



Neutral Citation Number: [2018] EWCA Civ 497

Case No: IP-2018-000030

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
Business and Property Courts of England and Wales
Intellectual Property List (ChD)
Intellectual Property Enterprise Court**Royal Courts of Justice**

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 13 March 2018

Before:

LORD JUSTICE KITCHIN
LORD JUSTICE LEWISON

Between:

FRANK INDUSTRIES PTY LTD
a company incorporated under the laws of Australia)

Claimant/
Respondent

- and -

1) NIKE RETAIL BV
a company incorporated under the laws of the Netherlands)

Defendants/
Appellants

2) NIKE EUROPEAN OPERATIONS NETHERLANDS
BV
a company incorporated under the laws of the Netherlands)

3) NIKE (UK) LIMITED

Mr. Douglas Campbell QC and Ms. Georgina Messenger (instructed by **Osborne Clarke LLP**) for the **Claimant/Respondent**.

Mr. James Abrahams QC (instructed by **DLA Piper UK LLP**) for the **Defendants/Appellants**.

Judgment

Lord Justice Lewison:

1. Frank Industries Proprietary Limited, FI, is an Australian company which designs and sells sportswear for women. It is the owner of two registered trademarks, one of which is a UK mark and the other an EU mark. Both take the form of the letters in upper case LNDR.
2. Nike UK Limited is part of the well-known Nike Group which also sells sportswear. It has launched an advertising campaign to promote its brand to Londoners. The campaign is entitled: "Nothing Beats a Londoner." The word Londoner has two "N"s in it and it that is part of the source of the problem. In the course of that campaign it has used the sign, in upper case, "LDNR". It will be readily seen that the sign uses the same upper case letters as the marks, but in a slightly different order. Because the word Londoner has two "N"s in it, and both the mark and the sign only use one "N", each can be read as an abbreviation of "Londoner", although the mark in fact originated as an abbreviation of "laundry".
3. The sign is used in conjunction with the well-known Nike Swoosh and also in conjunction with the words "Nothing beats a". It does not appear to have been used as a stand-alone sign. This kind of composite sign is known as a lock-up.
4. On 26 January 2018 FI's solicitors wrote to Nike's solicitors complaining that the sign was infringing the marks. Nike carried on using the sign, and indeed launched a video on YouTube in the following week. That video, as I understand it, was also shown on television and in cinemas. It was not until 16 February that Nike's solicitors gave a substantive reply to the complaints. FI began proceedings against Nike by claim form issued on 19 February 2018. The first two heads of relief claimed were, (i), an injunction restraining Nike from infringing the marks and from passing off and; (ii), an order for delivery up or destruction on oath of infringing material.
5. On 22 February 2018, FI applied for an interim injunction in the following terms:

"An order for an interim injunction restraining the respondents from infringing United Kingdom trademark number 3095265 and/or International Trademark (EU) number 1318062 and/or from passing off goods or services as goods and/or services of or connected with the applicant."
6. Following a hearing on 2 March 2018, his Honour Judge Hacon granted an injunction. Paragraph 1 of the order was a restraining order, but paragraph 2 was a mandatory order requiring Nike, by 4 p.m. on 16 March 2018, to take all reasonable steps to delete the signs LDNR, LNDR, LDNER and LNDER from social media accounts within its reasonable control, including Twitter, Facebook, Instagram and YouTube.
7. This part of the order does not appear to have been foreshadowed, either in the application notice, the draft order served with the application notice, or in the evidence served in support of the application. It had, however, been briefly foreshadowed in

correspondence, and Mr. Abrahams QC, for Nike, did allude to it in his skeleton argument below.

