parties implemented the 1970 Agreement and the 1975 Protocol in a generally co-operative way but, in November 2009, Merck US merged with a competitor, Schering-Plough, to form one of the largest healthcare organisations in the world. From this time Merck Global became increasingly concerned at what it perceived to be a substantial growth in the use by Merck US of the word “Merck” outside the USA and Canada. That use took various forms and included use in a number of websites, in particular, “merck.com”, “merckformothers.com”, “merckresponsibility.com”, “merckmanuals.com”, “merck-animal-health.com” and “msd-animal-health.com”. The judge found these to be global websites which, among other things, targeted scientists and inventors in the UK, sought to recruit people with UK qualifications to jobs in the UK, solicited UK suppliers, and set out purchase order terms and conditions.
15. These and other online and offline uses led Merck Global to write a letter to Merck US on 17 July 2012 saying:

“... our company is increasingly alarmed by the ever-growing and now fairly massive presence of MSD on the internet and social media using “MERCK” ...”.
16. No satisfactory resolution was reached and so, on 8 March 2013, Merck Global issued these proceedings complaining of infringement of registered trade marks and breach of contract. Four registered trade marks were relied upon, namely:
 - i) UK registered trade mark No 1,123,545 for the word MERCK and registered as of 5 November 1979 in respect of, inter alia, pharmaceutical substances and preparations, all in class 5.
 - ii) UK registered trade mark No 1,558,154 for the word MERCK and registered as of 30 December 1993 in respect of, inter alia, pharmaceutical, veterinary and sanitary preparations and substances; and reagents for medical and veterinary purposes, all in class 5.
 - iii) International registered trade mark No 770, 038 for a device including the word MERCK and protected in the UK as from 22 November 2002 in respect of, inter alia, the following goods in class 5: pharmaceutical, veterinary and sanitary preparations; medicinal products; dietetic substances adapted for medical use, food for babies; the following goods in class 10: surgical, medical, dental and veterinary apparatus and instruments; and the following services in class 42: medical care; veterinary and agricultural services; scientific and industrial research; providing information and counselling in healthcare; services rendered in the medical, pharmaceutical, laboratory and clinical areas.
 - iv) International registration No 770,116 for a device including the word MERCK and protected in the UK as from 22 November 2002 in respect of the same goods and services as registration No 770, 038.

17. Merck US defended the claim and counterclaimed for the revocation of each of the registered trade marks on the ground of non-use.
18. The action gave rise to a preliminary issue, namely whether the governing law of the 1970 Agreement and the 1975 Protocol was German law or New Jersey law. That issue came on for hearing before Nugee J in November 2014. It was accepted by the parties that the governing law of these agreements must be the same as that of the 1955 Agreement. So the argument concentrated entirely on the governing law of that earlier agreement. Nugee J gave his judgment on 21 November 2014 ([2014] EWHC 3867 (Ch)) and he found that the governing law of the 1955 Agreement (and so also the 1970 Agreement) was German law.
19. The action came on for trial before Norris J in April 2015. It lasted for five days. The judge heard a good deal of evidence and much argument. He was presented with a forest of issues, some of which he felt he was left to decide with little assistance from the parties.
20. The judge delivered his judgment in draft to the parties on 10 December 2015 and handed it down in final form on 15 January 2016. He found that the first defendant, Merck Sharp & Dohme Corporation, as the contracting party, had acted in breach of the contractual obligations contained in the 1970 Agreement (and the 1975 Protocol) by using the word “Merck” in the UK as a business name and as a trade mark in an impermissible way. He found too that the defendants had infringed each of the registered trade marks. On the counterclaim, he found that those registrations must be revoked in respect of some of the goods and services in their respective specifications on the ground of non-use, but not in such a way as to affect the finding of infringement.
21. Following a full day hearing on 19 February 2016, the judge settled the final order on 3 March 2016 and he did so without giving a further judgment. The order contains injunctive and other consequential relief. All parties were given permission to appeal.
22. Merck US contends on this appeal that the judge has made a series of fundamental errors which fatally undermine his judgment and order. The errors are, in summary:
 - i) Merck Global only ever alleged breach of clause 7 of the 1970 Agreement and yet the judge founded his decision on other clauses of the agreement and held that Merck Global was entitled to injunctive relief as indicated in his judgment. This was impermissible and unfair and the judge took this course without giving adequate reasons and without giving Merck US a proper opportunity to make representations about it.
 - ii) Clause 7 only restricts the use of the word “Merck” as a trade mark in relation to goods. It does not restrict the use of the word “Merck” as or as part of a corporate, firm or trade name; nor does it restrict the use of the word “Merck” as or as part of a trade mark for services. The judge fell into error in failing so to find.
 - iii) For any of the Merck US online use to constitute a breach of clause 7 or an infringement of trade mark in the UK it had to be targeted at the UK but most

of the use complained of was not so targeted and the judge erred in finding otherwise.

- iv) For any of the Merck US use complained of to amount to a breach of clause 7 or an infringement of trade mark it had to be use in relation to goods or (subject to (ii) above) services and the judge ought to have found that none of the use met this requirement.
 - v) Any activity of Merck US which potentially constituted a breach of clause 7 or an infringement of trade mark was *de minimis* and not actionable and the judge fell into error in failing so to find.
 - vi) The judge failed to have any adequate regard to the principle of honest concurrent use and the fact that the parties had over very many years established a *modus vivendi* or ‘equilibrium’ in which they recognised and tolerated a degree of ‘overspill’ into each other’s territories without any objection.
 - vii) The judge ought to have held, consistently with the equilibrium and honest concurrent use which applied to the uses complained of, that each of the defendants had an own name defence under s.11(2)(a) of the Trade Marks Act 1994 (“the 1994 Act”).
 - viii) The judge erroneously allowed Merck Global to retain impermissibly broad specifications of goods for its trade mark registrations.
 - ix) The judge indicated in his judgment the relief to which he believed Merck Global was entitled without giving Merck US an opportunity to make representations. This was not fair or just.
23. Merck US also complains about the terms of the order settled by the judge and contends, among other things, that he:
- i) departed from the injunctive relief he had indicatively formulated in his judgment but still granted relief for breach of contractual provisions other than clause 7;
 - ii) failed to provide full and proper protection for the right to freedom of commercial expression;
 - iii) failed to take proper account of the general obligation contained in Article 3(2) of Directive 2004/48/EC (“the Enforcement Directive”) and the common law requirements for clarity, precision, necessity and proportionality when formulating the injunctive relief;
 - iv) failed to give effect to his judgment regarding entity names, domain names and internet addresses;
 - v) failed to give effect to the finding of equilibrium that he had made; and
 - vi) failed to allow for acts which were expressly authorised under the terms of the 1970 Agreement and the 1975 Protocol.

24. What is more, argues Merck US, despite having received detailed written and oral submissions and supporting evidence at the hearing on 19 February 2016 and despite indicating at the end of that hearing that he proposed to reserve judgment, the judge did not give any, let alone any adequate or intelligible, reasons for taking the course and settling the form of order that he did.
25. Merck Global disagrees with all of these submissions and, for its part, contends that the judge fell into error in three different respects, namely that he:
 - i) wrongly restricted the relief in respect of breach of contract to the UK;
 - ii) wrongly found that the use by Merck US of “merck.com” as a domain name and “@merck.com” email addresses did not constitute an infringement of trade mark; and
 - iii) fell into error in framing the injunction to restrain infringement of registered trade mark.
26. I will deal with these various grounds of appeal and cross-appeal but must first say rather more about aspects of the history of the relationship between the parties and explain the nature of the activities of which Merck Global complains in these proceedings.

The factual background

27. It is necessary to explain aspects of the background in rather more detail because, for reasons which I develop later in this judgment, they are relevant to the proper interpretation of the 1955 and 1970 Agreements and to the defences to the claims of breach of the 1970 Agreement and infringement of registered trade mark.
28. The history begins with the 1932 Treaty Agreement and the complaint made about it by the US Department of Justice. This agreement effected, among other things, a territorial division with Merck US having the exclusive right to use the word “Merck”, whether alone or in conjunction with other words, in the USA and Canada, and Merck Global having the same exclusive right in the rest of the world, save for certain territories, notably Cuba and the Philippines, where the parties had concurrent rights. The Department of Justice contended that this territorial division was not necessary to prevent traders or the public confusing the parties or their products. Moreover, its complaint continued, it was the intention of the parties to effect a division of trading territories and to suppress all competition between them, both within and outside the USA, and this amounted to an unlawful conspiracy.
29. Following the cancellation of the Treaty Agreement by the consent decree in 1945, Merck US sought legal advice from the firm of Hughes, Hubbard & Ewing as to its future relations with Merck Global. By letter dated 6 October 1948, Merck US was advised that the consent decree not only cancelled the Treaty Agreement but also enjoined similar concerted action between it and Merck Global in the future. The advice continued:

“It is our opinion, therefore, that in selling your products in foreign markets, it is desirable that your company use the name

“Merck” in the trade-mark sense to the full extent permitted by the trade-marks law of the country in question.”

30. On 19 and 20 October 1948, the parties met in Darmstadt in Germany where the substance of the legal advice received by Merck US was discussed. An internal note prepared in advance of the meeting by Dr Vogt, a senior figure in Merck Global’s patent department, recorded that it was Merck Global’s opinion that the owner of a registered trade mark consisting of the word “Merck” or the names “E. Merck” or “Merck & Co” could not restrain Merck Global from using the word “Merck” as the name of a firm as opposed to a trade mark. He queried whether the position was the same under US law.
31. The meetings were attended by Mr Anderson of Merck US and representatives of Merck Global, including Dr Vogt. Mr Anderson shared with Merck Global the legal advice Merck US had received from Hughes, Hubbard & Ewing and, for its part, Merck Global shared with him the internal note prepared by Dr Vogt. In a note of the meeting, Mr Anderson recorded:

“I said that we were in agreement with Mr Vogt’s opinion that the ownership by another of a trademark “Merck” could not restrain E. Merck [Merck Global] from using its own firm name if it were not used as a trademark.”
32. On 21 June 1950, Hughes, Hubbard & Ewing wrote another letter of advice to Merck US about its relationship with Merck Global. They observed that one of the evils of the 1932 Treaty Agreement in the eyes of the government was its embodiment of “the agreement between the two companies regarding the removal of the confusion in the use of the name “Merck” as a trade-mark in various countries of the world”. They thought it clear that future agreements of this type were prohibited by the consent decree. They continued that Merck US’s position should generally be as follows:

“1. In those countries where Merck & Co., Inc. [Merck US] has existing trade-mark rights with respect to the name “Merck”, those rights will be enforced against all comers, including E. Merck [Merck Global].

2. In those countries of the world where E. Merck ... [has] the trade-mark rights to the name “Merck”, Merck & Co. Inc., will respect the local laws of these countries and will not attempt to use the name “Merck” in a trade-mark sense. It will, however, sell its products under its corporate name unless there is some local law prohibiting the use of the name in that sense. ...”
33. On 22 June 1950, a meeting took place between Merck US and Merck Global at which the relevant parts of the letter of 21 June 1950 were read aloud. The representatives of Merck Global indicated that they understood perfectly the position Merck US would take.
34. By 1955 and as a consequence of the advice they had received following the consent decree, the parties found themselves locked in litigation over their respective trade mark rights in a number of jurisdictions. However, in the course of that year, Merck

US took the initiative to draw up possible terms of settlement. Those terms, set out in a letter dated 15 July 1955 from Mr Anderson of Merck US, were first discussed with officials from the Department of Justice who approved them, observing that they would promote competition and so would be within the spirit of the consent decree, and then, towards the end of the month, they were sent to Merck Global. The letter of 15 July forms the basis of the 1955 Agreement and is one to which the parties attach some importance, so I must explain its contents in a little detail.

35. In its first substantive paragraph the letter refers to a dispute between the parties in Australia where Merck Global had apparently objected to the use by Merck US of the name “MERCK & CO., INC.” After expressing some surprise at this objection, the letter continues with this proposal about how Merck US would be prepared to use its corporate names:

“We [Merck US] are willing in those countries in which you hold prior rights in “MERCK” to add some appropriate designation which will emphasize the distinction between our company and yours, such as “Rahway, New Jersey, U.S.A.” We have examined an advertisement for CORTONE published in Australia by our branch and noted that the name “MERCK & CO., Inc.” is not associated with the United States in the advertisement. We presume that this is what you found objectionable and have given instructions that the words “Rahway, N.J., U.S.A.” are to be used with our corporate name in such advertising in the future. We trust that this will answer your objection.

To avoid future misunderstandings, we would appreciate your confirming that you have no objection to our use of our corporate name “MERCK & CO., Inc.” used in association with other words which identify it geographically with the United States (such as “Rahway, N.J., U.S.A.”) or otherwise distinguish it adequately from your firm name, E. Merck. This would, of course, also apply to “MERCK & CO. Limited,” the corporate name of our Canadian subsidiary.”

36. The letter then addresses the use of the word “Merck” as a trade mark. It records that litigation was on foot in India, Hong Kong, Ceylon and Italy and that it was likely there would be further litigation in other countries in the Far East and in South America. It continues with this suggestion about the use of the word “Merck” as a trade mark:

“We [Merck US] agree to withdraw all applications, cancel all existing registrations and discontinue all use of the trade-marks MERCK, MERCK CROSS and MERCKMERCKMERCK outside of the United States and its possessions, Canada, Cuba and the Philippines. We shall do so promptly but shall have a reasonable period of time within which to discontinue use of the marks in those countries in which they are now in active use. You agree that “MERCK SHARP & DOHME” as a trade-mark is not confusingly similar to any of your “MERCK”

trade-marks; that you will make no objection to our use and registration of “MERCK SHARP & DOHME” as a trade-mark and will furnish us with letters of consent to the registration of this trade-mark in any country in which your existing “MERCK” registrations are cited against it. It is understood, of course, that the embellishments of design of any “MERCK SHARP & DOHME” trade-mark shall not imitate marks already in use by you, such as the E. Merck facsimile signature or your coat-of-arms device.”

37. The parties arranged to meet in Darmstadt from 9 to 12 September 1955 to try and resolve their differences. On the final day of the meeting, they signed the 1955 Agreement. We have the benefit of a full note of the whole meeting prepared by Mr Horan of Merck US.
38. At the end of the first day, a Friday, the parties summarised their differences. Some of the key points were that Merck US wanted agreement that it had a right to use its corporate names “Merck & Co., Inc.” and “Merck & Co. Limited” throughout the world; Merck Global wanted agreement that it had a right to use its firm and corporate names in the USA and Canada; Merck Global was unwilling to concede any trade mark rights in Germany and wanted Merck US to use only “Merck-Sharp & Dohme”, geographically identified with New York, as a corporate name and to recognise Merck Global’s exclusive right to use “Merck” as a trade mark; and Merck Global wanted Merck US to discontinue the use it had been making of certain specific business and corporate names in connection with its export trade.
39. The meeting resumed on the Saturday and at the outset Merck US explained that the most fundamental problem from its point of view was its right to use its corporate names. Merck Global responded that the name “Merck & Co., Inc.” was too close to its own name but that it would consent to the use of “Merck & Co.,” as or as part of a corporate name provided that it was identified with the USA by words such as “Rahway, N.J., U.S.A.” or with Canada by the words “Montreal, Canada”. Merck US indicated that this would be acceptable.
40. For its part, Merck US agreed that it would not object to Merck Global’s use in the USA and Canada of its firm and corporate names provided that they were used with the geographical identification “Darmstadt, Germany”.
41. Merck Global then addressed the wish by Merck US to use “Merck-Sharp & Dohme” as a trade mark or business name. It stated that this was acceptable save in relation to Germany. Merck Global would not under any circumstances consent to anyone else using the word “Merck” as a trade mark in Germany and sought Merck US’s explicit recognition that Merck Global had the exclusive right to do so.
42. Merck US also agreed to discontinue its use of some of its corporate names and trade names provided it was given a reasonable time in which to do so. Specifically it agreed to give up “Industrias Pharmaceuticas Merck (Norte Americana) S. A.,” “Merck (Pan America) Inc.” and “Merck North America Inc.”.
43. Towards the end of the day, Merck US raised the possibility that it might wish to use other corporate names in the future to which Merck Global responded that it would

have no objection provided that any such name was as distinguishable from Merck Global as “Merck-Sharp & Dohme”.

44. On the Monday morning, the parties raised again the issue of future names. The minutes record this discussion:

“We [Merck US] sought to include in the agreement a provision that E. Merck [Merck Global] would not in the future object to other names or marks which were equally as well distinguished from E. Merck’s name and trademarks as “Merck-Sharp & Dohme” or to another corporate name equally as well distinguished as “Merck & Co., Inc., Rahway, N.J., U.S.A.” Dr Harms [of Merck Global] firmly refused to include such a provision in the agreement. It had been our impression that inclusion of such a provision had been agreed to in Saturday’s conference. Dr Vogt [of Merck Global] suggested inclusion of a provision that any names to be adopted in the future by Merck & Co., Inc. would be submitted in advance to E. Merck for approval. We refused to accept such a limitation.”

45. There follow two paragraphs which, save for insignificant changes, became the memorandum to (but not part of) the 1955 Agreement:

“We [Merck US] emphasise that we wish to make clear that the agreement should not be interpreted to imply any restrictions not expressly stated as to what names or marks we could use. We suggested some provision for this purpose in the agreement. Dr Vogt [of Merck Global] felt that there was no ground for implication in the agreement that we would use only Merck & Co., Inc. and Merck-Sharp & Dohme; that the provision we desired was superfluous. It was finally agreed to make no reference in the agreement to marks and names which might be adopted in the future. Names or marks, other than those specifically referred to in the agreement, which Merck & Co., Inc. may adopt in the future will stand on their own feet and be considered in the light of the facts existing at the time. There is no obligation on Merck & Co., Inc.’s part to refrain from adopting or using such names; there is no obligation on the part of E. Merck to consent to their use.”

The parties then entered into the 1955 Agreement, the relevant terms of which I have set out at paragraph [9] above.

46. In the years that followed the parties developed their respective businesses generally in accordance with the terms of the 1955 Agreement. But from time to time they came into conflict and there were disagreements between them. In particular, in 1964 Merck US published in Europe a brochure entitled “An Ihren Fruchten”. As the judge recorded, this publication referred in many places to Merck US simply as “Merck & Co., Inc.” without any geographical designation. Instead, this note appeared inside the front cover:-

“The name of “Merck” in this brochure always refers to the firm Merck & Co Inc, Rahway N.J. USA or one of its divisions.”

Merck Global objected but was met with the response that it was unnecessary to repeat the geographical designation with each use and it was enough that the company was identified by the geographical designation inside the front cover. The matter was taken no further.

47. In due course the 1955 Agreement was replaced by the 1970 Agreement and the 1975 Protocol. As the judge explained, thereafter Merck US generally developed its business using the trade mark “Merck” in the USA and Canada and the trade mark “Merck Sharp & Dohme” and its acronym “MSD” elsewhere.
48. Nevertheless, disputes did occasionally arise, many (but not all) of which were resolved. We were taken to the following by way of example. On 18 November 1971, Merck Global complained of the registration in Spain by Merck US of the word “Merck” as a telex name. On 6 December 1971, Merck US replied expressing surprise and promising that the matter would be rectified as soon as possible.
49. On 25 October 1978, Merck US wrote to Merck Global to inform it that two French subsidiaries were being merged and that it would like to call the merged entity “Merck-Chabret”. It asked whether this would be acceptable. Objection was raised by Merck Global and Merck US changed its plans. The proposal was not adopted.
50. On 18 October 1979, Merck Global wrote to Merck US complaining about its use in Chile of the names “Merck” and “Laboratoire Merck”. On 2 November 1979, Merck US replied indicating that appropriate action had been taken and that it understood that it should be referred to in that country as “Merck Sharp & Dohme”.
51. On 25 July 1986, Merck US wrote to Merck Global complaining of the use by Merck Global in the USA and Canada of the “firm-name” “Merck Electronic Chemicals”. On 12 August 1986, Merck Global replied saying that it proposed to use the name: “E. Merck Electronic Chemicals, Darmstadt, Germany.” This was acceptable to Merck US.
52. An important unresolved complaint concerned the “Merck Manual”, a medical text produced by Merck US which has been published and distributed in very large quantities around the world for about 100 years. It appears that it was not discussed in the negotiations leading up to the 1955 and 1970 Agreements but it is mentioned though not addressed substantively in the terms of the 1975 Protocol. Certainly Merck US made no express commitment to change its name. As the judge observed, the use continued and some 30 years later a subsidiary of Merck US in Portugal sought to register “Manual Merck” as a trade mark. Merck Global objected and the application was withdrawn. But Merck US made clear that it did not agree to discontinue the use of the title “Manual Merck” and in 2009 it set up a website “merckmanuals.com”.
53. From the mid-1990s a number of complaints were made by each of the parties about the use by the other of the word “Merck” on the internet. For example, in 1995 Merck US objected to the use by Merck Global of the word “Merck” in webpages accessible in the USA which Merck US viewed as “not in conformity with the agreement”. In

2000 and 2003 Merck Global complained of the registration by Merck US of the “merck.co.uk” domain name. Merck US initially refused to take any action in response but at some point between 2003 and 2006 surrendered it. In 2004 it came to the attention of Merck Global that, despite its earlier complaints, Merck US had registered the “merck-uk.com” domain name. Later in the same year, Merck US transferred it to Merck Global. In 2005 Merck Global raised a number of issues with Merck US relating to the registration by Merck US of a series of what are known as “high level” domain names such as “merck.dk” (relating to Denmark) and “merck.com.tr” (relating to Turkey), the content of various websites and the use by employees of Merck US outside the USA and Canada of the word “Merck” in their email addresses. Not all of these were resolved but the domain names “merck.dk” and “merck.com.tr” were eventually deleted or transferred.

54. I must also mention the Merck US “Brand & Identity Guide” to which Ms Adele Ambrose, Senior Vice President and Chief Communications Officer of the first defendant, deposed. She explained that Merck US is “Merck” in the USA and Canada, and “Merck Sharp & Dohme” or “MSD” in the rest of the world, and that the guide gives employees and others guidance as to how the “Merck” brand should be used. It says, in material part:

“We are one company, but due to legal and trademark limitations, we use two trade names in different regions in the world: Merck in the United States and Canada, and MSD in the rest of the world.

.....

Internally, various divisions and functions use the Merck/MSD label to be inclusive when referring to the company as a whole. Employees must remember that Merck/MSD (and any variation of a combined company name such as Merck-MSD or Merck & MSD) should never be used externally, as there is no Merck/MSD brand. **Using any name combination other than Merck in the United States and MSD in the rest of the world can lead to legal issues.** In internal communications, we encourage replacing the trade names of Merck and MSD with references such as “our company”, “we”, and “us”.” (Emphasis in original).

55. The judge observed that this was not a case about whether Merck US had broken its internal guidelines but the document was nevertheless of some use as an indicator of the relative ease with which the ground rules embodied in the 1970 Agreement (as Merck Global contends it should be construed) could be applied. I would add that it gives an indication of what Merck US understood its obligations under that agreement to be.

