

No Luv lost in band-name dispute – passing-off defence partially struck out for estoppel

The IPEC has partially struck out a defence to a passing-off claim over the name of a musical group, known as “Love Injection” or “Luv Injection”, on the basis of issue estoppel.¹ Where an issue had already been determined in trade-mark invalidation proceedings, the parties were estopped from denying the findings of those proceedings in subsequent passing-off proceedings, as to do so would be an abuse of process.

Background

The claimant and the second defendant were both members (along with others) of a musical group known as “Love Injection” or “Luv Injection”, which split in 2016. The claimant and the second defendant then each separately performed with others under variations of the group name: the claimant under “Love Injection” and less frequently “Luv Injection”, and the second defendant under “Luv Injection Sound”. The first defendant was a promotion company wholly owned and controlled by the second defendant that promoted the second defendant’s group and had in that capacity used the “Luv Injection Sound” name. A dispute then arose over the ownership of goodwill in the group name.

The second defendant applied to register LOVE INJECTION SOUND and LUV INJECTION SOUND as trade marks. The first application was granted. The claimant then opposed the remaining application and sought to invalidate the registration on the grounds of bad faith² and passing-off³.

The Hearing Officer at the IPO upheld the claimant’s objections, finding that use of the marks LOVE INJECTION and LUV INJECTION could be restrained by the claimant under the law of passing-off, and that both the application and registration were made in bad faith. As part of that decision, the Hearing Officer found that: (a) the group had operated before the split as a partnership at will; (b) the goodwill in the group name was an asset of the partnership and not of any of its individual members; and (c) the goodwill had not been transferred to the second defendant after the split. Accordingly, the registered mark was cancelled and the application for the second mark was refused. The second defendant did not appeal the decision, although he did continue to use the group name.

Claims before the Intellectual Property Enterprise Court

The claimant subsequently brought proceedings before the IPEC, claiming that:

- (a) the defendants’ use of the group name and variations of it amounted to passing-off;
- (b) the defendants’ use of certain recordings of the group’s musical performances as part of the performances of the second defendant’s group passed his group off as the claimant’s group; and
- (c) a separate trade-mark registration by the second defendant for LUV INJECTION SOUND (a third mark, separate to the marks that were the subject of the IPO proceedings, which it seems had gone unnoticed by the claimant) constituted an instrument of fraud in the hands of the second defendant and should be transferred to the claimant or cancelled.

¹ *Thomas v Luv One Luv All Promotions Ltd & Anor* [2020] EWHC 1565 (IPEC).

² Trade Marks Act 1994, section 3(6).

³ Trade Marks Act 1994, section 5(4)(a).

The claimant sought an injunction against further passing-off, transfer of the recordings, transfer or cancellation of the third mark and damages or an account of profits.

The defendants sought to defend the action by claiming that: (a) the second defendant was the owner of the goodwill in the group name (contrary to the IPO's decision); and (b) the second defendant had the right to continue using the marks in question, as they no longer operated to indicate the group, but rather two bands (an argument that he had not raised before the IPO). The second defendant also counterclaimed for an injunction against the claimant's use of the group name, on the basis of his assertion that he owned the goodwill in the group name, and for a distribution of the partnership assets.

The claimant argued that the defendants could not raise the points in the defence for the reasons of cause-of-action estoppel, issue estoppel and *Henderson v Henderson* abuse of process, and that the defence should therefore be struck out.

Decision

Her Honour Judge Clarke first considered the doctrine of *res judicata* as described in *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd*.⁴ The doctrine covers a number of different legal principles with different juridical origins, including the following, as asserted by the claimant in this case:

- *Cause-of-action estoppel* – Once a cause of action has been held to exist or not to exist, the outcome may not be challenged by either party in later proceedings. It arises where the cause of action in the later proceedings is identical to that in the earlier proceedings and is an absolute bar for all points decided, unless fraud or collusion justifies setting aside the earlier judgment.⁵
- *Issue estoppel* – Even where the cause of action is not the same in the later action, if there is some issue that is necessarily common to both actions that was decided in the earlier action, then that is binding on the parties so that the issue may not be reopened in the later action. Except in special circumstances where it would cause injustice, issue estoppel bars the raising of points that were either not raised in the previous proceedings (in which case the bar is usually absolute if the point could with reasonable diligence and should in all the circumstances have been raised), or that were raised, although unsuccessfully. Considering the *L'Oreal* case,⁶ HHJ Clarke noted that opposition proceedings do not generally give rise to issue estoppel as they are inherently not final (e.g. a party that unsuccessfully opposed a trade-mark application may, unless there is an abuse of process on the facts, subsequently bring invalidation proceedings), in contrast with invalidation proceedings, which are final and so may give rise to issue estoppel.
- *Abuse of process* – The principle in *Henderson v Henderson*⁷ precludes a party from raising matters that were not, but could and should have been raised in earlier proceedings. The court requires the parties to bring forward their whole case and will not permit the same parties to open the same subject of litigation for points that could already have been raised, but which were omitted by negligence, inadvertence or accident.

⁴ [2014] A.C. 160, [2013] UKSC 46.

⁵ *Arnold v National Westminster Bank plc* [1991] 2 AC 93.

⁶ *Special Effects Limited v L'Oreal SA* [2007] EWCA Civ 1; cf. cont. *Evans & Anor (t/a Firecraft) v Focal Point Fires plc* [2009] EWHC 2784.

⁷ (1843) 3 Hare 100.

- *General procedural rule against abusive proceedings* – This may be regarded as the policy underlying the above principles.

Referring to the *Virgin* and *L’Oreal* decisions, HHJ Clarke explained that, where there are arguments of estoppel and abuse of process in relation to previous proceedings, the court should first consider estoppel, and then consider whether the estoppel is qualified because the conduct is not abusive or, if it finds no estoppel, whether there is an abuse of process.