8. The judge also directed an expedited trial, with a trial date fixed for 12 July 2018. The scope of an interim injunction is thus confined to a period of about four months.
9. The judge directed himself in accordance with the principles laid down by *American Cyanamid Company v Ethicon Limited* [1975] AC 296 ; and quoted the statement of principle by Lord Hoffmann in *National Commercial Bank of Jamaica Limited v Olint Corporation Limited* [2009] UKPC 16 [2009] 1 WLR 1405, at paragraphs 16-18.
10. At paragraph [10] of his judgment he reasoned as follows:

"Following the sequence set out by Lord Hoffmann, I must consider the following matters in deciding whether to grant an interim injunction. One, whether the damages will be an adequate remedy for the claimant; if so, no injunction should be granted. This must be on the assumption that the defendant is good for the damages: See *American Cyanamid* at page 408. Two, whether there is a serious question to be tried; if not, no injunction should be granted. Three, if the answers to one and two are no and yes, respectively, whether the cross-undertaking in damages would provide the defendant with an adequate remedy if an injunction were granted; if yes, the injunction should be granted. Four, if there is a risk of irreparable harm both ways, the court must go on to assess the balance of irreparable harm in order to determine whether granting or withholding the injunction is more likely to cause the greater irremediable prejudice overall. Five, among the non-exhaustive list of matters which the court may take into account are (a) the nature of the prejudice to the claimant if no injunction is granted and the nature of the prejudice to the defendant if an injunction is granted; (b) the likelihood of the prejudice in each case occurring; (c) the extent to which the prejudice may be compensated by an order of damages, or by the cross-undertaking; (d) the likelihood of either party being able to satisfy such an award; and (e) the court's opinion of the relative strength of the parties' cases."

11. The last of the factors mentioned was the court's opinion of the relative strength of the parties' cases. The judge went on to explain that it was no part of the court's function to resolve conflicts of fact or to decide difficult points of law. He said that that principle might need modification where the grant or refusal of an interim injunction was likely to be decisive of the outcome of the overall case.
12. The judge went through the various steps in the analysis which he had foreshadowed. He held that if an injunction were to be refused, FI would suffer harm that could not be adequately compensated in damages. Since there was cogent evidence of consumer confusion, the judge's conclusion on this point was plainly justified. Although Nike's use of the sign does not appear to have been used, except in conjunction with Nike's own marks, such as the Swoosh, the judge was undoubtedly justified in concluding that there was a serious danger that the public would perceive FI's own goods as being in some way part of Nike's business.
13. Next, the judge considered whether there was a serious issue to be tried. It was common ground before the judge that there was. Neither Mr. Abrahams QC for Nike nor Mr.

Campbell QC for FI contended otherwise before us. I will proceed on the basis that Nike might have a good defence to the claim.

14. The third stage in the judge's reasoning was to consider whether Nike would suffer harm by the grant of an injunction which could not be adequately compensated in damages. Although Mr. Campbell submitted that the judge did decide that Nike would suffer uncompensatable harm if an injunction were to be granted, his consideration of that question was, in my judgment, limited. It was conducted in the context that Nike wanted to be free "to run the campaign" and he referred to the fact that Nike wanted to remain free to "push the campaign forward to the extent that it wishes". At [21] he said that absent an injunction, Nike "will be free to push the campaign as hard as it likes", and he contrasted that with his perception of what would happen if, "There were to be a pause in the campaign for six months."
15. The judge considered the evidence about the centrality of the sign to Nike's advertising campaign. He concluded that it was not as central as Nike claimed and that the campaign was more generally known as "Nothing Beats a Londoner", with the word Londoner spelled out in full. There was nothing to stop Nike from continuing the campaign in that form. Thus he went on to say that he was not convinced that Nike's campaign would be crippled by the loss of the right to use the sign for four to six months. In my judgment these factors were all relevant to the prohibitory aspect of the injunction but much less so to the mandatory aspects of it.
16. Mr. Abrahams attacked the judge's reasoning on a number of fronts. First, he said that the judge had not been entitled to downplay Mr. McCall's evidence of the harm Nike would suffer if an injunction were granted. Second, he said the judge filled in gaps in FI's evidence about the harm it would suffer if an interim injunction were refused. Third, he said that the judge was not justified in finding that serious damage would be caused in the interval between the hearing and the trial, although Ms. Turner's witness statement, particularly paragraph 56, did give some evidence about how quickly FI's mark could be damaged. Fourth, he said the judge had underestimated the value to Nike in keeping the campaign alive. Although the big spend was over, and parts of the campaign such as the television advertisements had run their course, there were still other important milestones ahead. These included the wearing of clothing bearing the lock-up by celebrity sporting and other stars at forthcoming events which were likely to be widely publicised. The dialogue between Londoners, evidenced especially by Twitter, was also an important part of Nike's ambition to connect with young Londoners.
17. We are not hearing an application for an interim injunction but an appeal. The question is not whether we would have made the same order as the judge, but whether the judge was wrong to make the order that he did. I do not consider that these alleged failings and the judge's treatment of the evidence are such as would entitle an appeal court to intervene. Even where a trial judge evaluates evidence given in writing without the benefit of live evidence an appeal court should generally respect his evaluation, (see *DB v The Chief Constable for Northern Ireland* [2017] UKSE 7, [2017] NI 310 at paragraph