The activities complained of – an outline

56. The various uses by Merck US of the word “Merck” of which complaint was made can be grouped into a number of classes. They are uses:

- i) on the following websites which Merck US denied were directed at the UK: “merck.com”, “merckformothers.com”, merckresponsibility.com”, “merckmanuals.com”, “merck-animal-health.com” and “msd-animal-health.com”;
 - ii) on the following websites which Merck US admitted were directed at the UK: “msd-uk.com” and “msd-animal-health.co.uk”;
 - iii) on social media: Facebook, Twitter, YouTube and LinkedIn;
 - iv) at conferences and Advisory Board meetings in the UK;
 - v) in press releases distributed in the UK;
 - vi) in agency briefs distributed in the UK; and
 - vii) in emails sent to the UK.
57. It may be helpful to say a little more about some of these at this stage. Merck Global’s solicitors accessed the websites before the commencement of proceedings and screenshots of the uses said to amount to a breach of contract and an infringement of trade mark were set out in schedules to the particulars of claim.
58. The parties focused first upon the “merck.com” website and its home page. In addition to the name “merck.com”, the page displayed the notice: “Merck. A global healthcare leader working to help the world be well”. At the top left of the page was a Merck US logo, and the words “Merck be well”. The page also contained several other references to “Merck” such as “Merck wins FOSAMAX (alendronate sodium) Federal Bellweather Trial involving Atypical Femur Fracture Claims”, “At Merck, we believe nobody should go without access to the medicines and vaccines they need” and “Merck for mothers committed to saving lives”. There were also references to other sites such as “merckhelps.com” and hyperlinks to the Merck US presence on Facebook, Twitter and YouTube, and to the LinkedIn platform where Merck US again made considerable use of the word “Merck”.
59. As the judge recorded at paragraph [39], Ms Ambrose explained that the words “Merck be well” are:
- “...a tagline that reflects our vision of a healthier world and is inspired by our brand ‘idea’ of our commitment and capacity to lead the world forward in health care.”
60. At the top of the homepage there were two rows of tags for hyperlinks to other important pages. The top row contained the tabs for the links “Home”, “Investors”, “Newsroom”, “Licensing”, and “Contact Us”. The second contained tabs for the links “About Us”, “Responsibility”, “Research”, “Products” and “Careers”. Each of these hyperlinks took the reader to other pages which bore the Merck logo and the tag line “Merck be well” and these had their own hyperlinks which led to yet further pages.
61. So, returning to the “merck.com” home page, a click on the “Responsibility” tab would take the reader to a page detailing the approach adopted by Merck US to corporate responsibility. Here was said, among other things, “Merck is committed to

discovering smart sustainable ways to expand global access to healthcare”. This had a hyperlink to the website “merckresponsibility.com”.

62. Following the hyperlink at the “Licensing” tab would take the reader to a page containing licensing information. It bore the “Merck be well” tag line and contained numerous other references to “Merck”. It also carried this explanation:

“Merck’s scientific scouts are stationed around the globe and easily within reach to discuss new opportunities...our scientific scouts work with you to determine if your discovery aligns with our areas of interests...We encourage you to click on the scientific scouts in your region to begin a conversation, by e-mail, about how we might work together”

63. As the judge recognised, various regions were identified. A reader interested in the UK, Ireland, Portugal or Spain was directed to Rob Pinnock BSc PhD in Hoddesdon, Herts. A click onto the tab for his hyperlink would present the reader with an automatic email addressed to licensingandbusinessdevelopment@merck.com with the subject “Scout message for Rob Pinnock”.

64. A click on the “User and Events” tab on the licensing page would take the reader to another page entitled “Our News and Events”. Here it was said that: “Merck is active in dealmaking worldwide”. Then, under the heading “Come and meet us at an upcoming event”, various events were listed, including one entitled “Biotrinity” in Newbury, Berkshire and another entitled “AngloNordic Biotech conference” in London. The judge explained that:

“41. ... At some such conferences attendees are provided with leaflets which direct them to the “Careers” tab on the merck.com website. An example is a lecture given by Mr Golestani (an employee of Merck US who was described in the promotional material as “Merck EVP and CIO”) at Imperial College London: the lecture contained numerous references to “Merck” (without any geographic designation) and concluded with a handout inviting attendees to visit the “merck.com” website.

42. Sometimes such lectures are accompanied by slide presentations. One example given in evidence (and not disputed) was a lecture given by Mike Rowley (the head of the Discovery Chemistry group at MSD Research GmbH Switzerland) at the Oxford Global 12th Annual Pharmaceutical Congress in September 2014. His lecture made frequent reference to “Merck” (not to “MSD” or to “Merck & Co Inc” plus geographical identifier) and was illustrated by slides making liberal use of the Merck mark. This was not an accident or oversight. Mr Rowley said that when referring to MSD in a scientific context he would routinely refer to “Merck” because it was more recognisable as a scientific organisation.”

65. One of the sub-urls accessible from the “merck.com” site was “jobs.merck.com”. The “Merck be well” tagline appeared together with various other references to “Merck”. There was a message at the bottom of the page: “Search by location” which stated “Search for jobs at Merck in the location that appeals to you”. There was also a map of the world. A reader clicking on the UK was presented with a list of the jobs available in the UK.
66. A reader of the home page at “merck.com” could also access a page entitled “Purchase order terms & conditions”. This in turn provided access to the applicable terms and conditions for a number of territories including the UK.
67. The “merck.com” homepage also provided hyperlinks to other pages containing a considerable body of information about products and services. The judge summarised this information and how the word “Merck” was used in relation to it in these terms:

46. From the main merck.com webpage is a link to a page bearing the “MERCK Be Well” logo headed “Products”, and listing vaccines, prescription products and prescribing information, oncology and animal health, and providing the link to “the Research Pipeline”. On the screenshot in the bundle there was a specific reference to FDA approval for “Merck’s HPV Vaccine GARDASIL to prevent cancers and other diseases caused by nine HPV types”.

47. Clicking on the heading “Vaccines” leads to another page bearing the “MERCK Be Well” logo, listing 13 vaccines produced by Merck US, and giving the prescribing information or patient product information, with further links to specific websites for those particular Merck US products.

48. Clicking on the heading “Prescription Products” leads to a page bearing the “MERCK Be Well” logo, giving information about 50 prescription products in key therapeutic areas. There are separate pages for products grouped under the headings “cardiovascular”, “endocrinology”, “immunology”, “infectious disease”, “neuroscience”, “oncology”, “ophthalmics”, “respiratory”, “urology” and “women’s health”. Clicking on one of those individual headings leads to a further page listing the Merck US products in each therapeutic area and giving the prescribing information (including some for different formulations), medication guides and patient, product or pharmacist information.

49. As well as information about products these links on the web page will take the inquirer to information about services which Merck US supplies. An example is the Merck Investigator Studies Program which is “open to all academic and community-based physicians and researchers worldwide who are interested in conducting their own research” (the investigators outside the US are told to submit their research proposals to “their local MSD office”, a reference to Merck

Sharp & Dohme limited, a subsidiary of Merck & Co Inc). A further example is the EngageZone (which provides secure communication and a compartmentalised collaborative work environment for Merck and its external business partners).

68. I must also refer to the “Terms of Use” page of the “merck.com” website where it was stated that “This website is maintained by Merck Sharp & Dohme Corp (“Merck”) and is intended for use by residents of the US and its territories who are 18 years of age or older”.
69. Turning now to the integrated sites “merckformothers.com”, “merckresponsibility.com”, “merckmanuals.com” and “mercknewsroom.com”, the judge summarised their use of the word “Merck” in these terms:

50. ... One of those is “merckformothers.com”. The homepage bears the strap-line “Merck for mothers. Committed to Saving Lives” and the “MERCK Be Well” logo, and the subsequent pages contain many uses of the word “Merck” which, if used as a contraction of the firm name or corporate name “Merck Sharp & Dohme” or “Merck & Co Inc”, do not have any geographical designation e.g

“Merck has a long history of dedicating itself to one overarching goal: improving people’s health and well being...Merck researchers continue to search for new ways to treat and prevent illness...At Merck, corporate responsibility is the cornerstone of our daily commitment to tackle the world’s biggest health challenges...”

Some of the information included is specific to the United Kingdom e.g. references to the British Pregnancy Advisory Service. However one of the pages dealing with the Global Giving Program states:-

“Merck, known as MSD outside of the US and Canada, recently established the Merck for Mothers Global Giving Program...”

51. Another integrated page is called “merckresponsibility.com”. It displays the “MERCK Be Well” logo and has a tab labelled “Responsibility at Merck”. It has an interactive world map, and if the cursor is placed over the United Kingdom some UK-specific information is provided. It has a hyperlink to the “merck.com” website.

53. Another integrated site is called “merckmanuals.com”. This is the vehicle for publishing and disseminating electronic versions of both the original Merck Manual (to the printed version of which I have earlier referred) which was directed at healthcare professionals, and the new work called “The Merck

Manual of Medical Information Home Edition” which is directed at consumers. There are no MSD Manual websites.

54. Another integrated site is called “mercknewsroom.com”. This carries the “MERCK Be Well” logo, and enables Merck US to exploit social media, maintaining a presence on Twitter, Facebook, YouTube and LinkedIn. Even where such social media affords the opportunity to impose a territorial restriction, Merck US does not avail itself of that option. Nor does it exclude users who are not based in the United States or Canada.”

70. The two websites located in the UK, “msd-uk.com” and “msd-animal-health.co.uk” also contained many references to “Merck”. In addition, a search for “msd.com” on a web browser would take the searcher straight to the “merck.com” website which was, until shortly before the trial, described as the “Global Website”. Moreover, a click on many of the tabs on the pages of the “msd-uk.com” website would activate a hyperlink which would take the reader straight to the equivalent pages on the “merck.com” website. So, for example, the hyperlink “Research:Pipeline” on the “msd-uk.com” website would take the reader to the Merck pipeline pages on the “merck.com” website. In addition, as the judge found at paragraph [56], a person enquiring about MSD products would be directed:-

“For scientific or medical enquiries about MSD products ... e-mail: medicalinformation@merck.com”

and

“If you are a healthcare professional and have an enquiry about the supply of MSD products... e-mail customerservice_msduk@merck.com”

71. Shortly before the trial, Merck US sent a letter to Merck Global. The letter, sent on 8 April 2015, set out the approach Merck US intended to adopt in the future in what it described as a spirit of cooperation and good faith and irrespective of the strict legal rights and wrongs of either party. It said it would:
- i) not advertise on websites or post on social media jobs for positions located outside the USA and Canada under the sign “Merck” alone;
 - ii) when linking from websites intended for residents of the USA and Canada, use “pop-ups” to indicate that the user is leaving the original website;
 - iii) remove the contact details on “merck.com” for individuals in its licensing and business development organisation who were employed by affiliates outside the USA and Canada;
 - iv) place a clear notice on any website permitting subscriptions or signing up that such site was intended for the residents of the USA and Canada;
 - v) not solicit on websites intended for residents of the USA and Canada attendance at events to be held in countries outside the USA and Canada;

- vi) not include on websites intended for residents of the USA and Canada terms and conditions specific to other countries;
 - vii) on websites intended for residents of countries outside the USA and Canada, not use “Merck” other than as “Merck Sharp & Dohme” or as part of a firm or corporate name with words which identified it geographically with the USA or Canada, and not use “Merck” alone in metadata;
 - viii) when providing a link from sites intended for residents of countries outside the USA and Canada to sites intended for residents of the USA and Canada, use “pop-ups” to indicate that the user was leaving the original website; and
 - ix) in relation to presentations held in the UK, not use “MERCK” other than as “Merck Sharp and Dohme” or as part of a firm name or corporate name with words which identified the entity geographically with the USA or Canada.
72. The judge noted, correctly, that this letter did not constitute any kind of admission but he found it useful as an indication of those areas where it appeared to be accepted that conflict existed and it helped to shape the argument before him. As I shall explain, it was also relevant to the question of relief.

Procedural irregularity – clause 7

73. Merck US contends that the findings of Norris J and his order extend beyond the parameters of the claim raised for adjudication. It is said that those claims provided no basis upon which relief could be claimed or granted for breach of any provision of the 1970 Agreement other than clause 7. Nevertheless, the argument continues, the judge’s findings and his consequential order relate to other clauses of the agreement. This was impermissible and unfair.
74. Before addressing this ground of appeal and Merck Global’s response to it, I must outline the nature of the pleaded case of breach of the 1970 Agreement, the written and oral arguments developed by the parties at trial and the relevant findings of the judge.
75. The particulars of claim in their re-amended form detailed the various activities of Merck US about which complaint was made. It was said that these activities had been targeted at or had taken place in the UK and that all of them amounted to an infringement of Merck Global’s registered trade marks. It was also asserted:
- “48. The uses of the sign Merck in the United Kingdom as detailed in paragraphs 11 to 37 above [all the acts complained of] are breaches of clause 7 of the Agreement.”
76. That was the claim that Merck US met in its amended defence. It contended, among other things, that, under German law, the expressions “trademark”, “firm-name”, “corporate name” and “trade name” as used in the 1970 Agreement and 1975 Protocol were to be interpreted by reference to the legal regime applicable at the time; that the term “trademark” meant a mark which distinguished the goods of one trader from those of another (and so did not encompass a mark used to distinguish the services of one trader from those of another); and that none of the uses complained of constituted

“use of the trademark[s] “Merck”...” as prohibited by clause 7. The allegation of breach of clause 7 was denied.

77. In its re-amended reply and defence to counterclaim, Merck Global contended (at paragraph 8) that the “parties to the 1970 Agreement recognised that the Claimant [Merck Global] was entitled to use the word “Merck” as a trademark or name in all countries of the world apart from the United States and Canada”; and (at paragraph 10A) that the “intention of the parties in entering into the [1970] Agreement was to resolve existing disputes between the parties with regard to the use of the sign MERCK and govern future use across the world of the sign MERCK”.

78. The parameters of the claim were also outlined to the court in the parties’ opening written submissions. Introducing the claim, Merck Global argued:

“5. In the circumstances this is a claim for breach of contract (specifically breach of clause 7 of the 1970 Agreement) by the First Defendant, and infringement of registered trade marks, in respect of the use by the Defendants of the sign MERCK in the United Kingdom. ... Whilst, in the Claimant’s submission, both causes of action lead to the same result (i.e. breach and infringement) and there are overlapping issues, they are entirely distinct jurisprudentially and each needs to be considered in its own right.”

79. Then, in considering whether the acts complained of in the particulars of claim constituted a breach of the 1970 Agreement, Merck Global referred to the negotiations as recorded in the contemporary documents and submitted:

“77. The intention of the parties as explained in these documents is then reflected in the 1955 and 1970 Agreements. Those agreements do not make any distinction on the basis of different types of products/fields of use, as is common in many co-existence agreements. Rather, the division of rights is solely geographic. Outside the US and Canada, Cuba and the Philippines, Merck & Co. [was] not given any right to use the word MERCK on its own. Such permission as it had was confined to the limitations of clauses 4 and 5 as then reflected in clauses 6 to 11. Had the parties been asked whether Merck & Co., Inc was entitled to use the sign MERCK on its own in “all other countries” outside the US, Canada, Cuba and the Philippines, the answer would have been ‘plainly not’.”

80. Later, it continued:

“85. First, it is important to note that the Defendants do not claim, and cannot claim, that the uses complained of fall within clause 5 of the 1970 Agreement, which expressly addresses permissible company name use by Merck & Co. ... The parties have turned their mind to the types of trade names and corporate names that the Defendants are entitled to use outside the US and Canada. The uses complained of are completely

different to the uses that the parties considered acceptable. It is not just that they do not fall specifically within the permissible uses in the 1970 Agreement, they also fail to meet the principle according to which clause 5 has been drafted. They are uses of MERCK alone without any indication of incorporation or any geographical indicator (much less a geographical indicator that is given equal prominence).

86. Second, and approaching the matter more generally, the issue of trade mark use by the Defendants (which is the premise of the breaches of clause 7) has to be judged as at the date of the alleged breaches and hence is to be decided under the Trade Marks Directive. The uses complained of in the present case are uses in relation to goods and services, as that requirement has been interpreted by the CJEU.”

81. For its part, Merck US argued:

“154. DE Merck alleges that US Merck has breached Clause 7 of the 1970 Agreement which provides that [the clause is then quoted].

155. The claim is for breach in the UK upon the basis of the acts which are relied upon in support of DE Merck’s claim of infringement of its Trade Marks, the self-same acts being relied upon in support of its claim for breach of the Agreements: see paragraph 48 of the Re-Amended particulars of Claim ...”

82. In its closing written submissions, Merck Global repeated, at paragraph [90], the substance of paragraph [77] of its opening submissions (set out at [79] above) and continued, in connection with the last sentence of paragraph [90]:

“91. This latter sentence was, with respect, misunderstood by the Defendants during their oral opening. The issue is not one of implied terms, a concept of English law, but rather a question of the intention of the parties, objectively assessed. That is highly relevant under German law.”

83. Then, at paragraph [92], Merck Global made this submission about domain names:

“92. ...

a. The Defendants’ submission confuses the question of the mark being used with the particular use made of it. Clause 7 of the 1970 Agreement extends to all underlying uses of the mark MERCK. Therefore, use of the mark MERCK as a domain name is covered absent some express exclusion, which does not exist.

b. Mr Matutaikis was perfectly clear that the parties had treated the Agreement as extending to domain names. Indeed, the

Defendants had transferred or cancelled domain names when they were complained about as breaches of the 1970 Agreement. ...

c. The context of this discussion was in circumstances where Merck & Co., Inc. had sought to expand the 1970 Agreement to cover other company names that they might choose in the future but failed to achieve this. The parties' subsequent conduct showed that when considering uses of names and/or marks that were developed after the 1970 Agreement, they closely followed the principles of the agreement. In particular, no name could be adopted in the opposite party's territory that did not include a combination of words in addition to MERCK and that did not have a clear geographical indication. ..."

84. Finally, albeit in the context of trade marks for services, Merck Global argued:

"103. The problem with the Defendants' submission is that it assumes the premise that it seeks to prove. As pointed out by Professor Bornkamm in his second report ... all signs under German law have the same function of indicating origin and there was no clear line between the use of a trade mark and use of a company name in 1955. Furthermore, as explained in his First Report... the German Court would consider relevant what the fields of conflict were in the time preceding the agreement and other relevant factors that would indicate the parties' intentions."

85. I must also say a word about the parties' oral closing submissions. Mr Henry Carr QC (as he then was), representing Merck Global, focused on breach of clause 7 by use of the word "Merck" as a trade mark. For example, this interchange took place on day 5, at page 85:

"MR JUSTICE NORRIS: Exactly. It is just easier for me to think in English law terms to put the points to you. If the question is purely one of interpretation of the 1970 Agreement, then one has to reach the conclusion that, for example, the use of merck.com as an address is trade mark use. Is that right?"

MR CARR: Yes."

86. On day 5, at pages 592 to 593, in discussing relief, the judge put these questions to Mr Carr:

"MR JUSTICE NORRIS: So you would not be entitled [to] an injunction to stop all use of the merck.com

MR CARR: No, only in relation to goods and services, pharmaceutical goods and services, chemical goods and services. That is how it is being used of course, but if it was being used in some other way, that might be different.

.....

MR JUSTICE NORRIS: just before you leave this, I am right that you only complain about a breach of clause 7 of the agreement?

MR CARR: yes, because that says “discontinue all use of the trade marks MERCK ...”

87. Mr Geoffrey Hobbs QC, representing Merck US, drew the attention of the judge to the various kinds of use by Merck US of the word “Merck”, including its use in connection with the notification of the availability of employment opportunities on a jobs.merck.com webpage, in email addresses and on social media, and what Merck US claimed to be parallel use by Merck Global in the USA. He continued (on day 5, at pages 659 to 660):

“Now, this is where, as I said to you when I got up before the short adjournment to address your Lordship, we simply do not know any longer, we do not, anyway, know where we are on the practical interpretation, operation and effect of these ancient agreements in the year 2015, especially when you have to take account of conduct and work out intentions and all these things according to fairly flexible German principles. We do not know where we are.

Therefore, when I stand up on behalf of my clients and I address your lordship and I am saying no breach and when I am saying there is co-existence built up around and about and under these agreements, I am doing this because my clients really do wish to know where they are on these points.”

88. Then, at page 628, Mr Hobbs submitted as follows:

“As my Lord has observed, the claim, and the only claim, on the contract is for breach of clause 7. That is the prohibition clause, and they are alleging that there has been a violation in the United Kingdom of the provisions of that clause.”

89. I can now turn to the approach and reasoning of Norris J. At the trial he had the benefit of hearing evidence from two expert witnesses on German law, Professor Dr Joachim Bornkamm for Merck Global and Professor Ansgar Ohly for Merck US. The judge found them both to be excellent witnesses and in substantial agreement as to the relevant principles to be applied in construing a contract. These principles, founded upon sections 137 and 157 of the German Civil Code (the Bürgerliches Gesetzbuch or BGB), were set out by the judge at paragraph [61], essentially in the following terms:

- i) The words of a contract are not to be construed in isolation but in the context of the contract as a whole.
- ii) Contracts are to be interpreted and applied with reference to principles of “good faith” taking into consideration customary practice.

- iii) The German court will seek to ascertain objectively the true intention of the parties, not considering itself bound to adhere to the literal meaning of the words in which the contract is expressed: see section 133 of the BGB. The idea is that, in order to find out the meaning of a term of a contract, the court goes back to the individual behaviour or statement that led to the incorporation of the term in the contract. This is not the same as starting with the words of the contract and using the factual matrix as an aid to construing unclear expressions: German courts are much more ready than English courts to go beyond the wording of a contract.
- iv) When assessing “intention” it is the viewpoint of the recipient of any statement which is the important viewpoint for interpretation: how was the matter reasonably understood by the person to whom the statement was made?
- v) As part of that process the German court will consider what led to the contract (Professor Bornkamm referred to this in his written evidence as “the function of the contract”, and addressing the particular circumstances of this case in oral evidence called it “the conflict which led to the agreement”).
- vi) The German court can also consider the subsequent behaviour of those who negotiated the bargain to see what light it sheds on their objectives when negotiating; but (i) nothing that happened afterwards can change the objective content of the contract when agreed; and (ii) the more distant the subsequent behaviour from the negotiation of the bargain the less light is likely to be shed.
- vii) Once the objective intention of the parties at the time of the bargain is ascertained then the meaning of the words must go according to that intention: the meaning is not elastic.
- viii) Once the objective intention of the parties at the time of the bargain is ascertained then both parties are under an obligation to support the purpose of the contract and to desist from all activities that might endanger its achievement. Thus each party must respect and act in consideration of the other party’s interests under a contract.
- ix) In the instant case a German court would be likely to take the view that (i) the parties wanted to get rid of the conflicts which existed; (ii) (obviously) their interests in these conflicts were not mutually consistent; (iii) they sought a coexistence agreement to build a framework for the future so that they could organise themselves to grow their businesses and to prosper; and (iv) as part of that coexistence they might have had to give in or withdraw from certain activities even if that was not in their basic economic interests.
- x) It may be that a contract is not sufficiently explicit to cover a particular situation. In these circumstances a German court will use the foregoing interpretive tools to see whether it may be read as covering the particular situation.
- xi) If the contract cannot be read as addressing the particular situation, then there may be an “unintentional gap”. The German court then enquires by way of supplementary construction (“ergänzende Vertragsauslegung”) what the parties

would reasonably have agreed upon had they thought of the situation. Without changing the meaning of the original contract its terms may by analogy be carried over to cover the unintentional gap. So when a new technology comes along the court analogises from what was the agreed position to what is now the position. For example, the advent of CDs would be covered by an earlier agreement about vinyl records. But this technique cannot be used to contradict the intentions of the parties as interpreted by the court and must not “extend the obligations of the parties”.

