

Band-name dispute – passing-off defence allowed after being partially struck out for estoppel

The Court of Appeal has allowed an appeal against a decision of the Intellectual Property Enterprise Court, which had partially struck out a defence to a claim in passing-off on the basis of issue estoppel in a dispute over ownership of a band name.¹

The IPEC had found that the defendants were estopped from claiming ownership of the goodwill in the group name and from raising certain alternative defences due to an earlier decision in trade-mark invalidity proceedings, and partially struck out the defence. But the Court of Appeal doubted whether the decision in the earlier proceedings actually created issue estoppel due to its twin *ratio*, and also held that, even if it did create an issue estoppel, there were special circumstances that justified allowing the defendants to challenge the claimant's standing to bring a passing-off claim in his own name.

Background

The claimant and the second defendant were members (along with others) of a music group known as "Love Injection" or "Luv Injection". The group split in 2016. Both parties then performed as part of different groups under similar names: the claimant as "Love Injection" or "Luv Injection", and the second defendant as "Luv Injection Sound". The second defendant was also the owner of the first defendant, which was a company that promoted the second defendant's group.

The dispute arose out of the second defendant's applications to register LUV INJECTION SOUND and LOVE INJECTION SOUND as trade marks. One application was granted. The other application was opposed by the claimant, who also sought to invalidate the first registration on the grounds of bad faith² and passing-off.³ The objection based on bad faith in both opposing registration and applying for a declaration of invalidity could be made by anyone.⁴ On the other hand, the objection based on passing-off in each case could only be brought by the proprietor of the earlier trade mark or other earlier right as a result of articles 2 and 5 of the Trade Marks (Relative Grounds) Order 2007.

There was a hearing in the IPO where the hearing officer found that "as an unincorporated association and a partnership at will", the goodwill in the name resided with the "changing members" of the group. The hearing officer also quoted Laddie J's observation in *Byford v Oliver* that goodwill in the group name in that case was "owned by the partnership, not the individual members of it".⁵ The hearing officer did not consider it necessary to determine what happened regarding the ownership of the goodwill after the group split, other than to satisfy himself that it was not transferred to the second defendant alone. The claimant and the other members of the group were found to have the requisite goodwill, and so the use of the second defendant's mark would amount to misrepresentation causing damage. So both the opposition and application for revocation succeeded. The hearing officer also decided that the application and registration were made in bad faith.

Passing-off claim

The claimant subsequently issued proceedings in his own name (not on behalf of the former group), claiming that the second defendant was passing himself off as the claimant's group. It was asserted

¹ *Thomas v Luv One Luv All Promotions Ltd & Anor* [2021] EWCA Civ 732 (20 May 2021).

² Trade Marks Act 1994, s. 3(6).

³ Trade Marks Act 1994, s. 5(4)(a).

⁴ Trade Marks Act 1994, ss 38(2) and 47(3); *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9, at para. 181.

⁵ *Byford v Oliver SAXON Trade Mark* [2003] EWHC 295 (Ch), [2003] FSR 39, at para. 33.

that the defendants could not argue that there was no passing-off due to estoppel arising from the decision in the invalidity proceedings. The claimant also alleged that a separate registration of the mark LUV INJECTION SOUND (which had not been part of the earlier proceedings) was invalid for the same reasons and constituted an instrument of fraud.

Despite the hearing officer's decision that the goodwill in the group name did not reside with the second defendant alone, the defendants' primary defence was that the goodwill belonged to the second defendant. In the alternative, the defendants alleged that the hearing officer had decided that the group was a partnership at will, that up to the split the goodwill belonged to the partnership, that after the split each of the claimant and the second defendant continued to trade under the name and, as a result, the name no longer designated the partnership, but instead the separate businesses of each of the claimant and the second defendant. The defendants raised a further alternative defence based on the proposition that the name continued to designate the partnership. On that basis, if the partnership had not already been dissolved, it should be declared to be dissolved, its business and affairs should be wound up and its assets (including the goodwill) disposed of, and the proceeds should be divided among the partners. The claimant applied to strike out the defence on the basis of estoppel and abuse of process.