[80]). This applies all the more strongly where the remedy that the judge has granted is a discretionary remedy.

18. Mr. Abrahams also said that the judge had failed to take into account the desirability of preserving the status quo. This derives from the well-known statement by Lord Diplock in *American Cyanamid* :

"Where other factors appear to be evenly balanced it is it a counsel of prudence to take such measures as are calculated to preserve the status quo. If the defendant is enjoined temporarily from doing something he has not done before, the only effect of the interlocutory injunction in the event of his succeeding at the trial is to postpone the date at which he is able to embark upon a course of action which he has not previously found it necessary to undertake, whereas to interrupt him in the conduct of an established enterprise would cause much greater inconvenience to him since he would have to start again to establish it in the event of his succeeding at the trial."

19. The status quo to which Lord Diplock referred is as he clarified in the later case of *Garden Cottage Foods Limited v The Milk Marketing Board* [1984] AC 130 , the status quo immediately before the issue of proceedings, or the application notice if substantially later, rather than the status quo when the conduct complained of began.
20. In this case, the campaign began in January 2018. Pictures of Nike's global ambassadors with the sign were posted on 11, 13 and 21 January 2018. The cease and desist letter was written on 22 January. The campaign was not promoted on Nike's Instagram site until 7 February, and the YouTube video was released on 9 February. A number of events also took place during the half term week of 9-18 February 2018. Although Miss Hoy, Nike's solicitor, complained of undue delay in seeking an injunction, I do not consider that that is a fair criticism. Given that in the first place Nike's solicitors were slow in responding to the complaints, and specifically asked FI not to take further steps until they had responded, and that, in the second place, for reasons that Ms. Turner explained in her evidence, the contest is effectively one between David and Goliath.
21. In my judgment, the interval between the start of the campaign and the cease and desist letter is so short that the relevant status quo is that which pertained before the start of Nike's campaign. To put the point another way, I do not consider that Nike can improve its position by pushing on in the face of reasoned complaints.
22. In those circumstances, I do not consider that there is any flaw in the judge's reasoning so far as concerns the prohibitory injunction. I can see every reason to prohibit the showing of the video in its current form in cinemas and to prevent promotion of the campaign by using the offending sign on clothing worn by celebrities likely to attract wide publicity. However, none of the judge's reasoning seems to me to address explicitly the mandatory parts of the order that he eventually made. In his quotation from Lord Hoffmann in *Olint* the judge did not quote paragraph [19] which reads:

"There is however no reason to suppose that in stating these principles Lord Diplock was intending to confine them to injunctions which could be described as prohibitory rather than mandatory. In both cases the underlying principle is the same, namely that the court should take whatever course seems likely to cause the least irremediable prejudice to one party or the other. See Lord Jauncey in *R v*

Secretary of State For Transport ex parte Factortame Limited(No 2) . What is true is that the features which ordinarily justify describing an injunction as mandatory are often more likely to cause irremediable prejudice than in cases in which a defendant is merely prevented from taking or continuing with some course of action. See Films Rover International Limited v Cannon Films Sales Limited [1987] 1 WLR 670 . But this is no more than a generalisation. What is required in each case is to examine what, on the particular facts of the case, the consequences of granting or withholding of the injunction is likely to be. If it appears that the injunction is likely to cause irremediable prejudice to defendant, the court may be reluctant to grant it unless satisfied that the chances that will turn out to have been wrongly granted are low. That is to say that the court will feel, as Megarry J said in Shepherd Homes Limited v Sandham [1971] Ch 340 , a high degree of assurance that at the trial will appear that the injunction was rightly granted."