- xii) If there is a subsequent contract (such as the 1975 Protocol) relating to an earlier contract (such as the 1970 Agreement), then the later contract affects the operation of the earlier contract going forward but does not of itself alter the meaning of the original contract (unless it fairly falls into the category of subsequent behaviour which sheds light on the original intention).
 - xiii) The principle of approaching interpretation from the standpoint of the recipient of the statement would incline a German judge not to confine references to “trade marks” to such marks according to either German or American law then current, and such a judge might well find assistance in relevant international conventions.
90. The judge then applied these principles to the interpretation of the 1970 Agreement. In summary, he reasoned as follows. First, the agreement was intended to settle current disputes and to provide for the unlimited future what uses might be made by the parties of their corporate names and of the mark “Merck” throughout the world.
91. Secondly, the 1970 Agreement was essentially a formal restatement of the 1955 Agreement which had itself evolved from the revocation of the 1932 Agreement by the 1945 consent decree. All of these agreements secured for Merck US permissions to do what it might not otherwise have established a right to do having regard to Merck Global’s position as senior user, and constituted a restriction upon Merck Global’s right to complain. As the judge put it at paragraph [64]:

“A key purpose of the 1970 Agreement was to grant to Merck US those defined permissions: the purpose was not to recognise the existence of a “free-for-all” determined by economic muscle power ...”

92. Thirdly, it did not necessarily follow from the fact that the 1970 Agreement gave permission to do certain acts that other acts were forbidden. It was instead necessary to look at the agreement as a whole and determine what restrictions were implicit in the permissions granted to the other party. The judge continued at paragraph [65]:

“65 ... It was implicit in the 1970 Agreement (and did not need to be spelt out) (i) that Merck US could seek to trade outside the US and Canada under firm or corporate names other than “Merck Sharp & Dohme” and “Merck & Co Inc” and there to use a mark other than “Merck”, and (ii) that whether it would be permitted to do so would be the subject of discussion as to whether the proposed new uses were equally as well distinguished from Merck Global’s expressly recognised names

and marks as those Merck US was granted permission to use in the 1970 Agreement. But this flexibility was not obviously such as to permit Merck US to use the simple word “Merck” as a contraction of its permitted names and as a stand-alone identifier.”

93. Fourthly, the 1970 Agreement did not seek to establish a regime for everything. It did not impose any restrictions as to what names or marks Merck US might adopt in the future. This was an intentional gap. But that did not mean that the agreement was not otherwise intended to be comprehensive. Importantly, its purpose was to govern as between the parties the use of the word “Merck” as or as part of a name or mark throughout the world.
94. Fifthly, Merck Global recognised that in countries other than those (the USA, Canada and Germany) for which specific provision had been made, Merck US could use “Merck Sharp & Dohme” as a business name or as a trade mark. Merck Global had no objection to the acronym “MSD” but that did not establish a principle that other contractions were acceptable.
95. Sixthly, in countries other than the USA, Canada and Germany, Merck US could use as all or part of a firm or corporate name the term “Merck & Co Inc” provided that it was given a geographical identifier of equal prominence. But this implicitly restricted the use of the word “Merck” alone, as the judge explained at paragraph [68]:

“68 ... This implicitly restricted the use of the word “Merck” alone as a contraction of the firm name or corporate name of Merck US since the purpose of the contract was to ensure that when Merck US used a trade name or corporate name including the word “Merck” (but which was not “Merck Sharp & Dohme”) it had to be clear to the reader that the entity so referred to was located in the USA: and Merck US was obliged to desist from anything that might endanger the achievement of the purpose of clauses 6 and 7 of the 1970 Agreement.”

96. Seventhly, the requirement of equal prominence had been addressed in part by the 1975 Protocol but this did not deal with use of the kind that arose in 1964 with the “An Ihren Fruchten ...” publication where the geographical identifier was not used on every occasion but appeared in the front of the document. The judge continued at paragraph [69]:

“69 ... The German Court is likely to require substantial though not a literal compliance with the requirement to use a geographical identifier of equal prominence when Merck US uses a name including the word “Merck”. Substantial compliance would be achieved by the placement of the requisite designation in positions of prominence where it is likely to be seen (the number of which will vary with the nature and length of the document) coupled with sufficient internal reference to it within the document itself to draw it to the attention of those who may otherwise have overlooked it. The objective of the 1970 Agreement (as clarified by the 1975

Agreement) was that every reference to a Merck US corporate name incorporating the word “Merck” should have a geographical identifier: and that is what must be substantially achieved by any alternative arrangement.”

97. Eighthly, clause 6 recognised the entitlement of Merck Global to use the word or mark “Merck” on its own or as part of larger mark or name and clause 7 required Merck US to discontinue all use of the trade mark “Merck”.
98. Ninthly, the 1975 Protocol dealt with visiting cards and stationery, among other things, and this shed some light on how strictly the parties understood the terms of the 1970 Agreement.
99. The judge then expressed his conclusion at paragraph [83], finding that the 1970 Agreement restricted the use by Merck US in the UK of the word “Merck” not just as a trade mark but also as a company or trade name:

“83. ... In my judgment according to German law:

- a) the use in the UK of the word “Merck” alone by Merck US as a contraction of the full trade name and without a geographical identifier is a breach of the 1970 Agreement;
- b) the use in the UK of the word “Merck” by Merck US as a trade mark is a breach of the 1970 Agreement.”

100. Nevertheless, the judge revisited this issue when considering whether Merck US had acted in breach of the agreement. I will come to the question of breach later in this judgment but it is important at this stage to draw together all of the judge’s conclusions and reasoning on this aspect of the agreement’s proper interpretation. The judge’s further reasoning appears at paragraphs [90] to [95]:

“90. The use of the Merck name alone as a firm or corporate name is not a use that is permitted by the 1955 or the 1970 Agreements. These Agreements addressed in detail the use of the corporate or firm names of Merck US, identifying them and specifying that they could only be used with geographical identifiers of equal prominence. Using the word “Merck” on its own as a contraction of the full name is not such use.

91. By clause 6 of the 1970 Agreement Merck US agreed that Merck Global was entitled to use the word “Merck” as a name in the rest of the world (provided only that it was not used in a way confusingly similar to “Merck Sharp & Dohme” or to “Merck & Co Inc” plus geographical identifier). Having regard to the function of the contract and the obligation upon Merck US to desist from all activity that might endanger the purpose of the contract, the German law reading of the 1970 Agreement compels the conclusion that the contraction of Merck US’s corporate name to “Merck” is not only not permitted, but is also forbidden.

92. No credible argument can be advanced that “Merck” on its own as a trade name is simply a new name for which the 1955 and 1970 Agreements did not provide and which was to be the subject of further discussion. What Merck US sought to preserve at the time of the 1955 and 1970 Agreements was the possibility of “...using other names and marks containing (*sic*) “Merck”...”: and the provision it sought to include (but which was deliberately omitted, thereby leaving an intentional gap) was the right to use future names or marks that were equally well distinguished from Merck Global’s names and marks as was “Merck Sharp & Dohme” itself. A German Court looking at “the function” of the contract would say that it was directed to governing the use of the critical word “Merck” and that neither party understood that the use of the word “Merck” as a standalone description of Merck US remained “up for grabs”.

93. Nor do I think that any credible argument can be advanced that the use of the word “Merck” as a description of Merck US or as a contraction of its corporate name is permitted if the technique employed in “An ihren Fruchten...” is by analogy applied. The 1970 Agreement (which post-dates that publication) required any mention of the Merck US corporate name to be accompanied by a geographical identifier of equal prominence. The 1975 Protocol clarified that an identical font size was not required, but only a font size in reasonable proportion to (and in close proximity to) the corporate name when used. In its publication “An Ihren Fruchten...” Merck US pushed the boundaries of the 1955 Agreement (to which Merck Global did not expressly assent) by incorporating a single general statement of the geographical identifier at the beginning of the publication accompanied by a number of clear internal references compliant with the full obligation.

94. The suggestion that by analogy a single reference on the website in the easily avoidable “Terms of Use” which defines “Merck” as “Merck Sharp & Dohme” should be treated as compliant with the contractual obligation is not maintainable. I am satisfied that a German Court would not regard that as compliant with the contractual obligation having regard to the function of the 1970 Agreement (as interpreted by the 1975 Protocol). In no sense is the identifier given “equal prominence” and it is plainly not in “close proximity”. It has actively to be sought out amongst footnote links and is only to be found in an unusual location. The “Terms of Use” is not the obvious place to look for the identity of the web-page proprietor. A comparison may be made with the approach of the German Court (the Senate) in Peek & Cloppenburg 738 GRUR 2010 to which I later refer.

95. In my judgment the use of the term “Merck” as a name to identify Merck US outside the USA, Canada and associated territories is a breach of the 1970 Agreement.”

101. As I indicated at the outset of this judgment, the judge provided his judgment in draft to the parties in advance of hand down in order to give them an opportunity to identify any typing corrections or obvious errors. He indicated that he proposed to hand it down on 17 December 2015. Upon receipt of the draft, Merck US had some immediate anxieties, one of which related to the counterclaim for revocation for non-use, and so it sought a short postponement to enable it properly to consider its concerns with its solicitors, Linklaters LLP. The judge acceded to that request. By an email dated 4 January 2016, Linklaters made clear that Merck US would be seeking to appeal against the findings made by the judge on the counterclaim for revocation, and then developed two further concerns: first, that the claim for breach of contract was limited to breaches of clause 7 of the 1970 Agreement and yet the draft judgment appeared to make findings about breaches of other provisions or implied terms, none of which was in contention; and secondly, that the claim was concerned only with matters alleged to have taken place in the UK.
102. The judge responded to these points in the judgment which he handed down on 15 January 2016, most importantly by including an annexure which deals in detail with the counterclaim for revocation and, at paragraph [72], an explanation of his approach to breach of the 1970 Agreement. That explanation reads:

“72. When I circulated this judgment in draft Merck US objected that my sixth and seventh findings relate to matters that were not in contention in the proceedings and that Merck Global’s pleaded case related only to breaches of clause 7 of the 1970 Agreement. But it is in my judgment necessary to record these findings (a) because the argument at trial ranged wider (presumably to some purpose) and in particular addressed both the significance of Merck US’s 1955 refusal to trade only under the name “Merck Sharp and Dohme” and the “An ihren Fruchten..” point: (b) because Mr Hobbs QC began his closing speech by explaining that his clients did not in 2015 know where they were in relation to the 1970 Agreement or where the interface between contract and infringement was (asking amongst other things: “Can we have a website and web address “merck.com”? Can we use “Merck” and “Merck Sharp & Dohme?”): and (c) because the intended operation of agreement has to be seen as a whole, and understanding the operation of clause 6 in the context of this dispute informs the approach to the operation of clause 7.”
103. Merck US raised the issue of clause 7 again at the hearing on the form of order but the judge chose not to expand upon his judgment in any way.
104. Upon this appeal Merck US has been represented by Mr Geoffrey Hobbs QC and Mr Guy Hollingworth. Founding himself on the pleadings and the written and oral submissions to which I have referred, Mr Hobbs argues as follows. Merck Global’s case against Merck US for breach of the 1970 Agreement was based entirely upon

clause 7. Yet the judge's sixth and seventh findings in paragraphs [68] and [69] of the judgment relate to other clauses, namely clauses 5 and 6. Further and having correctly recorded at paragraph [65] that it does not necessarily follow from the fact that the 1970 Agreement grants permission to do certain things that what is not permitted is forbidden, the judge made findings of implicit restrictions upon the use of firm or corporate names. But it had never been asserted that Merck US had acted in breach of any implied or implicit terms, and German law concerning implied or implicit terms had not been addressed by the expert witnesses.

105. Further, Mr Hobbs continues, the judge found, at paragraph [83] of the judgment, breach of the 1970 Agreement by US Merck by (a) the use in the UK of the word "Merck" alone as a contraction of the full trade name and without a geographical identifier; and (b) the use in the UK of the word "Merck" as a trade mark. The former had never been raised as an issue in the proceedings and it was not before the court for adjudication.
106. Mr Hobbs submits that, in so doing, the judge has acted in breach of the requirements of natural justice and in breach of Article 6 of the European Convention on Human Rights and Article 47 of the EU Charter. Specifically, the judge has given judgment holding US Merck liable for breach of contract on the basis of contractual provisions other than clause 7 of the 1970 Agreement and has found that Merck Global is entitled to injunctive relief despite (i) having presided over a trial in which it was repeatedly confirmed to him that Merck Global raised no claim for breach of any provision other than clause 7; (ii) the parties not having had an opportunity to prepare for a case based on any provision other than clause 7; (iii) having been notified on 4 January 2016 that he was proposing to make findings about matters that were not in contention; and (iv) not giving the parties an opportunity to be heard. Mr Hobbs submits that, overall, the course adopted by the judge was manifestly unfair.
107. Merck Global has been represented upon this appeal by Mr Adrian Speck QC and Mr Benet Brandreth. Mr Speck accepts that the case was pleaded as one of breach of clause 7 of the 1970 Agreement but submits that the issue to which this gave rise was whether Merck US was precluded from using the word "Merck" as a contraction of its full name or as a trade mark in the UK. The German law relevant to this issue was, says Mr Speck, fully explored and the judge then applied that law correctly in construing the agreement. He contends that the approach adopted by the judge is unimpeachable.
108. I should say straight away that I accept the essential legal propositions and principles which underpin Mr Hobbs' submissions. It is not fair to decide a case on the basis of an issue which has not been pleaded and of which the parties have not had notice. Nor is it fair to decide the case upon the basis of a point which has not been argued unless (save in exceptional circumstances) the parties have been given a fair opportunity to deal with it. Lord Neuberger MR explained these principles in *Murphy v Wyatt* [2011] EWCA Civ 408, [2011] 1 WLR 2129 at paragraphs [13] to [18]:

"13. ... I should say something about the proper approach for a judge to adopt when he is proposing to decide a case on the basis of a point which was not argued, or in a way or to an extent which is more favourable to a party than the case which that party advanced in court.

14. The first point to make is that, at least as a matter of principle, a judge is entitled to take such a course. After all, a judge must decide a case according to the facts and the law as he believes them to be. Accordingly, subject to any particular reason to the contrary in the particular case, there is no reason for objecting in principle to a judge taking such a course.

15. Secondly, however, there may be particular reasons why such a course is not open to the judge in a particular case. For instance, the course he wishes to take may not be open on the pleadings, or it may be precluded by virtue of a concession which has not been, or cannot be, withdrawn. Equally, a finding of primary fact, or even a finding of secondary fact or an assessment of a witness or expert evidence, may simply not on analysis be open to the judge on the evidence before him.

16. Thirdly, whether or not the point turns out to be open to the judge, it is clear that, save perhaps in very exceptional circumstances (which I find it very hard to envisage), he must ensure that the parties are given a fair opportunity to deal with the point. If the point is on analysis a bad one, it is fairer to the parties and less embarrassing for the judge that this is established before the judgment is available, rather than the parties either having a hearing at which the judge has to withdraw or amend the judgment or suffering the delay and expense of an appeal.

17. But there is an even more important reason for the requirement that the parties are given a proper opportunity to deal with the judge's point, namely procedural fairness. It is simply unfair on a party if she loses a case because of a point thought up by the judge, which she or her representatives have not properly been able to address. In this case a major factor which (if I may say so, correctly) influenced Mummery LJ when giving the defendant permission to appeal was that her representatives stated that they had not been given a proper opportunity of dealing with the two reasons advanced by the judge for holding that the 1983 Act did not apply.

18. How a judge ensures that parties have an opportunity to deal with a point which he has thought of must depend on the circumstances. If the point occurs to him before or during the hearing, he should obviously raise it in court in clear terms with the parties, ideally ensuring that it is reduced to writing, and give the parties a fair opportunity to deal with it. Sometimes it can be fully disposed of at the hearing; on other occasions it may be only fair to give the parties time, and subsequent written submissions may be the appropriate course. If the point occurs to the judge after the hearing, it would, I think, normally be sufficient if he writes to the parties or their representatives, giving them the opportunity of dealing with the point in written

submissions (sometimes with the opportunity for counter-submissions). Occasionally, a further hearing may be appropriate, but it would normally be disproportionate.”

109. I must therefore begin with the parties’ pleaded cases. I have set out the material details of these at paragraphs [75] to [77] of this judgment. Importantly, Merck Global alleged in its particulars of claim that Merck US had acted in breach of clause 7 of the 1970 Agreement by carrying out the activities of which full details were given. Put another way, the uses of the sign “Merck” set out in the particulars of claim were said to constitute a breach of clause 7 irrespective of whether they constituted use of the sign in a trade mark sense or amounted to an infringement of Merck Global’s registered trade marks. This was the case that Merck US met in its defence and counterclaim and it led to Merck Global’s reply and defence to counterclaim in which it asserted that it was the shared intention of the parties that the agreement would resolve existing disputes about the use of the word “Merck” and govern the future use by the parties of that word around the world. I therefore reject the submission (so far as it is made) that the use by Merck US of the word “Merck” other than as a trade mark was not in issue on the pleadings. Its use was said to amount to a breach whether it was used as a trade mark or not. Conversely, however, I accept that it was alleged that such use constituted a breach of clause 7 only. Neither the particulars of claim nor the reply and defence to counterclaim asserted a breach of any other clause.
110. The written arguments presented at the trial reinforce the points I have made immediately above. I have set out what are, to my mind, important aspects of these arguments at paragraphs [78] to [84] above. Merck Global asserted in its opening submissions that its claims for infringement of registered trade mark and breach of contract were separate and distinct although they both arose from the use by Merck US of the word “Merck” in the UK. It also argued that Merck US was not entitled to use the word “Merck” on its own outside the USA, Canada, the Philippines or Cuba, and that was so irrespective of how it might be used. Consistently with this positive assertion, it was argued that the uses complained of constituted use of the word “Merck” without any geographical indicator and fell outside the scope of the permissions contained in clause 4 (relating to use of the word “Merck” as or as part of a trade mark) or clause 5 (relating to the use of the word “Merck” as or as part of a corporate or business name). I am conscious that Merck Global also asserted (at paragraph [86]) that trade mark use was “the premise” of clause 7. But this must be seen in context: clause 7 clearly does cover trade mark use and I do not believe that Merck Global was here qualifying the breadth of the case it was advancing.
111. In its closing written submissions, Merck Global reiterated and developed the arguments it had made in its written opening submissions. It emphasised that clause 7 applied to all uses of the word “Merck”, including its use as a domain name. It also contended that, under German law, this clause must be interpreted having regard to the true intention of the parties, objectively assessed, and that its case did not depend upon any doctrine of implied terms of a kind familiar to English lawyers. What is more, it referred to the expert evidence of Professor Bornkamm that, at the time of the 1955 Agreement, there was no clear distinction under German law between the use of a word as a trade mark and as a company name.
112. I have also given careful consideration to the oral submissions made on behalf of the parties at the trial, including those made by Mr Carr in his closing submissions on

behalf of Merck Global. As I have explained, Mr Carr focused on Merck Global's case that the uses complained of constituted use of the word "Merck" as a trade mark and so constituted a breach of clause 7. But I do not understand him to have qualified or withdrawn the broader assertions of breach of clause 7 by the use of the word "Merck" as detailed in the pleadings and written arguments, nor to have conceded that clause 7 is concerned only with use of the word "Merck" as a trade mark. I have considered too the oral submissions made by Mr Hobbs. It is true that he submitted that Merck US really wished to know where "it was" in relation to the interpretation of the 1970 Agreement. But just as I do not think Mr Carr was making any concession in his closing oral submission, so also I do not think that Mr Hobbs was conceding that the claim against Merck US could be in some way expanded. Nevertheless, I think the judge was entitled to conclude that the breadth of the case set out in the pleadings was being maintained.

113. That brings me to the judgment. I have set out the important findings made by the judge. He has held, supported by full reasoning, that the 1970 Agreement, construed in accordance with German law, precludes the use in the UK by Merck US of (a) the word "Merck" alone as a contraction of its full trade name and without a geographical identifier; and (b) the word "Merck" as a trade mark. The judge has not expressly tied the first of these findings to clause 7 but I believe that this finding was made in relation to an issue that was before the court for adjudication. It arose on the pleadings; it concerned the uses set out in the particulars of claim; and it was developed by Merck Global in its written opening and closing submissions.
114. Is it material that Merck Global only alleged that the activities complained of constituted a breach of clause 7 and that the judge has not expressly tied the first of his findings to this clause? I do not think that it is. He arrived at this finding not by way of the implication of a term in accordance with any principle of English law but by having regard to the matters he was required to consider under German law, including: the 1970 Agreement as a whole; the true intention of the parties; the negotiations leading up to the 1955 Agreement; the object of the agreements; the conduct of the parties after the 1955 Agreement and then the 1970 Agreement; the obligation upon the parties to desist from anything that might endanger that object; and a consideration of whether the uses complained of fell into an intentional as opposed to an unintentional gap. Moreover, it seems to me that the judge's findings are properly referable to clause 7 when interpreted in accordance with German law. It is the only clause which contains a restriction on use and its interpretation, as part of the agreement as a whole and in accordance with German law, led the judge to the conclusion he reached.
115. Furthermore, I am satisfied that Merck US has not suffered any prejudice as a result of the judge proceeding in the manner he did. Nor was the judge's finding unfair. Merck Global contended that the uses complained of amounted to a breach of the agreement irrespective of whether they constituted trade mark use; the parties provided disclosure of all relevant documents and those documents spoke for themselves; the experts considered (and were largely agreed as to) all aspects of German law which touch and concern the judge's reasoning; and I am wholly unpersuaded that the course taken by the judge has deprived Merck US of an opportunity to adduce any further evidence or advance any further argument which might have affected the outcome.

116. In paragraph [72] of his judgment, the judge addressed the objection raised by Merck US upon seeing the draft judgment to his sixth and seventh findings summarised at paragraphs [95] and [96] above. The judge rejected that objection for the three reasons he gave. I detect no inconsistency between these reasons and those which I have given in addressing this ground of appeal.
117. I would therefore reject this ground of appeal. Whether the judge was right to arrive at the conclusion that the 1970 Agreement restricts the use of the word “Merck” alone as the name of a business or entity, a domain name or an email address is another matter. This forms the subject matter of the next ground of appeal which I must now consider.

Does clause 7 apply to entity names, domain names and email addresses?

118. Mr Hobbs has vigorously attacked the judge’s findings as to the proper interpretation of the 1970 Agreement and, before it, the 1955 Agreement. He submits that from the time of the consent decree in 1945, the parties recognised that a distinction was to be drawn between the use of the word “Merck” as the name of a firm and its use as a trade mark. The insistence by the parties on this distinction is, he says, evident from the correspondence between the parties and their internal memoranda in the 1940s and 1950s; the terms of the 1955 Agreement; and the explanation of the 1955 Agreement given by Merck US to Judge Forman (the judge in the New Jersey District Court dealing with the matter) at the hearing before him in October of that year. It is clear from the transcript of the hearing, says Mr Hobbs, that the distinction between the use of the word “Merck” as a firm name and as a trade mark was fundamental to the judge’s agreement that the 1945 consent decree could be modified so far as necessary to allow the parties to enter into the 1955 Agreement.
119. All of these matters are, Mr Hobbs argues, relevant to the proper interpretation of the 1955 and the 1970 Agreements because, as a matter of German law, it is appropriate to have regard to the areas of conflict which the agreements were intended to resolve and also to the parties’ understanding of the meaning of the terms they used.
120. Mr Hobbs continues that, by adopting the precise terminology which they did and with which they were familiar, the parties put in place a regime which avoided the mischief of the 1932 Treaty Agreement which had been the target of the antitrust complaint and the like of which the parties were forbidden from entering into by the terms of the 1945 consent decree. The last thing the parties could have intended or that the US court would have permitted was their entry into an agreement which recognised that each party was entitled to use the name “Merck” but also prohibited them from using that name in each other’s territory regardless of the context or manner in which it might be used. That would have reinstated the prohibited 1932 Treaty Agreement, the effect of which had been unlawfully to partition the markets.
121. Seen in this way, submits Mr Hobbs, US Merck’s undertaking in clause 7 to cancel all registrations, withdraw all applications and discontinue all use of the trade mark “Merck” was intended and understood by both parties to relate only to registered or registrable trade marks and not company names, firm names or trade names. It follows that there should have been a finding of no liability for breach of clause 7 in respect of the use of entity names, domain names and email addresses, all of which served to identify Merck US as a company and were not used as trade marks.