HHJ Clarke also cited *Johnson v Gore-Wood*, which noted that the “underlying public interest is the same: that there should be finality in litigation and that a party should not be twice vexed in the same matter”.⁸

Cause-of-action estoppel

HHJ Clarke found that no cause-of-action estoppel arose from the earlier opposition proceedings. This was not because the causes of action were different: the defendants had argued that the cause of action in the opposition proceedings was whether the application should proceed to registration, whereas the current cause of action was passing-off. HHJ Clarke explained that the second defendant simply did not have any cause of action at the stage of opposing the registration: as stated in *L’Oreal*, “to describe the applicant for registration as having a cause of action for registration would be an inappropriate and artificial use of language”. So, without a cause of action, no cause-of-action estoppel could arise from the opposition proceedings.

HHJ Clarke then considered whether cause-of-action estoppel arose from the invalidity proceedings. The claimant had not made any detailed submission on this, but HHJ Clarke accepted the defendants’ submission that the cause of action in the invalidity proceedings was different. That was whether the existing registration was invalid because the claimant could assert an earlier right to prevent its use under the law of passing-off, which was not identical to the current passing-off claim arising from certain acts.

Issue estoppel

HHJ Clarke noted that, in the invalidity proceedings, the Hearing Officer had determined that passing-off existed as that was a necessary ingredient in determining the cause of action in those proceedings. So it would be abusive to allow the defendants to deny the findings of the IPO in the invalidation proceedings – particularly that passing-off existed, and that goodwill in the group name had not been transferred to the second defendant. The matters had been fully litigated before the Hearing Officer, who heard four witnesses for each side, the parties had the opportunity for cross-examination, and a written judgment had been given on which there had been no attempt to appeal.

No special circumstances had been shown that would mean the bar on raising points not raised in earlier proceedings would cause injustice. The defendants’ argument that the group name no longer indicated a single source was one that the second defendant could have made at the IPO.

Accordingly, the defendants were estopped from claiming that the second defendant was the owner of the goodwill in the group name or that the group name no longer indicated a single source, and so that part of the defence was struck out.

Abuse of process

The defendants argued that abuse of process added nothing to the claimant’s case. Yet HHJ Clarke had already found, in considering issue estoppel, that the defendants were precluded from raising points

⁸ [2002] 2 AC 1.

that they could and should have raised earlier, and that to deny the findings of the IPO would be an abuse of process.

Summary judgment

The claimant had sought transfer or cancellation of the second defendant's trade mark for the mark LUV INJECTION SOUND (i.e. the third mark that had not been the subject of the IPO proceedings). HHJ Clarke accepted that, since the IPO had considered the second defendant was prevented from using the mark LOVE INJECTION SOUND, the defendants had no real prospect of success in defending against the cancellation claim, and so the judge gave summary judgment on the point.

The invalidation decision related to LOVE INJECTION SOUND, whereas the opposition decision related to LUV INJECTION SOUND. The claimant had argued that, if the court found that there was issue estoppel arising from the invalidation proceedings but not the opposition proceedings, then the only limb of the test for passing-off for which there was no issue estoppel was whether the use of LUV INJECTION would be a misrepresentation. In the invalidation proceedings, the Hearing Officer had considered use of LUV INJECTION, LOVE INJECTION, LUV INJECTION SOUND and LOVE INJECTION SOUND, and it had been necessary to establish ownership of the goodwill and whether use of the marks would be an actionable misrepresentation. The claimant sought summary judgment on the matter, as it had been finally decided in the invalidation decision that the use of LOVE INJECTION SOUND would be such a misrepresentation. HHJ Clarke agreed, finding that the defendants had no real prospect of succeeding on this point, and granted summary judgment on it.

Counterclaims and other issues

The second defendant's counterclaim for an injunction against the claimant's use of the group name, based on the second defendant's claim that he owned the goodwill in the group name, was struck out as it had already been determined that the second defendant did not own the goodwill.

Other issues remained to be decided at trial, including the defendants' defence to the claim of passing-off in relation to their use of recordings in performances and the counterclaim for distribution of the partnership assets of the original group. Although it had been determined that the goodwill in the group name belonged to the partnership, and that it had not been transferred to the second defendant, the earlier proceedings had not determined who owned the goodwill after the split. The claimant would still have the burden of proving that the claimant could bring the action, and that the second defendant had abandoned any claim to a share in the goodwill when he left the group and took equipment and other assets with him.

Comment

The case provides a useful overview of issues to consider in a case of cause-of-action estoppel, issue estoppel and abuse of process. Parties should bear in mind the underlying public interest that "a party should not be twice vexed in the same matter". So, where claims have already been decided in earlier proceedings, they will be open to challenge on the basis of estoppel and abuse of process.

The case also serves as a reminder for entertainment lawyers of the serious problems that can arise where ownership of a group name has not been agreed between its members – whether in a formal band partnership agreement or as between remaining and leaving members following a split. Some key questions should be considered and, where feasible, addressed:

- Are there dominant or lead member(s) of the group who should have continuing rights to use or ownership of the name, regardless of whether they or others leave?

- Should the leaving member(s) be entitled to an ongoing royalty for use of the name (and how and on what activities should that be calculated)?
- Have any leaving member(s) abandoned their claim for a share of the goodwill in the name, as was argued in this case?
- Should separate groups be allowed to co-exist under similar names incorporating or referring to the original group name?

Of course, these issues may be contentious, and band members may well be reluctant to argue about them when the group is still together and things are going well. Yet this case provides a cautionary tale of what can go badly wrong when these sorts of issues are ignored.

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