23. Megarry J elaborated on this in the case to which Lord Hoffmann referred. He said:

"As it seems to me there are important differences between prohibitory and mandatory injunctions. By granting a prohibitory injunction the court does no more than prevent for the future the continuance or repetition of the conduct of which the plaintiff complains. The injunction does not attempt to deal with what has happened in the past, that is left for the trial, to be dealt with by damages or otherwise. On the other hand, a mandatory injunction tends at least to look in part to the past, in that it is often a means of undoing what has already been done so far as that is possible. Furthermore, whereas a prohibitory injunction merely requires abstention from acting, a mandatory injunction requires the taking of positive steps and may, as in the present case, require the dismantling or destruction of something already erected or constructed. This will result in a consequent waste of time, money and materials if it is ultimately establish that the defendant was entitled to retain the erection."

24. He continued:

"Another aspect of the point is that if a mandatory injunction is granted on motion, there will normally be no question of granting a further mandatory injunction at the trial. What is done is done, and the plaintiff has on motion obtained once and for all the demolition or destruction that he seeks. Where the injunction is prohibitory however, there will often still be a question at the trial whether the injunction should be dissolved or continued. Except in relation to transient events there will usually be no question of the plaintiff having obtained, on motion, all that he seeks."

25. Lord Hoffmann did not cast any doubt on this passage, although it is fair to say that he did not think there was a bright line between a mandatory injunction and a prohibitory injunction; and he deprecated a box-ticking exercise. On the other hand in Locabail International Finance Ltd v Agroexport, [1986] 1 WLR 657 this court held that Megarry J's statement of principle in Shepherd Homes Limited v Sandham emphasising the difference between interlocutory, prohibitory and mandatory injunctions was unaffected

by Lord Diplock's exposition in *American Cyanamid v. Ethicon*. *Locabail* does not appear to have been referred to in *Olint*.

26. From Nike's perspective however, it seems to me that the case it came to meet did not in terms ask for the mandatory injunction requiring removal of the YouTube film or the existing posts on social media. Ms. Turner, who made the principal witness statement in support of the application, referred to the YouTube video at paragraph 31(a) but did not ask for it to be removed. In dealing with the relief sought, she said at paragraph 50:

"Conversely, any inconvenience or cost to Nike is likely to be both modest and easily quantifiable. To my knowledge Nike are not selling any goods physically branded with the LDNR sign, and therefore an injunction would not prevent them from selling any goods. Furthermore, in the substantive response to our cease and desist letter, Nike stated that they are using LDNR descriptively as an abbreviation for Londoner. As such, the impact of their promotional material would not be affected in any material way if they were not able to use LDNR, but instead, for example, used Londoner. If they did that, Nike could of course proceed with their campaign. Any costs they incurred as a result of having to change the branding on their promotional materials and website would be easily quantifiable."

27. I do not consider that a reasonable reader of this paragraph, particularly in the context of the relief sought in the application notice, would have understood Ms. Turner to be asking for Nike to remove or re-edit the YouTube video, or to delete all existing social media postings.
28. The judge dealt with the mandatory part of the order in one short passage, at paragraph [28] of the judgment. He said:

"The effect of an injunction would be to require Nike to remove its video in its present form from YouTube and other media and to remove LDNR references from its website. So far as the YouTube video is concerned, LDNR is only used, or only significantly used, right at the end of the video. Mr. Campbell told me that no objection would be taken to the remainder of the video being used. Therefore all that Nike would have to do would be to remove that small last section; otherwise, the video can remain on YouTube and other social media. So far as Nike's website is concerned, it would not, it seems to me, be very difficult to remove the sign."