122. Mr Speck responds that the judge approached the issue of interpretation of the 1955 Agreement and the 1970 Agreement entirely correctly; that these agreements were intended to provide each of the parties with protection against the use by the other of the word “Merck” in any way which would promote the business of the other or its goods or services; and so they did extend to the use of the word “Merck” as, or as part of, a company or business name. Moreover, says Mr Speck, this is confirmed by the behaviour of the parties before and after the 1955 Agreement was entered into.
123. In assessing these submissions it is necessary to have well in mind from the outset that the approach to be adopted to the interpretation of contracts in writing under German law is very different from that under English law. German law provides substantial flexibility in approaching the issue of interpretation and German courts are prepared to go beyond the wording of a contract in order to give effect to its purpose in a manner with which judges in this jurisdiction are not familiar. The judge set out the approach to be adopted in some detail but the following points are, I think, particularly material in light of the arguments presented to us on this appeal. The German court will seek to ascertain, objectively, the true intention of the parties and does not consider itself bound to adhere to the literal meaning of the words of the contract. Further, in carrying out this exercise, it is permissible to have regard to the behaviour of the parties and the content of their negotiations leading up to the contract for these may shed light on their intentions. So too and for the same purpose, a court may have regard to the parties’ conduct and any statements they may have made after the contract. As part of this process the court will also consider the function of the contract and the conflict which led to it.
124. Interestingly, if the language of the contract does not explicitly cover a particular situation then the court will use its interpretative tools to see whether the contract can be read as covering it. If it is found that the contract contains an unintentional gap then the court may decide that reasonable parties would have filled that gap in a particular way and construe the contract accordingly. But it is important to distinguish an unintentional gap from one which is intentional. As Mr Hobbs has forcibly submitted to us, an intentional gap cannot be filled in this way.
125. Finally, the parties to a contract have a general duty to perform the contract according to the requirements of good faith. Professor Ohly described this duty in clear terms in his first expert report:
- “75. First, both parties are under an obligation to support the purpose of the contract and to desist from all activities which might endanger its achievement. Each party must respect and act in consideration of the other party’s interests.
76. The purpose of the Agreements was to settle disputes arising from the respective use of the parties’ trade marks without resorting to litigation. Both parties are under a duty to make reasonable efforts to reach a solution which allows the parties to trade under the Merck name and trade mark within their respective territories in a commercially reasonable way.”
126. I come then to the interpretation of clause 7 of the 1970 Agreement in light of all of the principles explained by the judge and aspects of which I have highlighted. It is

convenient to begin with the agreement's structure and literal wording. Broadly speaking, it divides the world into three parts, the USA and Canada as the home territories of Merck US, Germany as the home territory of Merck Global, and all other countries of the world.

127. So, by clause 2, in the United States and Canada, Merck Global has recognised the exclusive right of Merck US to use the word "Merck" as or as part of a trade mark. In addition, Merck US has agreed not to object to the use by Merck Global of the name "E Merck" as or as part of a firm or corporate name provided that it is identified with Germany in a particular way.
128. Correspondingly, by clause 3, in Germany, Merck US has recognised the exclusive right of Merck Global to use the word "Merck" as or as part of a trade mark. In addition, Merck Global has agreed not to object to the use by Merck US of the names "Merck & Co., Inc." or "Merck & Co. Limited" as or as part of a firm or corporate name provided that such names are geographically identified with the USA or Canada in a particular way, or to object to the use by Merck US of the name "Merck Sharp & Dohme" as or as part of a firm or corporate name provided that such name is identified with a country other than Germany.
129. The position in all other countries is addressed by clauses 4 to 10, of which, for present purposes, clauses 4 to 7 are key. In general terms (and read literally):
 - i) by clause 4, Merck Global has recognised that "Merck Sharp & Dohme" as a trade mark or name is not confusingly similar to any trade marks used or owned by Merck Global and has agreed not to object to the use and registration by Merck US of those words as or as part of a trade mark or firm or corporate name;
 - ii) by clause 5, Merck Global has agreed not to object to the use by Merck US of the names Merck & Co., Inc. or Merck & Co. Limited as or as part of a firm or corporate name provided that such names are geographically identified with the USA or Canada in a particular way;
 - iii) by clause 6, Merck US has recognised the right of Merck Global to use the word "Merck" or a combination such as "E. Merck" as a trade mark or name; and
 - iv) by clause 7, Merck US has agreed not to use the words "Merck", "Merck Cross" or "MerckMerckMerck" as a trade mark.
130. Then, by clause 11, the parties have agreed to cooperate in the prompt termination of all litigation between them involving trade marks or trade names containing the word "Merck".
131. A number of points may be made about these clauses. First, the parties have clearly structured the agreement in a careful way, no doubt having regard to their respective prior rights and interests. Secondly, it appears that the parties were well aware of the distinction between the use of a word as a trade mark, on the one hand, and its use as a firm, corporate or business name, on the other hand. In this connection I leave to one side the possibility that a word may at any one time be used both as a trade mark

and as the name of a business or entity. Thirdly, the parties have used different forms of words to characterise their respective rights and obligations under the agreement, sometimes referring to an agreement not to object to a form of use, on other occasions to a recognition of an exclusive right to use, and on a yet further occasion (clause 7) to a promise to discontinue a use.

132. Literally interpreted, the terms of the 1970 Agreement therefore provide support for Merck US's contention that clause 7 is concerned only with the use of the word "Merck" as a trade mark. On its face, this clause does not purport to restrict the use of the word "Merck" as or as part of a firm or corporate name. However, as I have sought to explain, the words of the agreement are not to be construed literally. Under German law, it is permissible to have regard to, among other things, the content of the negotiations leading up to the agreement and to the parties' conduct and statements after the agreement to see what light they shed on their intentions. In addition, the parties are under an obligation to support the purpose of the agreement and to desist from all activities which might endanger its achievement.
133. I recognise that from 1948, at the latest, the parties were aware of the distinction between the use of a word as a trade mark and its use to identify a firm or corporation. Such is evident from the note prepared by Dr Vogt which was discussed by the parties at the meeting in Darmstadt in October of that year. The notion of the use of a word in a trade mark sense was also a feature of the letter of advice from Hughes, Hubbard & Ewing dated 21 June 1950 which was shared by Merck US with Merck Global at the meeting between them on the following day.
134. This understanding was carried forward by the parties into their communications and discussions in 1955 and it was a feature of the letter from Mr Anderson of Merck US to Merck Global dated 15 July 1955 which contained suggestions by Merck US for a possible settlement of the many disputes between them around the world. But it is also important to note that this letter made clear that Merck US was prepared in those countries where Merck Global had prior rights to ensure that any use of the word "Merck" as part of a corporate name, whether it be "Merck & Co., Inc." or "Merck & Co. Limited", would be accompanied by words which identified that corporation geographically with the USA or Canada or otherwise adequately distinguished it from Merck Global and its firm name "E. Merck".
135. This letter then formed the basis of the settlement discussions which took place in Darmstadt over four days in October 1955 and which led to the 1955 Agreement. Merck US was anxious to secure a right to use its corporate names around the world, no doubt with a view, at least in part, to avoiding the mischief of the Treaty Agreement, but also, I suspect, to allow it better to develop its businesses outside its home territories. However, it also recognised the need to ensure that any corporate name was distinguishable from the name "E. Merck". This was of great importance to Merck Global. The minutes of the meeting prepared by Mr Horan of Merck US says in terms that Merck Global would consent to the use by Merck US of "Merck & Co." as a corporate name if geographically identified with the USA by words such as "Rahway, N.J. U.S.A." or with Canada by the words "Montreal, Canada", and Merck US indicated that this would be acceptable. For its part, Merck Global indicated that it would agree to a similar requirement in respect of its use of the word "Merck" as or as part of a corporate name in the USA or Canada.

136. I accept that Merck Global went on to agree that the use by Merck US of “Merck-Sharp & Dohme” as a trade mark and trade name in countries other than Germany would also be acceptable. The parties were also of one mind that the agreement should not refer to or contain any restriction as to the use of other trade marks and names which might be adopted in the future. But the contemporary documents contain no suggestion that this would apply to the use of the word “Merck” alone. Indeed it is in my judgment beyond doubt that it was the intention of the parties and the object of the 1955 Agreement that henceforth Merck US would not use the word “Merck” on its own as a trade mark, a corporate name or as a trade or business name outside its traditional territories. This was a foundation of the 1955 Agreement, did not concern a new or future name and did not conceivably come within the scope of those matters left to be worked out at a later date or amount to what might be described in German law as an intentional gap. It also provided a foundation for clause 11 of the 1955 Agreement (and later clause 11 of the 1970 Agreement). The parties understood that their agreement would allow them to terminate all litigation pending between them at that time.
137. In October 1955, Merck US sought the approval of the court for the 1955 Agreement. It explained to the judge that the gist of the agreement was that Merck Global would have the right to the trade mark “Merck” in all territories except the USA, Canada, Cuba and the Philippines; but that Merck Global and Merck US would have the right to use their respective firm and corporate names, including the word “Merck”, all over the world. The judge was told that this second feature amounted to a “great advantage”. I agree. It did indeed confer a great advantage over the Treaty Agreement which had, at least in the view of the US government, effected a division of their respective trading territories. Now the parties could compete more effectively. But in my judgment this does not take Merck US very far for it is also perfectly consistent with the parties agreeing that, in using their firm or corporate names, they would use a geographical indicator to avoid confusion between them. I am satisfied that the 1955 Agreement (and subsequently the 1970 Agreement), as construed by Norris J, avoided the perceived mischief of the Treaty Agreement.
138. The communications between the parties after the 1955 Agreement and later the 1970 Agreement also shed light on their intentions in entering into these agreements. In addition to the discussions between the parties about the “An Ihren Fruchten” and “Merck Manual” publications which raised special issues, each of the parties did complain to the other about the use of the word “Merck” as a corporate, trade or business name in a manner which was said to be contrary to the agreement they had reached. I have summarised a number of these complaints and the responses they generated at paragraphs [48] to [53] above. In my view they reveal that, in entering into the agreements, the parties intended that they would not henceforth use the word “Merck” on its own as a corporate, trade or business name in each other’s territories, and also that they recognised and understood that this was what they had in fact agreed. It is of some interest that this is entirely consistent with Merck US’s “Brand & Identity Guide”, details of which are set out at paragraph [54] above.
139. For all of these reasons, I would dismiss this ground of appeal. In my judgment the judge was right to find that the 1955 and 1970 Agreements precluded Merck US from using the word “Merck” on its own as a firm or company name in the rest of the world, including the UK. Construed in context and according to German law, the

scope of clause 7 was not limited to the use of the word “Merck” as a trade mark. I am satisfied that Merck US agreed that, in respect of the rest of the world, including the UK, it would not use the word “Merck” as a trade mark and also that it would not use the word “Merck” alone as a contraction of its corporate name or as a trade or business name when furthering or promoting its business to third parties.

Does the 1970 Agreement apply to services?

140. There remained at trial two further issues of interpretation: first, whether the 1970 Agreement applies to use on the internet; and secondly, whether it covers use of the word “Merck” as a trade mark in relation to services in addition to goods. I need spend no time on the first. In the end the experts agreed that the 1970 Agreement does cover use on the internet although their reasons for arriving at that common conclusion differed. The judge accepted their conclusion and there is no challenge to that finding on this appeal.
141. The question whether the 1970 Agreement covers use of the word “Merck” as a trade mark in relation to services was more controversial. It was the judge’s view that it does. It seemed to him that this followed from a reading of the agreement as a whole, its global scope and the fact the concept of a mark was not, in either the 1955 or the 1970 Agreement, anchored in any single system of law, let alone German law. Moreover, by 1970 it was possible to register marks for services as well as goods. He reasoned:

“81. In my judgment read according to German law the 1970 Agreement *does* cover use of the word “Merck” in relation to the provision of services. This conclusion seems to follow from the requirements not to construe a word in isolation but in the context of the agreement as a whole, to have regard to what led to the agreement as a whole (namely what was “the function” of the contract), to look at the meaning that would have been conveyed to the addressees of the relevant provisions, and to give weight to subsequent conduct where (as a matter of judicial assessment) that is a reliable guide to the intention of the parties at the time of the contract.

82. The object of the 1955 Agreement and of the 1970 Agreement was to address who was entitled to use the word “Merck” as part of their corporate name or as a trade mark in the US/Canada, Germany, *and the rest of the world*, and to dispose of litigation then current in India, Hong Kong, Ceylon, Italy, Australia and Thailand. The concept of the “mark” was not anchored in any single system of law, let alone German law. Since the Agreement was forward-looking (as well as settling all those current disputes) it was not anchored to any particular time: if the meaning and content of the word “mark” or “trademark” changed in any particular jurisdiction or across a number of jurisdictions (by being extended to new classes of goods or by being extended to services) the obligation not to use the word “Merck” as a trade mark continued. This is the way the parties treated the 1970 Agreement as operating. They

did not launch in one another's territories campaigns to use the "Merck" mark in areas which fell outside the strict limits of protection as it stood in 1932 or 1955, whether those limits were set by national law or by operative international conventions: nor did they change that approach when the scope of protection altered. In fact, by the time of the 1970 Agreement the scope of protection had been enlarged to incorporate services (by the Paris Convention of 1958): there is simply no ground for thinking that in 1970 the parties intended to confine their agreement only to the scope it would have had in 1955 if the strict limits of protection then in place were observed and not to extend it to the scope it actually had in 1970."

142. Mr Hobbs contends that here the judge fell into error and he has developed his argument before us as follows. The meaning of clause 7 of the 1970 Agreement must be the same now as it was in 1955; this meaning is not elastic; and, as the judge expressly recognised, assistance with regard to interpretation might well be found in international conventions.
143. The position in 1955 was governed by the Paris Convention for the Protection of Industrial Property of 1883. This convention established that a trade mark was a sign applied to goods to distinguish those goods of one undertaking from those of other undertakings. Moreover, the international classification system for trade marks agreed at the International Union for the Protection of Industrial Property in 1934 comprised 34 classes into which goods were classified. But it contained no classes relating to services. The provisions of the Paris Convention applied (and still apply) to the application of trade marks to goods.
144. In 1955 protection by registration was therefore available in Germany for 'trade marks' used to distinguish the goods of one trader from those of other traders. But there was no system of protection for marks used to distinguish services.
145. Following a proposal for amendment at the Congress of Washington in 1956, the Paris Convention was amended in 1958 at the Lisbon Conference to include Article 6*sexies* which required the countries of the Union to undertake to protect service marks, but it did not require them to provide for the registration of such marks. The international classification of 'service marks' was introduced by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957) which came into force in April 1961. In Germany, protection of 'service marks' by registration was not introduced until 1979.
146. Consistently with that situation, the trade mark disputes in India, Hong Kong, Ceylon and Italy in which the parties were engaged at the time of the 1955 Agreement, and which they agreed to terminate by clause 11 of that agreement, related to trade marks registered or sought to be registered in respect of goods.
147. Turning next to the expert evidence, Mr Hobbs has referred us to the evidence of Professor Bornkamm who confirmed that, for the purposes of interpretation, when a legally qualified person uses a legal term, he can be assumed to have understood it in its technical meaning. Moreover, said Professor Bornkamm, the Paris Convention was

relevant to interpretation for it gave some kind of framework for the language the parties had used.

148. Mr Hobbs concludes that, having regard to all of these matters and the background to the 1955 and 1970 Agreements, the judge should have held that clause 7 applied and continues to apply to use of the word “Merck” as a trade mark only for goods, not services.
149. I cannot accept these submissions. The points which I think they fail to address are these. First, the judge found, and I agree with him, that the 1955 and 1970 Agreements were intended to be comprehensive, to settle the disputes then existing arising from the parties’ respective uses of the word “Merck” and to provide for the unlimited future. Of course those agreements did not address the adoption by Merck US of new names which might be as distinguishable from the names and marks of Merck Global as “Merck Sharp & Dohme” but, that aside, the parties intended to provide a regime for their use of the word “Merck” in connection with their respective businesses, goods and services and so avoid the risk of confusion between them whilst allowing them each to trade in all countries of the world.
150. Secondly, clause 7 plainly encompasses but is not limited to the use of marks which are registered. Even on its purely literal wording, it applies to the use of the word “Merck” as a trade mark in ‘all other countries’ and that is so whether or not Merck Global has secured in any such country a trade mark registration. What is more and as the judge explained, the concept of a ‘trade mark’ is not anchored in any system of law or any particular time. The intention of the parties was to regulate the use of the word “Merck” to promote their respective businesses, services and goods and so avoid confusion in the minds of those with whom they were dealing or trading, to whom they were providing services or into whose hands their goods might come.
151. Thirdly, the conduct of the parties also reveals that the parties did not have the narrow understanding of the term ‘trade mark’ for which Mr Hobbs contends; nor did they intend the scope of the 1955 and 1970 Agreements to be so limited. To the contrary, they have treated the agreements as extending to the use of the word “Merck” in relation to their respective businesses, services and goods and they have refrained from launching campaigns in each other’s territories in a manner which Mr Hobbs’ narrow interpretation would have permitted.
152. For all of these reasons I am satisfied that the judge came to the right conclusion on this issue and I would dismiss this ground of appeal.

Targeting

153. Merck Global has never asserted that Merck US has sold or supplied goods or services in the UK under or by reference to the sign “Merck”. Merck Global’s case was and remains that Merck US has on multiple occasions used the word “Merck” in promotional and informational material and in the course of its general commercial activities. Moreover, Merck Global accepted at trial and again before us in oral argument on this appeal that, in order to establish that any internet use of the word “Merck” by Merck US amounted to a breach of clause 7 of the 1970 Agreement or an infringement of trade mark in the UK, it had to show that such use was directed or targeted at the UK. To make out its case that Merck US’s activities amounted to use

of the word “Merck” as a trade mark in the UK, Merck Global also had to show that such use amounted to a use by Merck US of the word “Merck” in relation to goods or services in the course of trade in the UK.

154. The principles to be applied in assessing whether use of a sign on the internet constitutes use of a sign in a particular territory in the EU have been considered in a number of decisions of the Court of Justice. The first, in joined Cases C-585/08 and C-144/09 *Pammer v Reederei Karl Schlüter GmbH & Co. KG and Hotel Alpenhof GesmbH v Heller* [2010] ECR I-12527, concerned the interpretation of Article 15(1)(c) of Council Regulation 44/2001/EC of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters – known as the Brussels I Regulation. The Court was asked for guidance as to the relevant criteria to be considered by a national court in assessing whether a trader established in one Member State and whose activities were presented on its own website or that of an intermediary could be considered to be directing its activity to a consumer domiciled in another Member State within the meaning of Article 15(1)(c); and further, whether the fact that the site could be consulted on the internet was sufficient for the activity to be regarded as being so directed.
155. The Court held (at paragraph [75]) that, in order for Article 15(1)(c) to be applicable, the trader must have manifested its intention to establish commercial relations with consumers from the Member State of that consumer’s domicile. Clear expressions of an intention to solicit custom from that Member States’ consumers, such as mentioning that it is offering goods or services in that Member State, are relevant but not necessary (see paragraphs [80] to [82]). The national court must ascertain from the website of the trader or intermediary and the trader’s overall activity whether it envisages doing business with such consumers:

“92. In view of the foregoing considerations, the answer to be given to the referring court is that, in order to determine whether a trader whose activity is presented on its website or on that of an intermediary can be considered to be ‘directing’ its activity to the Member State of the consumer’s domicile, within the meaning of Article 15(1)(c) of Regulation No 44/2001, it should be ascertained whether, before the conclusion of any contract with the consumer, it is apparent from those websites and the trader’s overall activity that the trader was envisaging doing business with consumers domiciled in one or more Member States, including the Member State of that consumer’s domicile, in the sense that it was minded to conclude a contract with them.”

156. The Court then gave a non-exhaustive list of the matters to which the national court may have regard before explaining that the mere accessibility of the website in the Member State of the consumer’s domicile is not enough:

“93. The following matters, the list of which is not exhaustive, are capable of constituting evidence from which it may be concluded that the trader’s activity is directed to the Member State of the consumer’s domicile, namely the international nature of the activity, mention of itineraries from other Member

States for going to the place where the trader is established, use of a language or a currency other than the language or currency generally used in the Member State in which the trader is established with the possibility of making and confirming the reservation in that other language, mention of telephone numbers with an international code, outlay of expenditure on an internet referencing service in order to facilitate access to the trader's site or that of its intermediary by consumers domiciled in other Member States, use of a top-level domain name other than that of the Member State in which the trader is established, and mention of an international clientele composed of customers domiciled in various Member States. It is for the national courts to ascertain whether such evidence exists.

94. On the other hand, the mere accessibility of the trader's or the intermediary's website in the Member State in which the consumer is domiciled is insufficient. The same is true of mention of an email address and of other contact details, or of use of a language or a currency which are the language and/or currency generally used in the Member State in which the trader is established."

157. Soon afterwards, in Case C-324/09, *L'Oréal SA and Ors v eBay International BV and Ors* [2011] ECR I-6011, [2011] RPC 27, the Court of Justice was required to consider whether the offer for sale of goods bearing a trade mark through an online marketplace constituted use of that mark in another territory where the mark was registered as a trade mark. The Court answered that question in these terms:

"61. Whilst recognising those principles, eBay submits that the proprietor of a trade mark registered in a Member State or of a Community trade mark cannot properly rely on the exclusive right conferred by that trade mark as long as the goods bearing it and offered for sale on an online marketplace are located in a third State and will not necessarily be forwarded to the territory covered by the trade mark in question. L'Oréal, the United Kingdom Government, the Italian, Polish and Portuguese Governments, and the European Commission contend, however, that the rules of Directive 89/104 and Regulation No 40/94 apply as soon as it is clear that the offer for sale of a trade-marked product located in a third State is targeted at consumers in the territory covered by the trade mark.

62. The latter contention must be accepted. If it were otherwise, operators which use electronic commerce by offering for sale, on an online market place targeted at consumers within the EU, trade-marked goods located in a third State, which it is possible to view on the screen and to order via that marketplace, would, so far as offers for sale of that type are concerned, have no obligation to comply with the EU intellectual property rules. Such a situation would have an impact on the effectiveness (*effet utile*) of those rules.