IPEC decision

HHJ Clarke first considered cause-of-action estoppel. This applies where the cause of action in later proceedings is identical to that in earlier proceedings, with the result that, once a cause of action has been held to exist or not to exist, that outcome may not be challenged in later proceedings. It was held that the cause of action in the invalidity proceedings was not the same as that in the passing-off claim and so cause-of-action estoppel did not arise.

HHJ Clarke then considered issue estoppel, which provides that even where the cause of action is not the same in the later action, if there is an issue that is necessarily common to both actions that was decided in the earlier action, then that decision will bind the parties so that the issue may not be reopened in the later action. This bars parties from raising points that were either not raised in the earlier proceedings or that were raised unsuccessfully. On that basis, HHJ Clarke held that the parties were estopped from denying the findings of the hearing officer in the invalidity proceedings – particularly that passing-off existed, and that goodwill in the group name had not been transferred to the second defendant.

Issue estoppel can be disapplied in special circumstances where its application would cause injustice. But HHJ Clarke was not satisfied that there were any special circumstances in this case. Accordingly, the parts of the defence that claimed that the second defendant was the sole owner of the goodwill and the two alternative defences were struck out.

Court of Appeal decision

Given that this was a twin *ratio* case where the earlier decision by the IPO was based on two grounds (i.e. bad faith and passing-off), Lewison LJ (who gave the main judgment, and with whom Newey LJ and Lewis LJ agreed) found that two questions had to be considered:

- (a) Which ground (if either) creates an issue estoppel?
- (b) If no appeal is possible on one only of those grounds, does that have an effect on the question of whether there are special circumstances that would permit a party to challenge what would otherwise amount to an estoppel?

Issue estoppel

Lewison LJ was doubtful whether the hearing officer's decision in the IPO created an issue estoppel, because it was based on two grounds. He referred to Spencer Bower and Handley on *Res Judicata* (5th ed), in which the editors stated at paragraph 8.25 that:

"The same principle applies where the court finds alternative grounds in favour of the successful party. Those findings do not create issue estoppels because the losing party could not effectively appeal against any of them separately, and if one was upheld the appeal would fail. There may be a cause of action estoppel or merger but no issue estoppel because no single finding could be 'legally indispensable to the conclusion' or the 'essential foundation or groundwork of the judgment, decree, or order' as Dixon J said in *Blair v Curran*."

Lewison LJ also considered relevant case law on whether a case decided on two grounds creates an issue estoppel or not, which he thought had been more guarded on the point. This included consideration of Clarke LJ's comments in *The Good Challenger* case, which suggested that, assuming it was possible for each *ratio* in a two *ratio* case to give rise to an issue estoppel, the determination of the particular issue relied on must have been treated by the first court as necessary for its decision in the sense that it was part of the decision that it in fact reached and not collateral to it or *obiter*.⁶ Further, a useful test is whether there can be an effective appeal against a determination: if there can be no such appeal, this may suggest that the determination was not fundamental⁷ and only collateral to the decision, but the question of appealability was only "one factor in deciding whether the determination is necessary to the decision or only collateral to it".⁸

In this case, Lewison LJ noted that the claimant had succeeded before the hearing officer on two grounds, one based on passing-off and the other based on bad faith. The question of whether the claimant had satisfied the requirements of articles 2 and 5 of the 2007 Order was only relevant to the passing-off ground, but not the bad-faith ground, on which an objection may be made by any person. The hearing officer had not considered, at least in terms, whether the claimant alone would have been entitled to bring proceedings in passing-off, or whether the opposition and invalidity claims should have been brought by or on behalf of the partnership. Yet given that the hearing officer's decision was based on both grounds, it would not have assisted the defendants to appeal the passing-off determination because, even if the appeal was successful, that would have left intact the successful objection based on bad faith. Applying Clarke LJ's approach, Lewison LJ found that this was at least a pointer to the conclusion that no estoppel had been created, and that even if a twin *ratio* decision could create an estoppel in relation to both determinations, an inability to appeal may be one of the special factors that persuade a court to permit a challenge to at least one of the determinations.