29. With respect to the judge, I do not consider that he was entitled to form the views that he did on the basis of no real evidence. Nor did he give any explicit consideration to the potentially irreversible consequences of that part of his order. For that reason, it seemed to me in granting permission to appeal to be appropriate to allow Nike to rely on the evidence given by Mr. McCall in his second witness statement, served soon after the judge gave his judgment.
30. He says that if Nike is required to delete posts on Instagram, the whole conversation will disappear, and that it will not be possible to restore the comments of those who have joined in the conversations. Likewise, he says that if Nike is required to delete a post on Twitter, it will lose not only the post itself but all likes and re-Tweets. In the case of the YouTube video, if the film is required to be reedited, itself not as simple a task as the

judge was led to believe, it will need to be reposted with a different URL and Nike will lose all the comments, links and shares that exist at the moment, of which there are millions.

31. Since Mr. McCall's second witness statement Ms. Turner has made a third witness statement in answer, on which we permitted FI to rely. Some of her criticisms of Mr. McCall's first witness statement seem to me to be misplaced, given that the mandatory part of the order did not appear to be part of the application. However, more importantly, her evidence is that Mr. McCall's fears about the difficulty of compliance with the mandatory part of the order and the harm that it will cause are exaggerated. So far as posts on Instagram are concerned, she says that they do not have to be deleted; they can be archived so as to remain in existence, but be invisible to the public. If, following trial, it turns out that Nike have not infringed the marks, they can be resurrected intact. That part of her evidence does not appear to be in dispute and Mr. Abrahams made no submissions directed to Instagram.
32. Ms Turner accepts that if Nike deletes a Tweet on Twitter all simple re-Tweets of that Tweet are deleted. But she says if other users have quoted Nike's Tweet, rather than simply re-Tweeting, those quotations will remain on Twitter. So, she says, the harm caused to Nike is not as great as Mr. McCall suggests. Moreover, the comments posted on Nike's Twitter feed show clear evidence of confusion.
33. Mr. Abrahams riposted that there were very few instances of Nike's Tweets having been quoted by Twitter users so that the practical effect of requiring Nike's Tweets to be deleted would be the irreversible loss of hundreds of thousands of re-Tweets and likes. Part of Nike's intention in mounting the campaign was that Londoners would take up LDNR and make it their own; and that it was not right that this should be destroyed on an interlocutory application.
34. The video on YouTube, Ms. Turner says, does not need to be re-edited or taken down. Its title can be changed without affecting the content or the URL address, and YouTube also has a facility which allows the infringing sign to be blurred or pixelated so that the rest of the video may remain intact. Mr. Abrahams accepts that this is technically possible, but suggests (without firm evidential backing) that a video with a sign blurred or pixelated would fall so seriously short of Nike's standards that Nike would take down the video rather than allow it to be viewed in a mutilated form.
35. Doing as Ms. Turner suggests in her third witness statement would not in my judgment amount to compliance with the judge's order as granted, which expressly requires deletion of Instagram posts, Twitter feeds and the YouTube video. On the other hand, Ms. Turner appears to me to accept that if Nike were to take the action she suggests in her third witness statement, FI would be content.
36. So far as Instagram is concerned, I would accept Ms. Turner's suggestion. Nike must archive existing posts on Instagram and must not post any more between now and trial. So far as YouTube is concerned, I would again accept Ms. Turner's suggestion. If Nike chooses not to allow the video to be seen in a mutilated form between now and trial, that is a matter for it.
37. Twitter has caused me some concern. Of the examples we have seen, it is debatable whether they really show confusion, and I accept that to delete existing Tweets would

have irreversible and far-reaching consequence for Nike. I accept also that on an interlocutory application of this kind, it would not be right to deprive Nike of the benefit of the continuing conversations between young Londoners. On the other hand, I consider that the prohibitory part of the injunction will rightly stop Nike from adding any more posts featuring the offending signs between now and trial, but I would not prevent Nike from responding to queries arising out of existing Tweets.

38. In those circumstances, I consider that the terms of paragraph 2 of the judge's order should be varied, so as to make it clear that Nike is not obliged to delete Instagram posts or the YouTube video if the Instagram posts are archived and the YouTube video is blurred and retitled in the way that Ms. Turner suggests.
39. I would also discharge the judge's order that the signs be deleted from Nike's Twitter feed. To that extent only, I would allow the appeal.
40. If my Lord, Lord Justice Kitchin agrees, I would invite counsel to draw a form of order that reflects this judgment.

Lord Justice Kitchin:

I agree.