63. It is sufficient to state in that regard that, under Article 5(3)(b) and (d) of Directive 89/104 and Article 9(2)(b) and (d) of Regulation No 40/94, the use by third parties of signs identical with or similar to trade marks which proprietors of those marks may prevent includes the use of such signs in offers for sale and advertising. As the Advocate General observed at point 127 of his Opinion and as the Commission pointed out in its written observations, the effectiveness of those rules would be undermined if they were not to apply to the use, in an internet offer for sale or advertisement targeted at consumers within the EU, of a sign identical with or similar to a trade mark registered in the EU merely because the third party behind that offer or advertisement is established in a third State, because the server of the internet site used by the third party is located in such a State or because the product that is the subject of the offer or the advertisement is located in a third State.

64. It must, however, be made clear that the mere fact that a website is accessible from the territory covered by the trade mark is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory (see, by analogy, Joined Cases C-585/08 and C-144/09 *Pammer and Hotel Alpenhof* [2010] ECR I-0000, paragraph 69). Indeed, if the fact that an online marketplace is accessible from that territory were sufficient for the advertisements displayed there to be within the scope of Directive 89/104 and Regulation No 40/94, websites and advertisements which, although obviously targeted solely at consumers in third States, are nevertheless technically accessible from EU territory would wrongly be subject to EU law.

65. It therefore falls to the national courts to assess on a case-by-case basis whether there are any relevant factors on the basis of which it may be concluded that an offer for sale, displayed on an online marketplace accessible from the territory covered by the trade mark, is targeted at consumers in that territory. When the offer for sale is accompanied by details of the geographic areas to which the seller is willing to dispatch the product, that type of detail is of particular importance in the said assessment.”

158. It is therefore clear that an offer for sale of goods bearing a trade mark will amount to use of the trade mark in the territory covered by the registered trade mark and will fall within the exclusive right conferred by that registration if, having regard to all the circumstances, it may be concluded that the activity is targeted at consumers in that territory. Such circumstances may include those referred to by the Court in *Pammer* at paragraph [93] and in *L'Oréal* at paragraph [65].
159. The reasoning in these two cases was applied by the Court of Justice by analogy in Case C-173/11 *Football Dataco Ltd and Ors v Sportradar GmbH and Anor* [2013] 1

CMLR 29, [2013] FSR 4, a case concerning a claim for infringement of copyright and the *sui generis* database right. Here, at the request of an internet user in the UK, data on Sportradar's webserver in Germany was sent to that user's computer for storage and visualisation on the screen. The question to which this gave rise was whether any act of extraction and re-utilisation by Sportradar took place in the UK. The Court reasoned as follows:

“36. Consequently, the mere fact that the website containing the data in question is accessible in a particular national territory is not a sufficient basis for concluding that the operator of the website is performing an act of re-utilisation caught by the national law applicable in that territory concerning protection by the *sui generis* right (see, by analogy, *Pammer* [2012] All E.R. (EC) 34 at [69], and *L'Oréal SA v eBay International AG* (C-324/09) [2011] E.T.M.R. 52; [2011] R.P.C. 27 at [64]).

...

39. The localisation of an act of re-utilisation in the territory of the Member State to which the data in question is sent depends on there being evidence from which it may be concluded that the act discloses an intention on the part of its performer to target persons in that territory (see, by analogy, *Pammer* [2012] All E.R. (EC) 34 at [75], [76], [80] and [92]; *L'Oréal* [2011] R.P.C. 27 at [65]; and *Donner* [2012] E.C.D.R. 18 at [27]–[29]).

40. In the dispute in the main proceedings, the circumstance that the data on Sportradar's server includes data relating to English football league matches, which is such as to show that the acts of sending at issue in the main proceedings proceed from an intention on the part of Sportradar to attract the interest of the public in the United Kingdom, may constitute such evidence.

41. The fact that Sportradar granted, by contract, the right of access to its server to companies offering betting services to that public may also be evidence of its intention to target them, if—which will be for the referring court to ascertain—Sportradar was aware, or must have been aware, of that specific destination (see, by analogy, *Pammer* [2012] All E.R. (EC) 34 at [89], and *Donner* [2012] E.C.D.R. 18 at [27] and [28]). It could be relevant in this respect if it were the case that the remuneration fixed by Sportradar as consideration for the grant of that right of access took account of the extent of the activities of those companies in the UK market and the prospects of its website betradar.com subsequently being consulted by internet users in the United Kingdom.

42. Finally, the circumstance that the data placed online by Sportradar is accessible to the UK internet users who are customers of those companies in their own language, which is not the same as those commonly used in the Member States from which Sportradar pursues its activities, might, if that were the case, be supporting evidence for the existence of an approach targeting in particular the public in the United Kingdom (see, by analogy, *Pammer* [2012] All E.R. (EC) 34 at [84], and *Donner* [2012] E.C.D.R. 18 at [29]).”

160. This issue had already arisen earlier in a number of cases in England, and judges of the High Court had adopted what was, in substance, the same approach: see *800 FLOWERS Trade Mark (also known as 1-800 Flowers Inc v Phonenames Ltd)* [2000] ETMR 369; *Euromarket Designs Inc v Peters* [2000] ETMR 1025, [2001] FSR 20; [2000] FSR. 697; *Dearlove (t/a Diddy) v Combs (t/a Sean Puffy Combs, Puffy and P Diddy)* [2007] EWHC 375 (Ch); [2008] EMLR 2; and *Boegli-Gravures SA Darsail-ASP Ltd* [2009] EWHC Civ 2690.
161. In the *800 FLOWERS* case Jacob J (as he then was) had no difficulty dismissing an argument that use of a trade mark on a website constituted use of that mark in any country from which the website could be accessed. He held that whether such use would constitute use of the mark in any particular territory would depend upon all the circumstances, particularly the intention of the website owner and what the reader would understand if he were to access the site.
162. The further decision of Jacob J a short time later in *Euromarket Designs Inc v Peters* is of some significance for it involved the application of the same reasoning to both online and offline advertising. The claimant, a US corporation, sold household goods in the US under the trade mark “Crate & Barrel” and secured UK and Community registrations for that mark in respect of such goods. The defendants ran a shop in Dublin called “Crate & Barrel” through which they also sold household goods, but they had never traded in the UK. In these proceedings the claimant alleged that the defendants had infringed their registrations by using the protected mark on their website and by placing an advert in a magazine which, though published and having a circulation in the UK, also had a large circulation in Ireland. In dismissing an application for summary judgment, Jacob J said this about the magazine advertisement:
- “16. ... I think there must be an inquiry as to what the purpose and effect of the advertisement in question is. In the present case, for example, the advertisement tells a reader, who knows nothing more, that there is an enterprise called “Crate & Barrel” in Dublin dealing with the goods mentioned. It is probably a shop, for these are not the sort of goods one would order only by mail. Normally, of course, an advertisement placed in a United Kingdom magazine is intended to drum up United Kingdom business and will do so. This is so whether the advertisement is for goods or for a service or shop. But this is not a normal case. This is an advertisement for an Irish shop in a magazine which has an Irish and United Kingdom circulation.

...

18. ... The Directive is addressed to Member States. It is to tell them to bring their national laws into force to comply with it (Article 16). It is a Directive about what national trade mark laws are to be. So one would expect the required legislation to be dealing with what can and cannot be done by way of trade mark use within each of the Member States. One would not expect it to be requiring Member States to enact laws which effectively prevent what can be done in other Member States. It is Article 5 which sets out the obligatory and optional provisions as to what constitutes infringement. It is Article 5 which uses the expression “using in the course of trade ... in relation to goods or services” from which section 10 of the United Kingdom Act is derived.

19. The phrase is a composite. The right question, I think, is to ask whether a reasonable trader would regard the use concerned as “in the course of trade in relation to goods” within the Member State concerned. Thus if a trader from state X is trying to sell goods or services into state Y, most people would regard that as having a sufficient link with state Y to be “in the course of trade” there. But if the trader is merely carrying on business in X, and an advertisement of his slips over the border into Y, no businessman would regard that fact as meaning that he was trading in Y. This would especially be so if the advertisement were for a local business such as a shop or a local service rather than for goods. I think this conclusion follows from the fact that the Directive is concerned with what national law is to be, that it is a law governing what traders cannot do, and that it is unlikely that the Directive would set out to create conflict within the internal market. So I think Mr Miller is right. One needs to ask whether the defendant has any trade here, customers buying goods or services for consumption here. It was that sort of concept I had in mind in 800 FLOWERS Trade Mark.”

163. Jacob J made an important point here. There is a danger in splitting up the various elements of a claim for infringement, particularly in the case of large websites with many interlinked pages. It may be that parts of them are targeted at consumers in other territories but these may not involve use of a trade mark in relation to any of the goods or services for which it is registered. So, in considering whether the accused use constitutes an infringement, it is always necessary to have in mind that the question is ultimately a unitary one, namely whether the defendant has used the impugned sign in the course of trade in relation to relevant goods or services in the territory in issue.
164. The principles explained by the Court of Justice have since been applied by judges in the High Court in a number of decisions to which we have also been referred, including *Hotel Cipriani and Ors v Fred 250 Ltd & Ors* [2013] EWHC 70 (Ch), [2013] ETMR 18; *Stichting BDO v BDO Unibank Inc* [2013] EWHC 418 (Ch),

[2013] FSR 35; *Thomas Pink Ltd v Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch); [2014] F.S.R. 40; and, most recently, *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch), [2013] ETMR 19. Each of these cases is of interest but I have found the discussion and reasoning of Arnold J in *Stichting BDO v BDO Unibank Inc* and Mr Richard Spearman QC, sitting as a deputy High Court judge in *Argos Ltd v Argos Systems Inc* particularly illuminating.

165. One of the issues which arose for consideration in *Argos* was the relevance of the subjective intention of an operator of a website in one territory in assessing whether its internet activity is targeted at the consumers in another territory, in particular the UK. The deputy judge held and I agree that if, viewed objectively from the perspective of the average consumer, a foreign trader's internet activity is targeted at consumers in the UK, the fact that, viewed subjectively, the trader did not intend this result will not prevent the impugned use from occurring in the UK. But that is not to say that the actual intention of the website operator is irrelevant. If the foreign trader does intend to target its internet activity at consumers in the UK then it seems to me that this is a matter which the court may properly take into account. After all, a trader may be expected to have some understanding of the market it intends to penetrate and it may not be difficult to infer that this intention has been or is likely to be effective (see, by analogy, *Slazenger v Feltham* (1886) 6 RPC 531 at page 536, per Lindley LJ).
166. The general principles which emerge from these decisions of the Court of Justice are conveniently considered by reference to an advertisement of goods and may be summarised as follows.
167. First, in determining whether an advertisement of goods bearing a trade mark on the website of a foreign trader constitutes use of the trade mark in the UK, it is necessary to assess whether the advertisement is targeted at consumers in the UK and in that way constitutes use of the mark in relation to goods in the course of trade in the UK.
168. Secondly, the mere fact that a website is accessible from the UK is not a sufficient basis for concluding that an advertisement displayed there is targeted at consumers in the UK.
169. Thirdly, the issue of targeting is to be considered objectively from the perspective of average consumers in the UK. The question is whether those average consumers would consider that the advertisement is targeted at them. Conversely, however, evidence that a trader does in fact intend to target consumers in the UK may be relevant in assessing whether its advertisement has that effect.
170. Fourthly, the court must carry out an evaluation of all the relevant circumstances. These may include any clear expressions of an intention to solicit custom in the UK by, for example, in the case of a website promoting trade-marked products, including the UK in a list or map of the geographic areas to which the trader is willing to dispatch its products. But a finding that an advertisement is directed at consumers in the UK does not depend upon there being any such clear evidence. The court may decide that an advertisement is directed at the UK in light of some of the non-exhaustive list of matters referred to by the Court of Justice in *Pammer* at paragraph [93]. Obviously the appearance and content of the website will be of particular significance, including whether it is possible to buy goods or services from it.

However, the relevant circumstances may extend beyond the website itself and include, for example, the nature and size of the trader's business, the characteristics of the goods or services in issue and the number of visits made to the website by consumers in the UK.

Use in relation to goods or services

171. It is convenient to address now two related matters of principle raised by Mr Hobbs concerning infringement of a registered trade mark by the use of a sign by a foreign trader on a website or in advertising or promotional material accessible in the UK.
172. First, the expression “using in the course of trade any sign ... in relation to” goods or services in EU trade mark law means use for the purpose of distinguishing those goods or services from those of other suppliers: see, for example, Case C-63/97 *Bayerische Motorenwerke AG v Deenik* [1999] ECR I-905, [1999] 1 CMLR 1099 at paragraph [38]; Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar NP* [2004] ECR I 10989, [2005] ETMR 27 at paragraphs [60] to [64]; and Case C-17/06 *Céline SARL v. Céline SA* [2007] ECR I-7041, [2007] ETMR 80 at paragraph [20].
173. Secondly and equally importantly, this expression also means use such as to create the impression that there is a material link in the course of trade between the goods or services concerned and the undertaking from which those goods or services originate: see, for example, Case C-206/01 *Arsenal Football Club Plc v. Reed* [2002] ECR I-10273, [2003] RPC 9 at paragraph [56]; Case C-245/02 *Anheuser-Busch Inc. v. Budějovický Budvar NP* at paragraphs [59] to [64] and [83]; Case C-48/05 *Adam Opel AG v. Autec* [2007] ECR I-1017 at paragraphs [28] and [29]; Case C-17/06 *Céline SARL v. Céline SA* at paragraphs [20] to [27]; and Case C-324/09 *L'Oréal SA v. eBay International AG* [2011] ECR I-6011, [2011] RPC 27 at paragraph [92].
174. I think these points emerge clearly from the decision of the Court of Justice in Case C-17/06 *Céline SARL v. Céline SA*, the material parts of which merit recitation:

“20. It is clear from the scheme of Article 5 of the directive that the use of a sign in relation to goods or services within the meaning of Article 5(1) and (2) is use for the purpose of distinguishing the goods or services in question, whereas Article 5(5) is directed at ‘the use which is made of a sign for purposes other than distinguishing the goods or services’ (Case C-63/97 *BMW* [1999] ECR I-905, paragraph 38).

21. The purpose of a company, trade or shop name is not, of itself, to distinguish goods or services (see, to that effect, Case C-23/01 *Robelco* [2002] ECR I-10913, paragraph 34, and *Anheuser-Busch*, paragraph 64). The purpose of a company name is to identify a company, whereas the purpose of a trade name or a shop name is to designate a business which is being carried on. Accordingly, where the use of a company name, trade name or shop name is limited to identifying a company or designating a business which is being carried on, such use cannot be considered as being ‘in relation to goods or services’ within the meaning of Article 5(1) of the directive.

22. Conversely, there is use ‘in relation to goods’ within the meaning of Article 5(1) of the directive where a third party affixes the sign constituting his company name, trade name or shop name to the goods which he markets (see, to that effect, *Arsenal Football Club*, paragraph 41, and *Adam Opel*, paragraph 20).

23. In addition, even where the sign is not affixed, there is use ‘in relation to goods or services’ within the meaning of that provision where the third party uses that sign in such a way that a link is established between the sign which constitutes the company, trade or shop name of the third party and the goods marketed or the services provided by the third party.

24. In the main proceedings, it is for the national court to determine whether the use by Céline SARL of the Céline sign constitutes use in relation to those goods for the purposes of Article 5(1) of the directive.

25. Lastly, Céline SARL claims that there could be no confusion on the part of the public as to the origin of the goods in question.

26. As was noted at paragraph 16 of this judgment, the unauthorised use by a third party of a sign which is identical to a registered mark in relation to goods or services which are identical to those for which that mark is registered cannot be prevented under Article 5(1)(a) of the directive unless it affects or is liable to affect the functions of the mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services.

27. That is the situation where the sign is used by the third party in relation to his goods or services in such a way that consumers are liable to interpret it as designating the origin of the goods or services in question. In such a case, the use of the sign is liable to imperil the essential function of the mark, since, for the trade mark to be able to fulfil its essential role in the system of undistorted competition which the EC Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality (see, to that effect, *Arsenal Football Club*, paragraph 48 and the case-law cited, and paragraphs 56 to 59).”

175. It must also be borne in mind that, as I have explained in the immediately preceding section of this judgment, this is a composite expression. To constitute an infringement, the contents of the website must be targeted at consumers in the UK and constitute use of the impugned sign in the course of trade in relation to the relevant goods in the UK.

176. Mr Hobbs submits that the judge failed properly to appreciate these fundamental points or lost sight of them when addressing the claim for trade mark infringement, and this is a matter to which I must return once I have addressed the findings of the judge in relation to breach of the 1970 Agreement and the errors in his reasoning for which Mr Hobbs contends.

Do the acts complained of in the UK constitute, prima facie, a breach of clause 7?

177. It was agreed that the question whether the activities of Merck US constituted a breach of the 1970 Agreement fell to be decided under German law (since the agreement and the 1975 Protocol pre-date the Rome Convention and the Rome I Regulation).
178. For the reasons I have given, I am satisfied that clause 7 of the 1970 Agreement, construed in context and under German law, precludes the use by Merck US in the UK of the word “Merck” alone as a corporate, trade or business name. It also precludes the use by Merck US in the UK of the word “Merck” as a trade mark in relation to its goods or services.
179. Further, in so far as Merck Global complains that Merck US’s activities on the internet constitute a breach of the agreement, those activities must be targeted at the UK in order to constitute use here. But it is important to have in mind in this context that the scope of the restriction effected by clause 7 extends beyond the use of the word “Merck” as a trade mark and includes the use of the word “Merck” on its own as a corporate, trade or business name.
180. The allegations of breach of clause 7 therefore give rise to two interrelated issues. The first is whether the activities of Merck US of which complaint was made took place in the UK. There can be no real doubt that the offline activities took place in the UK, as did the online activities on those websites which Merck US accepted were targeted at the UK, namely those on the “msd-uk.com” and “msd-animal-health.co.uk” websites. However, there was at trial a major dispute about the other online activities of Merck US, with Merck Global contending that they were targeted at the UK and Merck US denying this was so. The second is whether any of the activities of Merck US, whether online or offline, constituted use of the word “Merck” in a manner which was precluded by clause 7.
181. As we have seen, the impugned uses of the word “Merck” by Merck US fall into various groups: first, websites; secondly, social media; thirdly, email addresses; and fourthly, various offline uses.

Targeting of online use of the word “Merck” at the UK

182. Here I must address the websites “merck.com”, “merckformothers.com”, “merckresponsibility.com”, “merckmanuals.com”, “mercknewsroom.com” and “merck-animal-health.com”, and the social media sites. At trial, Merck Global argued that each of these websites was targeted at the UK. Merck US disagreed. It contended that the only websites targeted at the UK were its “msd-uk.com” and “msd-animal-health.co.uk” sites; the others were targeted at the USA and Canada and, although they had global elements, they could not fairly be described as being targeted at the UK.

183. The judge addressed this aspect of Merck US's websites in his judgment from paragraphs [100] to [108] (when addressing breach of the 1970 Agreement) and then again at paragraphs [160] to [162] (when addressing trade mark infringement). He found that each of these websites was indeed directed and targeted at the UK (among other countries). His reasoning may be summarised as follows.
184. First, each of the websites was (and until shortly before trial proclaimed itself to be) a global website. Further, the suite of sites targeted scientists and inventors in the UK, sought to recruit people with UK qualifications to jobs based in the UK, solicited UK suppliers, set out purchase order terms and conditions and linked material on one site with that on another by tabs labelled "Global Links". They were integrated global websites with some national elements, including elements for the UK.
185. Secondly, the architecture of the websites was such that users accessing the "msd-uk" site were directed to the "merck.com" site and from there to the other websites. Further, if a person in the UK, knowing of "MSD" or "Merck Sharpe & Dohme", were to search on a browser for, say, "MSD for Mothers", that person would be directed to the Merck US website with the same features.
186. Thirdly, the visitor numbers demonstrated very substantial traffic from countries other than the USA and Canada. The volume of this traffic was such that it could not be accounted for by what were described as "stray" visits. It demonstrated instead that these visitors were in search of something and had been directed to or otherwise drawn to one of these websites.
187. Fourthly, Merck US accepted that some measures had to be taken to comply with its contractual obligations and relied for that purpose upon the terms of use of the sites and pop up notices informing users that they were being redirected from "MSD" to "merck.com" websites. But the judge considered that these measures seemed only to emphasise that users from around the world should have unrestricted access and be drawn to its "Merck" or "Merck/MSD" branded sites. As for the terms of use, they provided no redemption. The statement they contained that each site was "intended for use by residents of the US and its territories" was a fig leaf and was contradicted by the content of the site, the ready access to the site that users from around the globe were afforded and the fact that users might never access the terms and read them.
188. Fifthly, the targeting of the global audience was a conscious policy. Some social media sites, such as Facebook, had means to restrict access by users from particular territories, and for other sites a technique called geo-targeting (which could be used to similar effect) was available and was used for that purpose by Merck Global. But Merck US had chosen not to arrange matters in that way and had instead taken a policy decision to treat the internet as an "open space" and not to restrict user choice.
189. When revisiting this issue later in his judgment in addressing infringement of registered trade mark, the judge summarised the position at paragraph [160]:
- "160. I am satisfied that the Merck US websites are so directed at commercial activity in the UK. They are undoubtedly global websites (that is the way they described themselves until shortly before the trial began) *with UK specific content* directed at UK based job-applicants, suppliers, scientists, innovators and

developers, seekers after information about corporate responsibility and enquirers about MSD products generally and specifically. Those who seek information about MSD and its products are simply redirected to the Merck US website and receive the information under the “Merck” (not the “MSD”) branding and logos. The Merck US witnesses acknowledged that this was so. This in my judgment is sufficient.”

190. He concluded in the same trade mark context:

“162. ... The essential question to be answered is whether the mark has been used in the course of a commercial activity with a view to gain. Plainly the “MERCK” mark was being so used by Merck US on its websites and those websites specifically solicited users in the UK to interact in a commercial context with Merck US in the course of its commercial activities.”

191. It will be noted that there is here only limited analysis of the position of Merck US’s social media activities but it seems to me that very similar considerations apply. The Merck presence on the Facebook, Twitter, YouTube and LinkedIn platforms could be accessed from the “merck.com” and “mercknewsroom.com” websites; the Facebook, Twitter and LinkedIn pages had followers from the UK; and the Twitter and LinkedIn pages advertised jobs in the UK and other countries. Moreover, where country specific limitations were available, as they were for Facebook and LinkedIn, Merck Global had employed them but Merck US had not.

192. Mr Hobbs now challenges these findings. He submits that these sites and the various uses by Merck US of social media platforms were not targeted at the UK and that the judge fell into error in finding that they were. More specifically, he argues that the judge fell into error in the following respects. First, he was wrong to attach weight to the fact that the sites referred to events or activities in the UK or that they had had visitors from the UK. Neither of these was sufficient to turn a website which was not targeted at the UK into one which was. Secondly, the fact that a website might be addressing a global audience was beside the point. It did not mean that it was targeting the consumers of goods or services in any particular territory. Thirdly, the fact that there were links to the “merck.com” website from the “msd-uk.com” site was not a sufficient basis for finding that the “merck.com” website was itself directed to or targeted at the UK.

193. I accept that the mere fact that a website describes events or activities in the UK or has visitors from the UK does not necessarily mean that it is targeted at the UK. For example, in *Thomas Pink Ltd v Victoria’s Secret UK Ltd*, Birss J found that adding a few postings referring to events in the UK was insufficient to amount to the targeting of a Facebook presence at the UK bearing in mind the other features in the case. I recognise too that the mere fact that a website can be described as having a “global” nature does not establish that it is targeted at the UK: see, for example, *Stitching BDO v BDO Unibank Inc* at paragraphs [110] to [139] and *Hotel Cipriani SRL v Fred 250 Ltd* at paragraphs [52] to [57]. Nor will it necessarily be sufficient to establish targeting that a trader or consumer in the UK can access information from a foreign webserver using a link: *Football DataCo v Sportradar GmbH*.