Further, Lewison LJ found that all that the hearing officer actually decided about the ownership of the goodwill in the name after the split was that the second defendant was not the sole owner of it, and that anything else that he decided seemed to have been collateral to that fundamental finding. As the hearing officer found that the second defendant did not own the goodwill in the name, he could have been prevented under the law of passing-off from using the mark as required by section 5(4) of the Trade Marks Act 1994. So the determination that the second defendant was not the sole owner of the goodwill was the issue that was necessary for the hearing officer's decision, and anything else he decided was collateral to that (the implication being that any decisions that the hearing officer may have made as to whether there was passing-off were collateral and so could not create an issue estoppel).

⁶ *The Good Challenger* [2003] EWCA Civ 1668, [2004] 1 Lloyd's Rep 67, at para. 72.

⁷ Spencer Bower and Handley on *Res Judicata* (5th Edn), at para. 8.25.

⁸ *The Good Challenger* [2003] EWCA Civ 1668, [2004] 1 Lloyd's Rep 67, at para. 74.

Special circumstances

Accordingly, Lewison LJ found that it was at least doubtful whether the hearing officer's decision did create an issue estoppel. But if it did, despite being based on two separate grounds, Lewison LJ held that there were special circumstances that entitled the defendants to challenge the claimant's standing to bring a passing-off claim in his own name, rather than for the benefit of the partnership, namely:

- 1 The lack of any opportunity for the defendants to appeal effectively against the trade-mark objection based on passing-off.
- 2 The hearing officer's failure to appreciate that the partnership had been dissolved and to consider how partnerships (as opposed to other unincorporated associations) are regulated on their dissolution. It was argued for the claimant that it was necessarily implicit in the hearing officer's decision that the claimant was entitled to bring a claim for passing-off, given that this was a necessary element of the grounds for the invalidation as a result of the 2007 Order. On that basis, the claimant submitted that the defendants were bound by that implicit finding, and that the claimant had title to bring the current passing-off claim. Lewison LJ noted that the hearing officer did not deal with this point in terms and, although estoppel can arise on a question of law even if the decision is wrong, courts have a discretion to reconsider issues where there are special circumstances in which it would cause an injustice not to do so.⁹

Lewison LJ noted that, while the hearing officer found that at the date of the split the goodwill belonged to the members of the group, he did not appreciate the distinction between an unincorporated association that is not a partnership and one that is. The goodwill in the name was partnership property and so it was important to understand the nature of a partner's interest in partnership property and its treatment following dissolution of the partnership. On dissolution, the partners (i.e. the members of the group, including the claimant and the second defendant) were entitled to ask for the partnership assets to be realised and divided between them, so while the partners had an interest in the assets of the partnership, that did not mean that they owned the assets themselves.¹⁰ Further, Lewison LJ noted Hoffmann LJ's explanation in *Inland Revenue Commissioners v Gray* that, as between themselves, partners are not entitled individually to exercise proprietary rights over any of the partnership assets.¹¹ Although the hearing officer had referred to *Byford* to note that the goodwill in the name was owned by the partnership and not the individual members of it, he had not applied the logic of that decision or addressed in terms whether the claimant alone was entitled to bring passing-off proceedings.

All that the hearing officer had decided about the ownership of the goodwill after the split was that the second defendant was not the sole owner of it. This left open at least three possibilities for the ownership of the goodwill: (a) that it belonged to the claimant alone; (b) that it remained a partnership asset that needed to be realised in the course of winding up the partnership; or (c) that actions following the split had caused a severance of the goodwill in which each of the claimant and the second defendant had an interest. In the third case, each party could assert their rights against third parties, but not against each other. Lewison LJ quoted Arnold J in *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* that it is a well-established principle of the law of passing-off that "owners of a shared or concurrent goodwill can sue third parties even if they cannot sue each other".¹² Only if the first were correct would the claimant alone be able

⁹ *Watt v Ahsan* [2008] 1 AC 696, at paras 33-34.