194. The facts and circumstances of the present case are very different, however. Merck US conducts its healthcare business in many countries around the world, including the UK, and that business was at all material times supported and promoted by the websites in issue. They constituted an integrated group of sites which were accessible by and directed at users in the UK and other countries in which Merck US trades. A person seeking information about Merck US on a particular topic would be directed or linked to one of the websites from which that information could be derived. As the judge outlined, the set of websites, organised in this way, allowed Merck US, among other things, to target inventors and scientists in the UK, to recruit people with UK qualifications to jobs based in the UK, to solicit UK suppliers, to seek licensing opportunities in the UK (for which purpose potential licensing partners were invited to contact Mr Rob Pinnock in Hertfordshire), to provide purchase order terms and conditions applicable to the UK and to provide information to persons in the UK about Merck US, its business, policies, products and services. The social media activities of Merck US were also integrated with and supportive of the websites and Merck US's business generally and were directed at persons and businesses in the UK in just the same way as the websites.
195. The judge was also entitled to attach weight to the architecture of the websites and the social media sites. It is accepted by Merck US that its "msd-uk.com" and "msd-animal-health.co.uk" sites are and were directed at the UK but persons using these sites could then readily access the "merck.com", "merckformothers.com", "merckresponsibility.com" and "merckmanuals.com" sites for whatever information they were seeking. So too they could follow Merck US's social media activities. All of these sites and activities constituted together a resource which was targeted at individuals in the UK and other countries. The visitor numbers were also material. The judge found that these were not strays but rather non-US residents that were in search of information and had been directed or drawn to the "merck.com" site.
196. These findings of the judge had an ample basis in the evidence. Much was apparent from the sites themselves, their integrated nature and their architecture, but it was also supported by the evidence of Merck US's witnesses. By way of illustration, Ms Ambrose, to whom I have already referred, accepted in the course of her cross examination that "merck.com" was a site from which users in the UK could derive further information about global initiatives. Ms Colatrella, the Executive Director, Office of Corporate Responsibility of the first defendant, accepted that users could find on "merckresponsibility.com" relevant information about the UK, that a search on a web browser for "msdformothers.com" would take the user to "merckformothers.com", and that "mercknewsroom.com" was designed, inter alia, to allow users in the UK to find out what was happening at Merck US's headquarters. Similarly, Ms Tillett, the External Affairs Director of the third defendant, explained that the MSD website was only updated every three years and that users seeking up to date information are therefore directed to one or more of the impugned websites.
197. For all of these reasons, I am satisfied that the judge was entitled to find as he did that the Merck websites and social media activities of which complaint is made were targeted at users in the UK.

Has the word "Merck" been used in a manner falling within the scope of clause 7?

198. I can deal with this issue relatively shortly because it is not necessary at this stage to consider whether the uses of which complaint is made constituted uses in the UK of the word “Merck” as a trade mark rather than as a corporate, business or trade name. All these uses of the word “Merck” alone are precluded by clause 7.
199. Further, there can be no doubt that extensive use of the word “Merck” alone has been made in the impugned materials. I will say more about these uses when addressing the claim for infringement of registered trade mark but for present purposes I can summarise the position as follows. The word “Merck” appears repeatedly through the pages on websites and social media, in the materials distributed at conferences and advisory boards (and it was used on slides and in oral presentations), and in the press releases, the agency briefs and the emails. In so far as it was not use of the word as a trade mark, it was use of it as a corporate, business or trade name.
200. I would also make clear that I am satisfied that the uses of the word “Merck” as part of the addresses of the impugned websites, as part of the name Merck & Co Inc (but without a geographical identifier) or as part of email addresses ending “@merck.com” also fall within the scope of clause 7. In each of these forms of use the word appears without any significant distinguishing matter and in a way which, if used by a party outside its permitted territory, would undermine the purpose of the 1970 Agreement. These uses do not incorporate and are not accompanied by any geographical identifier; nor do they have any distinguishing elements of the kind that are present in the name and mark “Merck Sharp & Dohme”. I am also satisfied they do not fall within the scope of any intentional gap in the agreements such as might arise where there is a real question as to whether the use of a name or mark incorporating the word “Merck” by one party in the territory of the other party would be adequately distinguishable from the names and marks that other party uses.

Reasons why the uses complained of may not constitute a breach of clause 7

201. In my judgment, the activities of Merck US of which complaint is made did therefore, at least *prima facie*, constitute a breach of clause 7 of the 1970 Agreement. Nevertheless, Merck US maintained at trial that, for various reasons, they did not. These reasons were, in summary:
- i) The activities were *de minimis* and insufficient to sustain a claim for breach of contract (or a claim for infringement of registered trade mark).
 - ii) The German courts recognise the need for a degree of flexibility when interpreting long term co-existence agreements in light of radically changed circumstances, and application of this principle should have led the judge to find that Merck US had not acted in breach of the 1970 Agreement.
 - iii) A German court would seek to preserve an equilibrium that has developed between the parties acting under the terms of a co-existence agreement in a similar way to the application of the doctrine of honest concurrent use in trade mark law, and such an equilibrium had developed in the circumstances of this case.
 - iv) The activities of which complaint was made were not actionable in light of the German doctrine of forfeiture.

202. The judge rejected the first, second and fourth arguments but he accepted the third, in part. He found, for reasons which I will elaborate in a moment, that an equilibrium had developed in relation to the use by Merck US of the “merck.com” website and “@merck.com” email addresses.
203. Upon this appeal, Merck US does not challenge the judge’s dismissal of the second and fourth arguments but contends that the judge was wrong to reject the *de minimis* argument. It also contends that he ought to have found that the equilibrium argument succeeded in relation to all of the uses complained of. I will deal with these points in turn.

De minimis

204. Merck US contended at trial that Merck Global’s complaints related to a few pages of Merck US’s huge web presence, to a small number of presentations and hardly any press releases, agency briefs and emails. Further, the evidence showed that the percentage of sessions on the “merck.com” website with IP addresses connected to the UK averaged 3% over the last 5 years, and that the number of visitors to the “msd-uk” site who went on to the “merck.com” site via links on the page was about 3.5%. It was submitted that, given the volume of material generated by Merck US and the number of website visitors, this was too small a number of possible breaches upon which to base a claim.
205. There was no dispute as to the relevant principles of German law. The judge referred to and drew upon the guidance given by the Federal Court of Justice in the *Hotel Maritim* case (GRUR, 2005, 431) and directed himself that it was possible that only a slight infringement of a contractual right might not be actionable.
206. The judge went on to find that this principle had no application in the context of this case, however. He reasoned as follows. First, the evidence suggested that the instances of alleged breach relied upon by Merck Global were not the only instances of that kind which had occurred. Secondly, the percentage of web traffic sounded small but once traffic generated in the US and Canada had been eliminated, those percentages increased by a factor of about four. Thirdly, in the context of an agreement not to do something, the *de minimis* threshold below which breaches of an agreement would not be enforced was low. And fourthly, it appeared the parties themselves regarded the contractual requirements as being strict – hence the need for the 1975 Protocol to deal with matters such as letterheads and visiting cards.
207. In challenging these findings, Mr Hobbs has pointed to the nature, content, context and size of the body of material located outside the UK from which the instances of alleged breach and infringement had been selected by Merck Global. He submits and I accept that Merck US is a huge undertaking with annual sales of around US\$44 billion and some 76,000 employees around the world. Indeed, the third defendant has an annual turnover in the UK of in excess of £754 million. Further, US Merck generates an enormous number of communications, and it disclosed nearly 1.3 million documents in the course of these proceedings. Yet, says Mr Hobbs, the allegations concerning the Merck US websites concern only a small number of pages which refer to the UK and, those aside and despite the vast disclosure exercise which Merck US has carried out, Merck Global has found no more than a handful of alleged breaches

which, seen against the size of the business of Merck US as a whole and that of its UK business, are indeed *de minimis*.

208. I have not been persuaded by these submissions. My reasons are these. First, the decision whether or not the activities complained of were *de minimis* was, essentially, an evaluative one which the judge was best placed to carry out for he had the benefit of hearing all of the evidence and argument at the trial. He directed himself correctly as to the relevant legal principles and I think it inconceivable that he did not have well in mind the submissions made to him about the size of the business of Merck US. To the contrary, it is in my view clear that he did because he had regard to the percentage figures of website traffic. In these circumstances, I think this court should be cautious before interfering with the conclusion to which he came.
209. Secondly, I did not detect any effective challenge to the judge's impression that the instances of alleged breach relied upon by Merck Global were not the only instances of that kind which had occurred. Furthermore, the judge had before him a substantial body of material in relation to the alleged breaches and it would have been unduly burdensome had that body of material been any larger.
210. Thirdly, it is in my view relevant that the judge found that the alleged breaches were not the result of inadvertence but instead arose against a background of conscious and deliberate (though honest) policy choices made by Merck US as to how it would organise its activities. That is a finding with which I would not interfere.
211. Fourthly, I think that the point made by the judge about web traffic is a fair one. As he explained, the figures of 3% and 3.5% of the total traffic may seem small but once traffic from the USA and Canada (Merck US's home territories) is cut away, around 25% of the total remains (and is itself substantial), and the proportion of this which is attributable to the UK is correspondingly greater and certainly not *de minimis*.
212. Fifthly, the impugned activities which unquestionably took place in the UK are, in and of themselves, sufficient to pass the *de minimis* threshold. In these circumstances I am satisfied that no basis has been shown upon which this court could properly interfere with the judge's overall finding on this issue. The claim for breach of the 1970 Agreement cannot be dismissed on the basis that the acts complained of are negligible or insignificant.

Equilibrium

213. The judge found on the basis of the expert evidence on German trade mark law that the German courts recognise a principle of "Recht der Gleichnamigen" or honest concurrent use in relation to trade mark claims. This has two aspects. First, disputes between two parties who have coexisted under identical or similar signs for some time - giving rise to an equilibrium - will not be resolved on the basis of priority. Secondly, in such circumstances each party has the right to continue to use its own sign, but the more recent user (or alternatively the party whose act has disturbed the pre-existing equilibrium) must take all reasonable steps to prevent confusion.
214. There is no challenge by either party to these findings but I think it important to say a little more about them and the principles that underpin them. In this regard the judge cited with apparent approval evidence of Professor Bornkamm, founded in part upon

the decision of the Bundesgerichtshof in *Peek & Cloppenburg* 738 GRUR 2010, to the effect that, if two parties have agreed to use, or they have honestly used, the same name and trade mark for some time then they have a responsibility not to disturb the equilibrium or harmony that exists between them. Further, if one party starts to interfere with the equilibrium between their respective uses then the other should seek a remedy promptly, for a failure to do so might lead to a re-setting of the equilibrium position.

215. The Bundesgerichtshof provided this further guidance in the *Peek & Cloppenburg* case at paragraphs [21] and [22]:

“21. It is therefore of importance for a legal assessment only whether the defendant has increased the likelihood of confusion by means of the disputed use of the commercial name, and has thus interfered with the equilibrium position existing between the parties and whether she can – possibly – refer to a protection worthy-interest in the disputed use of the company name, and has also done everything possible that can reasonably be expected of her to counteract an increase in the likelihood of confusion....

22. The equilibrium position that exists with regard to the entitlement to use a company name that can be confused is interfered with by increasing the likelihood of confusion”.

216. The parties were not in agreement, however, as to whether the German court would draw upon the principles of honest concurrent use in dealing with a dispute between two parties about the rights conferred on them under a co-existence agreement and, as the judge put it, the friction that arose between the parties to these proceedings arising from the application of the 1970 Agreement in the age of the internet. He resolved this issue in favour of Merck US, holding, at paragraph [121]:

“121. ... The principle would not be applied so as to modify the contract originally entered into: that seems to me to be a wholly different matter. But in deciding whether to grant relief and if so what, the German court is likely to take into account how the parties have in fact adjusted their respective rights and claims under the contract over the years.”

217. The judge then proceeded to apply these principles to the facts of this case. His findings may be summarised as follows. First, a domain name or an email address is analogous to a company name. However, the 1970 Agreement governs the use of company names, making provision for the precise form in which they may be used, what identifiers they must be used with and where that use may take place.

218. Secondly, Merck US had used the domain name “merck.com” and the email address “@merck.com” since 1993. But more recently Merck US started to push at the boundary between its use and that of Merck Global by taking steps to register other domain names such as “merck.co.uk”, “merck-uk.com” and “merck-academy.eu”. Merck Global vigorously resisted these activities and Merck US eventually conceded. However, it was not until 2005 that Merck Global made any real complaint about the

use of “merck.com” as a domain name or “@merck.com” as an email address. This complaint was not resolved and the parties carried on as before. Further, the use by Merck US of “merck.com” as a domain name and “@merck.com” as an email address was honest in that it was not consciously in contravention of the 1970 Agreement; and it was concurrent in that, in the rest of the world, both Merck US and Merck Global were using website and email addresses incorporating the word “Merck”.

219. Thirdly, there was, in the circumstances, a state of equilibrium in relation to the use of the domain name “merck.com” and the email address “@merck.com”. However, as a result of the merger with Schering-Plough, Merck US’s business had grown and had adopted a much larger web-presence. Further, Merck US was now much more aggressively promoting the “merck.com” domain name and the “@merck.com” email address and was seeking to attract a global audience to its websites. Moreover, Merck US had adopted variations of its domain names such as “merckformothers.com” and “merckresponsibility.com” These activities and Merck US’s allied activities on YouTube, Twitter and Facebook had disturbed the equilibrium that existed. The onus therefore lay upon Merck US to ensure that any increase in confusion was avoided.
220. Fourthly, Merck US must stop using domain names such as “merckformothers.com” and “merckresponsibility.com” in the UK (or adopt geo-targeting). Instead, it must, for example, maintain its “MSD for mothers” website with content cloned from the “merckformothers.com” site (but avoiding the “Merck Be Well” branding and the frequent references to “Merck”) rather than using it, as in substance it now did, as a portal for its “merckformothers.com” and “merck.com” websites. Insofar as it used the word “Merck”, it had to do so in substantial compliance with the terms of the 1970 Agreement and the 1975 Protocol. Any link to material elsewhere should generate a “pop-up” which, before landing on a Merck US webpage, stated that the landing page was not a webpage of Merck KGaA of Darmstadt which had the exclusive rights to use the “Merck” mark in the world other than the US and Canada.
221. Fifthly, the position in relation to the “merck.com” website and the “@merck.com” email addresses was as follows:

“126. As regards “merck.com” and “@merck.com” in relation to which an equilibrium exists deriving from use since 1993, which equilibrium has been disturbed by more extensive use, doing everything possible that can be reasonably expected to counteract an increase in the likelihood of confusion will involve either desisting from use on YouTube, Twitter and Facebook or the acceptance of geo-targeting (or its equivalent): and in relation to the enlarged use of the established “merck.com” domain and associated e-mail address the adoption of localised national e-mail addresses for non-US based staff where that does not occasion unreasonable expense or disruption. So strict compliance with the 1970 Agreement as to co-existence has in this limited regard been replaced by an obligation to comply with such orders as the Court might make designed to avoid any increase in confusion arising from the e-mail addresses and domain names beyond that established under the earlier equilibrium.”

222. Finally, as for the Merck Manual of Diagnosis and Therapy, this had been published for decades and was the subject of an equilibrium. The associated “merckmanuals.com” website raised rather different issues but it was not necessary to explore these further because Merck US had made it clear that it would launch a new website for users outside the USA and Canada at “msdmanuals.com” using the title “MSD Manuals”. The judge thought that was enough.
223. Mr Hobbs now argues that the judge was right to recognise as he did in paragraph [121] that the principles of honest concurrent use and equilibrium were applicable to the present situation. But, says Mr Hobbs, the judge wrongly failed to recognise that these principles were applicable not only to the claim for breach of the 1970 Agreement but also to the claim for infringement of registered trade mark. This is a matter to which I must return when I consider the judge’s findings in relation to that claim.
224. As for the claim for breach of contract, Mr Hobbs argues that the judge’s findings of equilibrium and honest concurrent use should have applied across the full width of the claim. The parties had coexisted for many decades under the agreements between them by cooperating together to resolve any issues of concern without recourse to litigation. Further, the equilibrium that the judge found existed reflected the reality that a degree of “overspill” from the territory of one party to that of the other was inevitable and, if the agreements were to be interpreted in such a way as to find that any form of overspill was objectionable, the parties would be prevented from enjoying the state of equilibrium that had been established. For over 20 years prior to the commencement of these proceedings, each party had used the word “Merck” on its internet websites and on social media platforms which were accessible from the other’s territory. Yet no action had been taken. None of this was reflected properly in the judge’s findings.
225. Unfortunately, says Mr Hobbs, a frost descended on the relationship between the parties in 2012 with the consequence that they are now embroiled in proceedings in several jurisdictions. In the circumstances, it would be rational for the parties to enter into a mutual protocol to supplement their past agreements and cater for modern methods of communication and commerce. That has not happened, however. Nevertheless, in the spirit of cooperation which previously characterised the relationship between the parties, US Merck was proceeding, irrespective of the rights and wrongs of either party, to address the complaints of Merck Global by taking the steps identified in its letter of 8 April 2015 to which I have referred at paragraph [71] above.
226. I have a number of difficulties with these submissions. First, they fail to take due account of the factual findings of the judge that Merck US had disturbed the equilibrium that existed concerning the use that each party was making of the word “Merck”. It had done so by making much greater use of the word “Merck” as a trade and business name and as a trade mark following the merger with Schering-Plough; by adopting a much larger web-presence; by aggressively promoting the “merck.com” domain name and the “@merck.com” email addresses; by adopting and using domain names such as “merckformothers.com” and “merckresponsibility.com”; by making greater use of social media platforms such as YouTube, Facebook and Twitter; and by targeting its activities at the UK and other countries. The judge made findings (to which I have referred earlier) that this was not mere “overspill”. Furthermore, all of

these activities were likely to increase the risk of the businesses, goods and services of one party being taken for or as being connected with those of the other party.

227. Secondly, I reject the submission that the activities of Merck US were not capable in law of disturbing the equilibrium between the parties. There is a faint suggestion in the written submissions of Merck US that an equilibrium cannot be upset by an increase in the use and enjoyment of the rights to which they apply but in my judgment that proposition is stated much too broadly. The circumstances of this case and the steps that Merck US has taken as summarised in the immediately foregoing paragraph cannot be attributed to an organic growth in Merck US's business. Instead they reveal what I would describe as a step change in the activities of which complaint is made. Furthermore, as the experts in German law explained and the judge accepted, the increased risk of conflict that resulted should have been accompanied by a preparedness on the part of Merck US to do everything that could reasonably be expected of it to counteract that risk. But it was not.
228. Thirdly, Merck US has embarked upon and pursued this course of conduct in the face of objections by Merck Global. I recognise that Merck US says it is now taking the steps set out in its letter of 8 April 2015 but this pronouncement was made only shortly before the trial.
229. In all these circumstances I am satisfied the judge was entitled to find that the German doctrine of "equilibrium" gave Merck US only limited assistance and that it did not provide a self-standing answer to the whole of the claim.
230. The judge then summarised his findings and formulated in indicative terms at paragraph [134] of his judgment the relief which he thought that Merck Global was entitled as against the first defendant (as the contractual counterparty):

"134. I therefore find and hold that Merck Sharp & Dohme Corp (which is the contractual counterparty) is in breach of the 1970 Agreement as indicated above. I will (as sought in paragraph 4 of the prayer for relief) declare that Merck US has breached its contractual obligations contained in the 1970 Agreement and the 1975 Protocol. The precise form of injunctive relief must be considered after this judgment is handed down. I hope it is clear that I consider Merck Global to be entitled to an order restraining Merck US from describing itself in any printed or digital material addressed to the UK as "Merck", but only as "MSD" or as "Merck Sharp & Dohme" or as "Merck & Co Inc" accompanied by a geographical identifier of equal prominence in accordance with the 1975 Protocol (though I would look for substantial not literal compliance with that obligation). I think Merck Global is also entitled to an injunction to restrain the use by Merck US in any such material of the mark "MERCK". I consider that Merck US must cease to use "merckformothers" and "merckresponsibility" (and similar recent variations) as domain names deployed in the UK (though if it implemented "geo-targeting" that would be a sufficient performance of the obligation). If it establishes and maintains MSD branded UK-specific websites with links to US websites

then using the link must generate a suitably worded “pop-up” not simply saying that the user is leaving the UK site but (to avoid confusion) drawing attention to Merck Global’s right to the Merck name outside the US and Canada. In relation to the established “merck.com” and “@merck.com” addresses which are now more extensively used, expanded use on YouTube, Twitter and Facebook must cease (though “geo-targeting” or its equivalent would be a sufficient performance): and given the expansion of use of the domain name and e-mail addresses the adoption of localised e-mail addresses for non-US based staff.”

231. Mr Hobbs has heavily criticised this and related aspects of the judgment which I will address when dealing with Merck US’s appeal against the terms of the judge’s final order.

Was the claim for breach of contract limited territorially?

232. Merck Global contends upon its appeal that the judge wrongly confined his final order in respect of the claim for breach of contract to the UK.
233. Mr Speck has developed that contention as follows. He submits that the 1970 Agreement governed the relationship between the parties and their right to use the sign “Merck” in relation to their respective goods and businesses all around the world. Merck Global’s claim for relief for breach of contract was not limited to the UK and the judgment reflected the worldwide scope and effect of the agreement. Accordingly, there was no reason as a matter of principle to confine the terms of the order in respect of breach of contract to activities conducted by Merck US in the UK and the judge erred in doing so.
234. Mr Speck acknowledges that the particular allegations of breach of the 1970 Agreement of which complaint has been made in these proceedings concern activities which have occurred in the UK, but submits that this reflects a decision taken by Merck Global for reasons of procedural economy. He also recognises that there are parallel proceedings in Germany and in France but maintains that these do not involve any claim for breach of the 1970 Agreement.
235. For all of these reasons, argues Mr Speck, the judge fell into error in making his order and that he should have granted relief to Merck Global on its claim for breach of contract in respect of Merck US’s activities in the whole world (except for the USA, Canada, Cuba and the Philippines).
236. I have no doubt that this contention must be rejected. My reasons for coming to that conclusion are these. First, all of the acts of Merck US of which complaint was made in the particulars of claim and at the trial occurred within the UK. It was never asserted in these proceedings that any act by Merck US outside the UK amounted to a breach of the 1970 Agreement. It was a claim for breach of contract arising from its activities in the UK which the first defendant, as the contractual counterparty, met in its defence and that was the claim upon which the action proceeded throughout and which the first defendant came to court to defend. Moreover, it was made perfectly clear by Merck Global at the trial that it relied upon the same acts in support of its

claim for breach of contract as it did in support of its claim for infringement of registered trade mark.

237. Secondly, I am not persuaded that, were the courts in this jurisdiction to consider the issue of breach of the 1970 Agreement arising from the activities of the first defendant in France and Germany, there would be no scope for conflict between these proceedings and parallel proceedings in those countries. The potential overlap between these proceedings and those in Germany has been recognised by the German courts. Further, in addressing the claims for infringement of registered trade mark in France, the French court was required to and did consider the effect of the 1970 Agreement.
238. Thirdly, as for Mr Speck's submission that Merck Global only asserted claims for breach of the contract arising from the activities of Merck US in the UK for reasons of procedural economy, this was never suggested at any time before or at trial, or after judgment. Nor was it ever agreed or directed by the court that the activities of Merck US in other territories were to be tested by reference to those which had occurred in the UK.
239. Fourthly, to extend the relief granted by this court to other territories would be manifestly unjust. There has been no investigation of or finding in relation to the factual position concerning the activities of the first defendant in other territories. For example, there has been no investigation of what acts, including in particular online acts, might be said to amount to a breach in those territories; no investigation of whether those acts can be attributed to the first defendant; no consideration of whether those acts were targeted at those territories; no assessment of whether those acts constituted a breach of clause 7; and no consideration of whether those acts have been carried on in such a way and for such a time that a state of equilibrium has arisen in relation to them.
240. For all of these reasons I am satisfied that there is no basis upon which relief could properly be claimed or granted against the first defendant in respect of acts outside the UK.

The order for partial revocation of the registered trade marks

241. It is convenient to deal next with the appeal by Merck US against the judge's order for partial revocation of Merck Global's registered trade marks. There is no challenge by Merck Global to the order the judge made. But Merck US contends he did not go far enough. The battleground is the retention within the specification of goods of those registrations of "pharmaceutical substances and preparations". The judge held that this was justified. Merck US contends that, in so finding, he has erred in law. I should make it clear that it is accepted by Merck US that, even if it is successful upon this aspect of its appeal, it can have no material effect upon the claim for breach of contract or the claim for infringement of registered trade mark. Nevertheless, it was and remains an important issue for the parties more generally.
242. The approach to be adopted to a claim for part cancellation of a registration of a trade mark was considered by the Court of Appeal in *Roger Maier, Assos of Switzerland SA v ASOS Plc* [2015] EWCA Civ 220, [2015] ETMR 26. I addressed this issue at paragraphs [42] to [70] and Underhill LJ did so at paragraphs [182] to [186]. Sales LJ

dissented. I explained at paragraphs [56] to [60] that there are here two competing considerations. On the one hand, a proprietor should not be able to monopolise the use of a trade mark in relation to a general category of goods or services simply because he has used it in relation to a few of them. A mark should remain registered only for those goods or services in relation to which it has been used. On the other hand, a proprietor cannot reasonably be expected to use his mark in relation to every possible variation of all of the goods or services covered by his registration.

243. Guidance was given as to how those considerations are to be resolved in the decisions of the General Court in Case T-126/03 *Reckitt Benckiser (España) SL v OHIM (ALADIN)* [2005] ECR II-2861 (in particularly at paragraphs [44] to [45]), and Case T-256/04 *Mundipharma AG v OHIM (RESPICUR)* [2007] ECR II-449 (in particular at paragraphs [23] to [24]). That guidance is still apposite, as may be seen from the recent decision of the General Court of 24 January 2017 in Case T-258/08 *Matthias Rath v EUIPO* EU:T:2017:22 at paragraphs [34] to [36].
244. As I described in *Maier v Asos*, the approach to be adopted is relatively straightforward (although I readily acknowledge that it may on occasion be difficult to apply) and it is in my view consistent with the earlier decisions of the Court of Appeal to which I referred at paragraph [63]. On reflection, I think it can be expressed more clearly as follows.
245. First, it is necessary to identify the goods or services in relation to which the mark has been used during the relevant period.
246. Secondly, the goods or services for which the mark is registered must be considered. If the mark is registered for a category of goods or services which is sufficiently broad that it is possible to identify within it a number of subcategories capable of being viewed independently, use of the mark in relation to one or more of the subcategories will not constitute use of the mark in relation to all of the other subcategories.
247. Thirdly, it is not possible for a proprietor to use the mark in relation to all possible variations of a product or service. So care must be taken to ensure this exercise does not result in the proprietor being stripped of protection for goods or services which, though not the same as those for which use has been proved, are not in essence different from them and cannot be distinguished from them other than in an arbitrary way.
248. Fourthly, these issues are to be considered having regard to the perception of the average consumer and the purpose and intended use of the products or services in issue. Ultimately it is the task of the tribunal to arrive at a fair specification of goods or services having regard to the use which has been made of the mark.
249. This approach does strike an appropriate balance. It gives effect to the clear intention of the EU legislature that marks must actually be used or, if not used, be subject to revocation. See, for example, Recital 9 of Directive 2008/95/EC (“the TM Directive”) and Recital 10 of Council Regulation (EC) No 207/2009 (“the TM Regulation”). It is also fair to proprietors for it does not require a proprietor to prove that he has used his mark in relation to all possible variations of the goods or services covered by its registration but only those which are sufficiently distinct to constitute coherent categories or subcategories. I am also satisfied that it gives appropriate protection to

the legitimate interest of a proprietor in being able in the future to extend his range of goods or services within the scope of the terms describing the goods or services for which its mark is registered. The trader has ‘absolute’ protection under s.10(1) of the 1994 Act (corresponding to Article 5(1)(a) of the TM Directive and Article 9(1)(a) of the TM Regulation) in relation to those goods or services for which he has used the mark (and other goods and services which fall into the same category or subcategory). He also has protection in relation to other goods or services in so far as it is able to establish a likelihood of confusion or the other requirements set forth in s.10(2) and s.10(3) of the 1994 Act (corresponding to Article 5(1)(b) and (2) of the TM Directive and Article 9(1)(b) and (c) of the TM Regulation).

250. We are concerned in this case with pharmaceutical substances and preparations. In my view it is now well established that this category of goods is sufficiently broad for it to be possible to identify within it a number of subcategories of goods which are capable of being viewed independently. Further, the purpose and intended use of a pharmaceutical substance or preparation are important in identifying the relevant subcategory to which it belongs; and here therapeutic indication is of particular significance: see, for example, Case T-256/04 *RESPICUR* (supra) at paragraphs [26] to [31]; Case T-483/04 *Armour Pharmaceutical Co v OHIM (GALZIN)* [2006] ECR II-4109 at paragraphs [28] to [29]; Cases T-493/07, T-26/08 and T-27/08 *GlaxoSmithKline and Ors v OHIM (FAMOXIN)* EU:T:2009:355 at paragraphs [35] to [37]; Case T-487/08 *Kureha Corp. v OHIM (KREMIZIN)* EU:T:2010:237 at paragraphs [56] to [61]; and Case T-258/08 *Matthias Rath v EUIPO* (supra) at paragraph [36].
251. With that introduction, I can come to the facts of this case and the judge’s reasoning. Merck US accepts that Merck Global has used the trade marks in issue in relation to pharmaceutical substances and preparations for the treatment of cancer, multiple sclerosis, infertility, endocrine disorders, cardiovascular diseases, peripheral vascular disorders, alcohol dependence, asthma, depression, parasitic worm infections, endometriosis and intestinal disorders. It also accepts use for pharmaceutical cod liver oil.
252. The question to which this gives rise is whether the trade mark registrations should be partially revoked to restrict the specification of each of the marks to pharmaceutical substances and preparations for these indications. The judge concluded they should not. He set out his reasons at paragraph [156]:

“In my judgment the question is (as Mr Hobbs QC submitted) one of definition of the relevant sub-categories. The purpose and intended use of a pharmaceutical preparation (as expressed in its therapeutic indications) is a strong factor in the definition, provided that one can be confident that the therapeutic indications definitively list the treatment uses of the drug. But the application of the principle cannot produce an “unfair” result, and in particular must be reconciled with the legitimate interest of Merck Global in being able in the future to extend its range of goods, within the confines of the terms describing the goods for which the trade mark was registered. The Court is not concerned to define the sub-categories in the narrowest way possible having regard to actual use. The Court is concerned to

identify what uses the average consumer would consider belonged to the same group or category as those for which actual use had been proved and which were not substantially different from those proven uses. That would produce the same result as if a narrower specification had been originally adopted (“polish”) but only use of part within that category (“magic cotton”) proved. For a major pharmaceutical company with a large product line and an established reputation (including for research) the sub-categories cannot be confined to the precise therapeutic indications for the treatment of which a specific drug is used in the relevant period. My view is that (for example) the specification might fairly be “preparations for neuro-degenerative diseases” rather than “multiple sclerosis” or for “preparations for respiratory diseases and conditions” rather than for “asthma”. But this form of categorisation was not the subject of argument and I was left with what was effectively a binary choice between accepting no categorisation at all or accepting Merck US’s detailed categorisation. Had it been relevant (and it is not because whatever specification is adopted in fact Merck US’s challenged uses fall within it) I would have called for further argument to see where the balance between fair specification and exorbitant protection (see Maier at [195] per Underhill LJ) lay. I was not persuaded that Merck US’s suggested sub-categories were fair, particularly in the light of the way their own web-pages identify the subcategories within their own product ranges.”

253. Mr Hobbs submits that the judge has here fallen into error because he has failed to apply the principles to which I have referred and has instead subsumed all of the subcategories of product in relation to which the mark has been used into one overall category. Mr Speck and Mr Brandreth urge us to uphold the judgment for the reasons the judge has given. They argue that Merck Global is a major pharmaceutical company with a wide range of different products and the average consumer would not understand its use of the marks to have been confined to use in relation to the particular products it had produced and sold in the relevant period.
254. In my judgment, the correct position is as follows. First, there is no doubt in this case about the particular products in relation to which the mark “Merck” has been used by Merck Global in the relevant period. There can also be no doubt that “pharmaceutical substances and preparations” is a sufficiently broad category of products to include within it a number of subcategories.
255. Secondly, as we have seen, the purpose and intended use of a pharmaceutical product are of particular importance in identifying the relevant subcategory to which it belongs, and here regard must be had to its therapeutic indication and the perception of the average consumer.
256. Thirdly, Merck US produced at trial a schedule of each of Merck Global’s products and the therapeutic indication for which it has been used. The schedule contains 12 indications and they are set out in paragraph [251] above (together with pharmaceutical cod liver oil). Production of this schedule inevitably involved some

generalisation. Nevertheless, the judge was concerned that the indications had been expressed too narrowly. I share that concern. However, the difficulty facing the judge was that Merck Global failed to produce an alternative set of more generalised indications. It took the position (and has maintained on appeal) that it is entitled to retain its registrations for all “pharmaceutical substances and preparations”.

257. Fourthly, I accept that Merck Global is a major pharmaceutical business and that all of its products are sold under or by reference to the mark “Merck”. I accept too that it has sold in the relevant period one or more products for each of the 12 indications to which I have referred. However, many of these indications are quite distinct from one another. Further, there may be many other indications for which Merck Global has not sold any products at all.
258. Fifthly, in these circumstances, the application of the principles I have described ought to have led to the conclusion that the specification of goods for Merck Global’s registrations should be limited to the series of subcategories of products in relation to which it had used the mark. In so saying I do not for one moment suggest that it can never be appropriate to secure and retain a registration for all “pharmaceutical substances and preparations”. For example, a proprietor may have sold trade-marked products falling in all or substantially all of the subcategories which this broad category contains. However, the judge was not given the assistance he needed to determine whether this is such a case or whether, substantial though it is, the business of Merck Global has not involved the sale of trade-marked products in all or even most of those sub-categories.
259. Sixthly, the judge has failed to appreciate that the process explained by the General Court does strike a fair balance between the competing interests I have described. It confers upon Merck Global ‘absolute’ protection in relation to the goods for which it has used the mark and any other goods in the particular subcategory to which those goods belong. But that does not mean that it is denied protection for other products. To the contrary, it does have protection; but that further protection falls to be determined under s.10(2) and s.10(3) of the 1994 Act. In my view it was therefore neither necessary nor appropriate to take into account the reputation attaching to the mark “Merck” in the UK in deciding the scope of the specification to which Merck Global was entitled.
260. The judge explained that he was faced with what was effectively a binary choice between accepting no characterisation at all or accepting the detailed characterisation of Merck US and that, had it been relevant, he would have called for further argument. In my judgment it was relevant, however. It is true that it could have no effect upon the outcome of the claim for breach of contract or infringement of registered trade mark but it was essential in order to determine the scope of the registrations to which Merck Global is entitled. I would therefore remit this issue to the High Court for re-assessment together with the other matters to which I will come.

Infringement of registered trade mark

261. The judge considered that his findings in relation to the 1970 Agreement were sufficient to dispose of the case against the principal defendant. Nevertheless, it was submitted to him, as it has been to us on appeal, that there was not (nor could there have been) a claim against the second to fifth defendants for breach of contract and so

it was still necessary to consider the claim for infringement of registered trade mark. So far as relevant to this appeal, it gave rise to the following issues: first, whether Merck US had used the word “Merck” in the UK in relation to any relevant goods or services; secondly, whether any infringement was *de minimis*; thirdly, whether the principles of honest concurrent use were applicable; and fourthly, whether Merck US could avail itself of a “use of own name” defence.

262. In the course of his reasoning, the judge found in favour of Merck Global on the first, second and fourth of these issues, but he did not in terms address the third. He held that Merck Global had made good its claim and formulated, again in indicative terms, the relief to which he believed it was entitled:

“191. Merck Global is therefore entitled to an injunction as against Merck & Co Inc Merck Sharp & Dohme Ltd Intervet UK Ltd and Intervet International BV to restrain infringement of its “MERCK” mark through its use in any logo or branding (including where “Merck” is directly linked to the supply of products or services). The terms of the injunction will need to be settled when this judgment is handed down.”

263. Merck US now contends that the judge has fallen into error at each and every stage of his analysis. It also criticises the substance of this indicative relief and contends that the judge ought not to have made any finding as to the relief to which Merck Global was entitled without giving it an opportunity to be heard, and that he did not do. As in the case of the claim for breach of contract, I will address these further points when considering Merck US’s appeal against the final order.

Use in the course of trade in the UK relation to goods or services

264. I have set out the classes of use of the sign “Merck” of which complaint was made at paragraph [56] above. The judge first touched on the question whether these uses were uses in relation to goods or services in addressing the claim for breach of the 1970 Agreement. He held (at paragraphs [96] to [98]) that the use of the word “Merck” in what he described as branding, such as in the “Merck be well” tagline and as part of a simple logo used in slide presentations, was used to link the word “Merck” to the products and services supplied by Merck US:

“97. The branding is plainly deployed to link the Merck brand to the products and services provided by Merck US. It can serve no other purpose. It is linked on the merck.com website to research, product development, business development and the provision of pharmaceutical services. It is linked to a considerable number of specific products. As Ms Ambrose explained in respect of the informational web pages:

“You want to connect the perception of a life saving vaccine to Merck.” ...”

265. Later, when addressing the claim for infringement arising from the use by Merck US of the word “Merck” in the course of its activities on the internet, the judge returned

to this issue. After directing himself by reference to the decision of the Court of Justice in *Céline* (supra), he held at paragraph [165] that:

“ ... the evidence establishes use of the MERCK mark by Merck US on its websites (and in relation specifically to the UK) in relation to research and product development, licensing and business development, and in relation to healthcare and pharmaceuticals (where there is a clear desire to link use of the “MERCK” mark to Merck US’s various vaccines and drugs for diabetes, cardiovascular conditions and cancer which are otherwise available in the UK under the same product name but with MSD branding).”

266. The judge then turned to the issue of infringement under s.10(1) of the 1994 Act arising from the use by Merck US of the word “Merck” both online and offline. At the outset he again drew a distinction between what he perceived to be two kinds of use. First, there was use of the word “Merck” in branding, that is to say as part of a logo or as part of the “Merck be well” tag line or in the expression “Merck: a global healthcare leader”. He included in this class those uses of the word “Merck” which he thought were closely identified with the provision of goods or services, such as “Merck produces vaccines” or a list of “Merck’s products”. The second kind was use of the word in a phrase or sentence which, in context, described an entity engaged in some activity other than the straightforward provision of goods or services. Examples of such use given by the judge were “Merck is active in dealmaking” and “At Merck, corporate responsibility is a cornerstone ...”. Further examples were, to the judge’s mind, the established uses of “merck.com” as a domain name and “@merck.com” as an email address.
267. Having drawn this distinction, the judge expressed his view that the materials before him contained clear instances of the use by Merck US of the word “Merck” in the branding sense and that such use was liable adversely to affect the function of the mark “Merck” as a guarantee to consumers of the origin of the goods or services in relation to which it was used. The judge identified the goods or services in relation to which it had been used in this way by Merck US at paragraph [170]:

“170. The identical goods and services in relation to which the “MERCK” mark is used by Merck US are

(1) in respect of UK trade mark registration Nos. 1 123 545 and 1 558 154:

(a) chemical products included for use in industry, science, manufacturing and in film processing;

(b) pharmaceutical substances and preparations;

(2) in respect of International trade mark registration Nos. 770 038 and 770 116:

(a) chemicals used in industry, science and photography;

- (b) pharmaceutical preparations;
- (c) medical products;
- (d) medical care;
- (e) scientific research;
- (f) providing information and counselling in healthcare;
- (g) drawing up of medical and pharmaceutical expert reports, documents and information;
- (h) planning, performing and evaluating medical and pharmaceutical studies;
- (i) counselling and services with regard to ensuring drug safety;
- (j) services rendered in the medical and pharmaceutical areas.”

268. The judge then dealt with the offending web pages by grouping them into classes:

“171. The infringements consist of use by Merck US of the “MERCK” mark on web pages

- (a) listing prescription medicines and vaccines;
- (b) addressing research, development and the sale and supply of such medicines and vaccines;
- (c) dealing with research and development in the field of maternal health;
- (d) detailing services rendered in the medical and pharmaceutical areas;
- (e) providing information and advice about drug safety and other healthcare issues.”

269. The judge’s attention had been drawn to the warning given by the Court of Appeal in *Reed Executive plc v Reed Business Information* [2004] EWCA Civ 159, [2004] RPC 40 at paragraphs [14] and [15] and so he finished this aspect of his analysis by providing some more detail about the infringements he had found:

“174. I heed the warning in Reed Executive plc v Reed Business Information [2004] EWCA Civ 159 at [14] to [15]. But for present purposes (a consideration of whether Merck Sharp & Dohme Corp is a tortfeasor as well as a contract breaker) I can succinctly state I consider the vast majority of

the infringements to have been proved on the basis of the material in Bundle 1E and 1A(2)[27]. I was not persuaded by the material in Bundle 1A(1) [5], [24] or [25] or 1A(2)[28] (where the references were not to Merck as a mark but to Merck as an entity).”

270. The judge also addressed allegations of infringement of s.10(2) and (3) of the 1994 Act and found infringement of these provisions too. But it has not been suggested that these findings give rise to any further or different issues on this appeal.
271. In developing his arguments before this court Mr Hobbs submits and I accept that it is necessary to have well in mind that Merck Global has never asserted that Merck US has actually offered for sale or sold any goods in the UK under or by reference to the mark “Merck”. He also argues that, against this background, the judge has fallen into error in several ways. First, the judge could only have made the findings he did about infringement on the basis that the use of the word “Merck” anywhere on any website constituted use in relation to everything characterisable as a product or service which is identified or referred to anywhere else on that site and irrespective of whether it was targeted at the UK. Secondly, the judge has lost sight of the key requirement that, to constitute an infringement, the use of the word “Merck” must be such as to constitute use in the UK in the course of trade in relation to goods or services. Thirdly, the judge’s findings are irrational because material which he has found does infringe is indistinguishable from material which he has found does not infringe. Fourthly, there are significant sections of the allegedly infringing material which the judge has dealt with in unduly general terms or which he has failed to deal with at all.
272. Mr Speck has taken us through the findings in the judgment and submits that, read as a whole, the judge has not found that any use of the word “Merck” on any website constitutes use in relation to everything characterisable as a product or service which is identified or referred to anywhere on that site. He also submits (developing a point raised on Merck Global’s appeal) that a particular use by a third party of a sign may constitute use both as the trade name of that third party and use in relation to the goods or services of that third party. He argues that will be so where a sign is used both as a trade name and in such a way as to establish a material link between the sign and the goods or services marketed by the third party. He argues that the criticisms made of the judge’s reasoning are unfair and that he has dealt with the allegations before him in a perfectly appropriate manner.
273. My assessment of these submissions is as follows. First, I am satisfied for the reasons I have given that the judge was entitled to find as he did that the websites were integrated and together constituted a suite of sites that were targeted not just at the USA and Canada but also at other territories where Merck US has carried on its business, including the UK. The same applies to the social media activities of which complaint is made.
274. Secondly, the judge has directed himself properly as to the law. He cited the decision of the Court of Justice in *Céline* and correctly identified that the only use of which Merck Global could complain by way of trade mark infringement was use by Merck US of the sign “Merck” in the UK in the course of trade in relation to goods or services.

275. Thirdly, in applying these principles, the judge said that he did not proceed on the basis that every use of the designation “Merck” on each website constituted use in relation to each and everything characterisable as a product or service appearing anywhere on that site. He was rightly of the view that any suggestion to that effect went too far. The question must always be whether the activity complained of constituted use of the offending sign in the UK and in such a way that consumers were liable to interpret it as designating the origin of the goods or services in question. Moreover, he directed himself, again correctly, that he should ignore use of the word “Merck” in a context which consumers would understand to be a description of an entity engaged in an activity other than the provision of goods and services, such as “Merck is active in deal making” or “At Merck, corporate responsibility is a cornerstone...”.
276. Fourthly, the judge found that the established uses of “merck.com” as a domain name and “@merck.com” as an email address constituted uses of the word “Merck” as a trade name and not, at least in general, as a trade mark. There is no challenge to that finding by Merck Global save that, as I have mentioned, Mr Speck argues on its appeal that there may be occasions where the “merck.com” domain name and the “@merck.com” email address have been used both as a trade name and as a trade mark. I accept that proposition when stated at that level of generality. A sign may at any one time be used both as a trade name and as a trade mark in relation to goods or services. Whether that is so will, of course, depend upon the circumstances of the use in question.
277. So that leaves Mr Hobbs’ third and fourth submissions. Here I must confess to having considerable sympathy for the judge. He was left with a large schedule prepared by Merck Global of alleged infringements and another prepared by Merck US (in a rather different way), a considerable volume of material and very little assistance by way of oral submissions. In a case such as this it would have been far better had the parties cooperated together (and if necessary sought directions) before the trial to identify sample allegations by which the claim for infringement could have been tried effectively.
278. As it is, the judge has proceeded, largely unaided, to make findings, most of which are cast in very general terms. As I have explained, he has found (at paragraph [171]) that, in relation to web pages, the infringements consist of five kinds of use. In my judgment there are a number of problems with these findings. First, they only deal with web pages. There is no finding here about all the other classes of alleged infringement identified at paragraph [56] above. Secondly, it is impossible to discern from this summary which page of which website is the subject of any one of these findings. As a result, Merck US cannot ascertain how the judge has reached his decision (save for the general approach summarised at paragraphs [264] to [270] above), which particular activities or uses constitute an infringement for which it is liable or what it may or may not do. This second point may be illustrated further by the judge’s finding that uses for “addressing research” and “dealing with research and development” in the field of maternal health were infringing. No doubt Merck US carries out extensive research and development but whether Merck US has used the word “Merck” in the UK as a trade mark in relation to these activities is a very different question. Each use must be considered in order to come to a conclusion whether it constitutes use of the offending sign in the UK in the course of trade in

relation to relevant goods or services. Yet Merck US has been found to infringe by referring in some unspecified way to these generalised activities on pages which are not identified in one or more of its websites.