¹⁰ Partnership Act 1890, s. 39; *Byford v Oliver SAXON Trade Mark* [2003] EWHC 295 (Ch), [2003] FSR 39, at para. 19.

¹¹ *Inland Revenue Commissioners v Gray* [1994] STC 360, at para. 377.

¹² *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9, at para. 192.

to bring a passing-off claim against the defendants. If the second or third were correct, the claimant alone would not have title to the goodwill and so could not bring a passing-off claim against the defendants, as any action would have to be brought by or for the partnership.

The claimant argued that he alone would have been able to bring a passing-off claim against the defendant, basing this on *Williams v Canaries Seaschool SLU (Club Sail Trade Marks)*,¹³ a decision referred to by the hearing officer. In *Williams*, Mr Hobbs held that an earlier right to prevent the use of a trade mark by virtue of the law of passing-off can be asserted under section 5(4)(a) of the Trade Marks Act 1994 by a person who is entitled “either alone or with others” to a proprietorial interest in the goodwill to which the earlier right relates.¹⁴ Yet Lewison LJ noted that: (a) *Williams* related to an ongoing alliance, rather than one which had come to an end; (b) all the continuing members of the ongoing alliance in that case had opposed the registration; (c) the case did not concern a partnership, in relation to which the application of assets on a dissolution is governed by the Partnership Act 1890; and (d) it did not refer to the 2007 Order, because the application in that case pre-dated it. Lewison LJ noted that the 2007 Order did not in terms address the question of whether one of plural co-owners could oppose registration. Yet he said that in other contexts the courts have held that where property is co-owned, the benefit of the legislation may be claimed by one only of the co-owners. Lewison LJ said that much will depend on the policy underlying the legislation in question, and that: “In a case like this, where one co-owner seeks to register a sign as a trade mark which will effectively prevent his co-owner from continuing to use the sign, there is much to be said for the ultimate effect of Mr Hobbs' decision as regards the ability to object under section 5(4)(a)”.¹⁵

3 The continuing impact on the defendants' future ability to trade under the name.

Overall, Lewison LJ held that the defendants should be permitted to advance their alternative defences and to that extent allowed the appeal.

Comment

Lewison LJ's consideration of the extent to which issue estoppel can arise in a twin *ratio* decision provides useful guidance for practitioners. The judgment leaves open the question of whether it is possible for each *ratio* in a twin *ratio* case to give rise to an issue estoppel. But even if a twin *ratio* decision could create an estoppel for both determinations, Lewison LJ found that an inability to appeal may be one of the special circumstances that persuade a court to permit a challenge to at least one of the determinations. Lewison LJ's discussion of whether the 2007 Order permits one only of several partners of a partnership that owns the goodwill in an unregistered mark, acting alone, to oppose registration of the mark by another partner will also be of interest to trade-mark practitioners.

This case also serves as a reminder for entertainment lawyers of the problems that can arise where the ownership of a group name has not been agreed as between group members. The subsequent decision of the Court of Appeal, finding differently to the IPEC, further highlights the uncertainty that is created as between group members if they do not deal with this issue, either under a band partnership agreement or following a split, and the consequent risk of costly legal proceedings.

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¹³ *Williams v Canaries Seaschool SLU (Club Sail Trade Marks)* BL O-074-10, [2010] RPC 32.

¹⁴ *Williams v Canaries Seaschool SLU (Club Sail Trade Marks)* BL O-074-10, [2010] RPC 32, at para. 29.

¹⁵ *Thomas v Luv One Luv All Promotions Ltd & Anor* [2021] EWCA Civ 732, at para. 71.