279. In paragraph [174] of the judgment, the judge found “the vast majority of the infringements” had been proved on the basis of the material in bundle 1E and 1A(2) tab 27. Together these contain at least 65 screenshots from Merck US’s websites and social media platforms, and the word “Merck” appears in those screenshots and platform pages in a wide variety of different forms and contexts. Yet here too the judge has not given any explanation as to which uses he considers infringe and his reasons for arriving at that conclusion. Again, Merck US is left in the dark.
280. By contrast, however, the judge has found that certain pages do not infringe, namely those in bundle 1A(1) tabs 5, 24 and 25, and 1A(2) tab 28. These findings are not challenged by Merck Global but Mr Hobbs points to each of these pages as being no different in substance from pages with which the judge has not dealt or which apparently do infringe.
281. In this regard, Mr Hobbs has taken us first to bundle 1A(1) tab 5 which contains a series of screenshots from the “merck.com” website. The sign “Merck” appears throughout this selection of pages in a variety of ways, all of which are said to amount to infringements, as appears from the re-amended particulars of claim at paragraph 11.1 to 11.6. Pages 5 and 6 are particularly relied upon in support of the allegation of targeting. Page 5 deals with licensing and identifies Rob Pinnock as the contact for the UK among other countries. Page 6 is a screenshot of the window pop-up when the contact link for Mr Pinnock is pressed. Mr Hobbs submits and I agree that the screenshots at bundle 1A(1) tab 5 appear materially indistinguishable from the screenshots at bundle 1A(1) tab 6 which deals with job opportunities in the UK and elsewhere, and 1A(1) tab 7 which deals with purchase order terms and conditions. Yet the judge has made no equivalent finding; nor has he given any explanation for not doing so.
282. Mr Hobbs has taken us next to bundle 1A(1) tab 25. This is the “msd-uk.com” homepage together with a series of other pages from the same website. It was said by Merck Global to make extensive use of the sign “Merck” in part of the copyright notice, in links at the bottom of the home page, as part of the “@merck.com” email addresses, in phrases in the “about us” section, in the research section and in metadata. The judge has found that none of these infringes and there is no appeal against that finding. Mr Hobbs has compared this page to the pages at bundle 1E, tabs 55 and 56. These are from the same “msd-uk.com” website. The first describes MSD medicines in general terms. The second is focused on MSD professionals. These are part of the body of material on the basis of which the judge has found the vast majority of the infringements proved. Yet here again the judge has not explained why these pages infringe when those at bundle 1A(1) tab 25 do not, and I am satisfied that some explanation was required for the one to be distinguished from the other and infringement found. Finally, Mr Hobbs has taken us to a series of the pages on social media of which complaint was made. It must be assumed that the judge has found that these contain uses of the word “Merck” in the UK in relation to relevant goods or services and it seems to me that Merck US was entitled to an explanation as to how he arrived at that conclusion; however, none was given.

283. In summary, the judge has made virtually no findings in relation to conferences, advisory board meetings, press releases, agency briefs or emails. Further, his findings in relation to websites and social media are too general, not adequately reasoned and, on occasion, inconsistent. In light of all of these matters I have been persuaded that the judge's findings on infringement are not sustainable and that his judgment on this issue cannot stand.
284. We also considered with the parties during the course of the hearing whether, were we to accept the submissions made by Mr Hobbs, we should endeavour to undertake the task of analysing the bundles of allegedly infringing material for ourselves. In the end it became apparent that this was not a realistic option. We have not been taken to the material transcripts, and we have not heard any developed argument about each of the uses complained of. In these circumstances I have come to the conclusion that justice demands that the appeals on this issue be allowed and the matter remitted to the High Court for re-assessment.
285. Is it nevertheless possible to express any final conclusion about Merck US's various answers to the infringement claim before the extent of the infringements is ascertained? I was initially disposed to think it was not but on reflection I am satisfied that in some cases it is. I will deal with them in turn.

De minimis

286. The judge addressed this issue in his judgment at paragraphs [84] to [87]. Although he did not expressly relate his findings to the infringement claim as well as the claim for breach of contract, I think that is what he intended. I have addressed the judge's findings and the criticisms of them at paragraphs [204] to [212] above in the context of the claim for breach of contract. But the claim for trade mark infringement is rather different. At this stage it is not possible to express any final view as to the extent of any infringement that may be found and it seems to me that it is possible (though perhaps unlikely) that any such infringement will indeed be *de minimis*. I have therefore come to the conclusion that this issue must be remitted for consideration together with the issue of infringement.

Honest concurrent use

287. This defence was not addressed by the judge at trial and so I must do so now. It is well established that the essential function of a trade mark is to guarantee to consumers the identity of the origin of the goods or services in relation to which the mark is used by allowing them to distinguish those goods and services from those which have another origin. Moreover, this origin function is in general liable to be affected adversely if a third party uses in the course of trade the same sign in relation to the same goods or services. Nevertheless, the exercise of this right is reserved to cases in which the offending use has indeed affected or is in fact liable to affect the essential function of the trade mark, and in circumstances where there has been a long period of honest concurrent use of the sign and the mark, that may not be so. See the decision of the Court of Appeal in *IPC Media Ltd v Media 10 Ltd* [2014] EWCA Civ 1439, [2015] FSR 12 at paragraphs [40] to [58].
288. In this case I recognise the judge's finding that Merck US has conducted all of its impugned activities honestly in the sense that it has not consciously acted in breach of

the 1970 Agreement. Nevertheless, any infringing uses of the kind alleged are encompassed within the claim for breach of contract and have taken place in the context of the much greater use which Merck US has been making of the word “Merck” which I have described at paragraphs [226] and [227] and in the face of the objections from Merck Global to which I have referred at paragraph [228]. In my judgment any such infringing uses above the *de minimis* threshold must have affected the essential function of Merck Global’s trade marks, and a continuation of such use would be liable to affect them in the future. In all these circumstances I am satisfied that Merck US cannot secure the shelter of the honest concurrent use defence any more than it can rely upon the defence of equilibrium.

Own name defence

289. Much the same applies to the own name defence under s.11(2)(a) of the 1994 Act. I recognise the availability of this defence to companies as well as natural persons: see, for example, Case C-245/02 *Anheuser-Busch v Budejovický Budvar, Národní Podnik* [2005] ETMR 27 at paragraphs [77] to [80]. I also accept that, in the case of a company, this includes the name by which the company is known, omitting words or letters indicating corporate status: see, for example, *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, [2004] RPC 40 at paragraph [115].
290. The key question, therefore, is whether any use by Merck US of the word “Merck” in the UK as a trade mark has been in accordance with honest practices in industrial or commercial matters. As explained by the Court of Appeal in *Maier v Asos* (supra) at paragraphs [145] to [160] and [189] to [195], this requirement imports a duty to act fairly in relation to the legitimate interests of the trade mark proprietor.
291. The judge dealt with the question whether the offending use was use in accordance with honest practices in industrial or commercial matters in his judgment at paragraph [183] and he did so in general terms having regard to the extent of the infringements he had found. He reasoned as follows:
- “The name by which Merck US is known or called by its customers in the UK is “MSD” or “Merck Sharp & Dohme”. If it wishes to use the mark “MERCK” in the UK it is not using its own name. There can be no denying the character and repute of the “MERCK” mark in the UK: although originally in issue it was not contested at trial. The likelihood of confusion is self evident: and the possibility of conflict something of which Merck US has been aware since the time of the Treaty (or at the very latest the time of the 1970 Agreement). I reject the submission that the usages of Merck US’s name as a mark on its websites and in presentations is in accordance with honest practices in industrial and commercial matters and is fair having regard to the legitimate interests of Merck Global as proprietor of the mark.”
292. Mr Hobbs argues that this reasoning is flawed. He contends that Merck US uses the name “Merck” around the world and is entitled to do so under the 1970 Agreement; that it is known by this name; and that use of this name does not cease to be use in

accordance with honest practices because the entire geographical designation “Merck & Co., Inc, Rahway, NJ, USA” is not iteratively repeated.

293. I cannot accept these submissions. Merck US has stepped outside the scope of the uses permitted under the 1970 Agreement and the 1975 Protocol. The terms of these agreements reflect the common intention of the parties to regulate their respective uses of the word “Merck” around the world so as to protect their legitimate interests and avoid confusion and conflict between them. Acts by Merck US in breach of these agreements which would, subject to this defence, amount to trade mark infringement cannot be described as fair; nor do they respect the legitimate interests of Merck Global. In the context of this case, this defence therefore adds nothing to the defence of honest concurrent use.

Relief and the final order

294. To recap, the judge held in his judgment of 15 January 2016 that Merck Global was entitled to injunctive relief as indicated in paragraphs [134] and [191] (set out above at, respectively, paragraphs [230] and [262]). He also indicated that the terms of his final order would have to be settled at a later date.
295. A further hearing was fixed for 19 February 2016. In advance of that hearing the parties prepared, filed and exchanged detailed evidence and written submissions directed to the appropriate form of order. The hearing on 19 February took a full day. At the end of it, the judge indicated that he would reserve judgment.
296. In the event, the judge decided not to give a further reasoned judgment and notified the parties accordingly. He made his final order on 3 March 2016. For present purposes, the material parts of that order are as follows.
297. After the formal parts of the order, there are two declarations: first, that the first defendant has by its use of the name and mark “Merck” in the UK breached its contractual obligations contained in the 1970 Agreement and the 1975 Protocol; and secondly, that all of the defendants have infringed Merck Global’s registered trade marks by the use of the sign “Merck” as a trade mark in the course of trade in the UK.
298. There follows a series of orders. Paragraph 1 orders the revocation of the registered trade marks in respect of the various goods and services set out in schedule 1 of the order. There is no appeal against this order so far as it goes. But, as I have explained, Merck US contends, rightly in my judgment, that it does not go far enough.
299. Paragraphs 2 and 3 contain injunctions in respect of breach of contract and infringement of registered trade mark and read:

“2. The First Defendant shall not (whether acting by its directors, officers, employees, agents, or otherwise howsoever) from the Effective Date [the 31st day after the order] do the following acts or any of them in the United Kingdom:

- a. describe itself in any printed or digital material targeted at the UK (whether the UK is the prime intended addressee or part of a larger group of addressees) as “Merck” (either (i)

alone or (ii) in combination with other words in a domain name)

b. use the mark “MERCK” in any printed or digital material targeted at the UK.

3. The Defendants and each of them shall not (whether acting by its directors, officers, employees, agents or otherwise howsoever) from the Effective Date infringe [any of the registered trade marks] by using the sign MERCK as a trade mark in the United Kingdom.”

300. These injunctions are subject to the qualifications set out in paragraph 4:

“4. It shall not be a breach of paragraph 2 or 3 of this Order:

a. For the First Defendant to describe itself as (i) “MSD” or “Merck Sharp and Dohme” or (ii) Merck & Co Inc or “Merck & Co Limited” in each case accompanied by a geographical identifier of equal prominence in accordance with the 1975 Protocol (but requiring substantial not literal compliance with that obligation).

b. For the First Defendant to establish and maintain any “MSD branded” UK-specific websites with links to the Defendants’ Permitted Territories [the USA, Canada, Cuba and the Philippines] websites (which Permitted Territories websites themselves use the mark “Merck” as that mark may lawfully be used within the Permitted Territories in accordance with the [1970 Agreement and the 1975 Protocol]) Provided That the use of the link automatically generates a pop-up on the link drawing attention to the fact (i) that the site on which the link lands is not operated by the Claimant and (ii) that the First Defendant is not permitted to use the mark “Merck” outside the Permitted Territories.

c. For the word “merck” to appear in metadata if (but only if) reasonable steps have been taken to remove it but those steps have been unsuccessful because the word is embedded in code or forms part of an essential URL.

d. For the First Defendant its subsidiaries or affiliates to continue use the email address “@merck.com” for employees based in the Permitted Territories.”

301. There is then a further proviso at paragraph 5:

“In relation to any web-site under any domain name (“the site”) the content of which includes uses of the Claimant’s mark “Merck” it shall be sufficient compliance with the injunctions set out at paragraphs 2 and 3 above if the site achieves geo-

blocking of visitors from the UK in accordance with Schedule 3 to this Order. In relation to the like content on YouTube, Twitter and Facebook it shall likewise be sufficient compliance if the relevant social media platform provides an equivalent or near equivalent functionality to geo-blocking and that technique is employed to its fullest extent in accordance with Schedule 3.”

302. Schedule 3 then contains a series of provisions concerning “IP blocking of every IP address that is associated with the United Kingdom from the Target Websites” using defined means “to deny access at the web-page level of each of the Websites to users with IP addresses associated with the United Kingdom”. The Target Websites are then defined as “merck.com”, “merckformothers.com”, “merckresponsibility.com”, “merckmanuals.com”, “merck-animal-health.com” and “any other website of the First Defendant or any of its subsidiaries or affiliates the content of which includes uses of the Claimant’s mark “Merck””.
303. Mr Hobbs submits:
- i) that the judge ought to have given Merck US an opportunity to be heard before finding in his judgment that Merck Global was entitled to injunctive relief, as he did at paragraphs [134] and [191];
 - ii) that in all the circumstances Merck US was entitled to an explanation in a reasoned ruling as to why the judge considered it appropriate to make the final order in the terms that he did; and further, despite indicating that such a ruling would be forthcoming, the judge failed to provide one;
 - iii) that the order which the judge made (a) is not equitable or proportionate; (b) does not satisfy the requirements for clarity, precision and necessity; and (c) fails to strike a proper balance between the extent of any invasion of any of Merck Global’s contractual or trade mark rights, on the one hand, and the right of Merck US to conduct its business and to freedom of expression, on the other hand.
304. Mr Speck responds that the judge’s order was necessary and proportionate, and that its terms are perfectly clear. As for paragraph 5 and schedule 3 of the order, Mr Speck points out that this does not require geo-blocking and instead provides a “pre-approved” method of compliance. Overall, Mr Speck argues that Merck US has been found to have acted in breach of the 1970 Agreement and to have infringed Merck Global’s registered trade marks and that the relief crafted by the judge is conventional, precise and appropriate, subject to one point. He contends (and this is the subject of part of Merck Global’s cross appeal) that the words “as a trade mark” in paragraph 3 of the order should be deleted. These words are, says Mr Speck, unnecessary and introduce a lack of clarity into the order.
305. The principles which Mr Hobbs invokes in support of his submissions are well established. First, fairness will often demand that a person who may be adversely affected by a decision is given an opportunity to make representations either before the decision is taken, or after it is taken with a view to producing a modification of it, or both. All will depend on the circumstances.

306. Secondly, the requirement to give reasons was explained by the Court of Appeal in *English v Emery Reimbold & Strick Ltd* [2002] EWCA Civ 605, [2002] 1 WLR 2409 at paragraphs [15] to [21]. At its simplest, justice will not be done if it is not apparent to the parties why one has won and the other has lost. Reasons need not be elaborate and it is certainly not necessary to deal with every argument which has been presented. But in considering the extent to which reasons should be given it is necessary to have regard to the practical requirements of the appellate system. As Lord Phillips of Worth Matravers said in *English* in giving the judgment of the court:

“19 It follows that, if the appellate process is to work satisfactorily, the judgment must enable the appellate court to understand why the judge reached his decision. This does not mean that every factor which weighed with the judge in his appraisal of the evidence has to be identified and explained. But the issues the resolution of which were vital to the judge's conclusion should be identified and the manner in which he resolved them explained. It is not possible to provide a template for this process. It need not involve a lengthy judgment. It does require the judge to identify and record those matters which were critical to his decision.....”

307. Turning now to the principles which must guide the court in fashioning the appropriate form of relief, Article 3(2) of the Enforcement Directive imposes the general obligation on Member States to provide for the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. These measures, procedures and remedies must be fair, equitable and not unnecessarily complicated or costly; and further, they must be effective, proportionate and dissuasive, and applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse. There can no longer be any doubt, if ever there was, that this general obligation applies to national courts in considering whether or not to grant an injunction: see Case C-494/15 *Tommy Hilfiger Licensing LLC v Delta Center a.s.* EU:C:2016:528 at paragraphs [31] to [36]
308. Next, it has long been a requirement of English law that any injunction must be expressed in terms which are clear, certain and no wider than necessary. In *Attorney General v Punch Ltd* [2002] UKHL 50, [2003] 1 AC 1046 (HL), Lord Nicholls of Birkenhead said:

“35. Here arises the practical difficulty of devising a suitable form of words. An interlocutory injunction, like any other injunction, must be expressed in terms which are clear and certain. The injunction must define precisely what acts are prohibited. The court must ensure that the language of its order makes plain what is permitted and what is prohibited. This is a well established, soundly-based principle. A person should not be put at risk of being in contempt of court by an ambiguous prohibition, or a prohibition the scope of which is obviously open to dispute. An order expressed to restrain publication of "confidential information" or "information whose disclosure risks damaging national security" would be undesirable for this reason.”

309. A little later Lord Nicholls continued:

“46. This discussion does, of course, underline how important it is for courts to seek to ensure that injunctions are not drawn in wider terms than necessary. This is of particular importance when the terms of the injunction may, in practice, affect the conduct of third parties.”

310. Finally, Merck US relies upon the principle that a claim such as this must be determined with due and proper regard for fundamental rights. The right which is said to be of particular relevance here is the right to freedom of expression embodied in Article 11(1) of the Charter of Fundamental Rights of the European Union and Article 10(1) of the European Convention on Human Rights. Both provisions protect the right to freedom of commercial expression. Further, s.12 of the Human Rights Act 1998 provides that any court must have regard to the importance of the right to freedom of expression when considering whether to grant any relief which might affect its exercise.

311. I must now explain the points which arose for consideration at the form of order hearing and which Mr Hobbs and Mr Hollingworth, who has appeared on behalf of Merck US with Mr Hobbs, have outlined to us both in writing and in their oral submissions.

312. It is submitted first that the judge had no proper basis for making any finding or granting any relief in respect of any alleged breach of any clause of the 1970 Agreement other than clause 7, and that this clause only precludes use of the word “Merck” as a trade mark. I have dealt with this point earlier in this judgment. For the reasons I have given, I am satisfied that the judge was entitled to proceed in the way that he did in relation to the claim for breach of contract and that he came to the right conclusion. The nature and extent of the relief it was appropriate to grant for breach of contract and infringement of trade mark is another matter, and that is what I must now consider.

313. The arguments developed before us on behalf of Merck US concerning relief were the subject of a good deal of evidence and argument before the judge. Here counsel for Merck US emphasise, fairly to my mind, that this dispute concerns two businesses which have honestly used the word “Merck” as a trade name and trade mark for very many years and which have sought to regulate by agreement and cooperation the way in which they use that word with a view to avoiding confusion and conflict between them. Further, counsel for Merck US continue, it is important to have in mind that Merck US has not sold (and has never threatened to sell) its products bearing the mark “Merck” in the UK. It is argued that the clash between the parties that has resulted in these proceedings is in large measure the consequence of the use by Merck US of the word “Merck” in the online environment; and that there can be no doubt that it is entitled to use the word “Merck” in that way in support of the business which it carries on in the USA and Canada. More specifically, it is entitled to operate and maintain its various US websites which include the word “Merck” in their names and to use the word “Merck” as a trade mark and as a business name in the materials on those websites, provided those websites and materials are not targeted at the UK.

314. It is also submitted on behalf of Merck US that, in the spirit of co-operation which has characterised the relationship between the parties, Merck US wrote the letter to Merck Global on 8 April 2015, the contents of which I have summarised at paragraph [71] above, setting out the steps that it would take to address Merck Global's concerns. Further and importantly, by the time of the hearing before the judge on 19 February 2016, matters had moved on. Ms Ambrose explained in her evidence for that hearing that Merck US had made very considerable progress in implementing the measures set out in that letter. Indeed, the submission continues, most of them had been addressed. Among those measures were steps to remove, almost entirely, the material in Merck US's websites which were said to give rise to the targeting of those websites at the UK. In all these circumstances it was not necessary or proportionate to grant any injunction and certainly not one in the general terms of the final order.
315. Counsel for Merck US submit next that "targeting" is not a precise term and so it is not appropriate to use it to frame an injunction, particularly in circumstances such as are those of this case. Moreover, a proviso which excludes from the scope of such an injunction the operation of a website which is the subject of geo-blocking is far too narrow for a number of reasons. First, the injunction is still disproportionate and that appropriately worded "pop-ups" would make it perfectly clear to any visitors from the UK to that site that it is not directed at them; secondly, geo-blocking would deny access by persons in the UK to the vast repository of information on Merck US's websites which they may need or be interested in (including for, example, financial information and information about clinical trials) even though they recognise that those websites are not directed at them; thirdly, it is wholly impractical to duplicate all of the information on those websites in a series of different "MSD" websites while eliminating from them all references to "Merck" without a geographical designation; and fourthly, that Merck US has a vast number of websites around the world which it would have to modify for fear of the scope of the injunction.
316. These are just some of the points that have been outlined to us and were the subject of evidence and detailed submissions to the judge. Further points are that the injunction granted by the judge would preclude acts for which permission has been given by the terms of the 1975 Protocol; that it is simply not possible to implement geo-blocking in many forms of social media; and that the order gives no adequate weight to the findings of equilibrium.
317. In my judgment all of these contentions advanced on behalf of Merck US to the judge as to the appropriate form of final order were properly arguable and merited careful consideration. Indeed, as outlined to us, they seem to me to have considerable force. I am not much impressed by the point developed by Mr Speck concerning the injunction against infringement of registered trade mark, however.
318. In the circumstances of this difficult case I am satisfied that the judge ought to have given Merck US an opportunity to be heard before finding that Merck Global was entitled to injunctive relief of the kind he indicated in paragraphs [134] and [191] of the judgment. Then, having given Merck US (and Merck Global) an opportunity to file evidence and make written representations before the hearing on 19 February 2016, and having heard argument for the best part of that day on the challenging points to which I have referred, I believe that it was not fair or just for the judge to make his final order in the terms that he did without giving any further reasons for doing so. In short, Merck US was not given an opportunity to make representations

before the judge signposted the relief he was proposing to grant; then, when Merck US was given an opportunity to make representations, the judge gave no reasons for rejecting them. As it is, neither Merck US nor this court knows how the judge came to the conclusion it was appropriate to make an order in the terms that he did or why he dismissed the arguments advanced by Merck US.

319. In my judgment it would not be appropriate for this court now to try and formulate an appropriate final order. I say that for the following reasons. First, if my Lords agree, the issue of infringement must be remitted for rehearing, together with the question whether the infringements are *de minimis*. Secondly, we have not had an opportunity to consider fully all of the evidence filed before the judge or to hear developed argument upon it. Accordingly, I would also remit the issue of relief and form of order to the High Court for rehearing. Despite my scepticism about the point raised on Merck Global's appeal concerning the terms of the injunction, I would remit this too.

Conclusion

320. For all of the reasons I have given, I would allow the appeal of Merck US and that of Merck Global to the extent I have explained. I would remit for rehearing in the High Court the following issues, namely:

- i) the issue of partial revocation of the registered trade marks;
- ii) whether the impugned activities of Merck US constituted use in the UK in the course of trade in relation to any relevant goods or services;
- iii) whether any uses of the kind identified in ii) above are negligible or trivial and so fall to be regarded as *de minimis*;
- iv) the appropriate form of any relief to be granted by way of final order in respect of (a) the claim for breach of contract; and (b) the claim for infringement of registered trade mark.

Lord Justice Floyd:

321. I agree.

Lord Justice Patten:

322. I also agree.