

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
INTELLECTUAL PROPERTY ENTERPRISE COURT

Rolls Building
New Fetter Lane
London

Date: 2 December 2016

Before:

HER HONOUR JUDGE MELISSA CLARKE

Between:

(1) MHCS SOCIETE EN COMMANDITE
SIMPLE

(2) MOËT HENNESSY UK LIMITED

Claimants

- and -

(1) POLISTAS LIMITED

(2) JOHN MORELAND-LYNN

(3) FAIR MAY LIMITED (previously
POLISTAS (MAYFAIR) LIMITED)

Defendants

Mr Douglas Campbell, QC (instructed by Browne Jacobson LLP) for the Claimants
Mr John Moreland-Lynn appeared in person for himself and as an authorised representative of
the First and Third Defendants
Hearing dates: 13 and 14 October 2016

JUDGMENT

Her Honour Judge Melissa Clarke:

INTRODUCTION

1. This is a judgment in a claim for passing off and infringement of a UK registered trade mark and an EU trade mark under section 10 (3) of the Trade Marks Act 1994 (“the 1994 Act”)/Article 9(1)(c) of the European Trade Marks Regulation (“ETR”).
2. The First Claimant is a company incorporated under the laws of France. It is the internationally-known producer of Veuve Clicquot champagne.
3. It is the registered proprietor of:
 - i) since 31 October 2011, a UK Registered Trade Mark 2599538 (word “VEUVE CLICQUOT”) in Class 33 (“the UK Mark”); and
 - ii) since 14 January 2008, a EU Trade Mark E6490205 for the device mark “‘VCP’ hexagon and anchor device + ‘Veuve Clicquot REIMS FRANCE’ in black and orange, registered in Classes 33, 35 and 41 (“the EU Mark). In this judgment I refer to the UK Mark and the EU Mark together as “the Marks”.
4. There is no dispute that the first claimant has an substantial international reputation and substantial goodwill arising from its sale of Veuve Clicquot champagne, including in the UK and each other country of the European Community, nor that it has marketed and promoted its products in those countries through the use of one or more of: (i) the Marks, and (ii) a distinctive get up comprising the VCP hexagon/anchor device, a distinctive yellowish/orange label colour, a distinctive red signature, and/or the words “Veuve Clicquot Gold Cup” (collectively, “the Insignia”).
5. Details of the Marks and the Insignia are to be found in Annex 1 of this judgment.

6. The Second Claimant is a company incorporated under the laws of England and Wales. It represents the First Claimant's interests in the UK under the supervision of the First Claimant.
7. The First Defendant is a company incorporated under the laws of England and Wales. It produces high quality polo clothing and polo-related merchandise for the professional polo and consumer markets, which it sells under the "POLISTAS" brand through a number of shops, concessions and trade stands in the UK and abroad and through a website and online shop operated by its wholly-owned subsidiary, the Third Defendant. The Second Defendant is a Director and majority shareholder of the First Defendant and a Director of the Third Defendant. I understand that he generally uses a simplified version of his name so in this judgment I refer to him as Mr Lynn.
8. Since 1995 to date, the Second Claimant has sponsored the British Open Polo Championship held at Cowdray Park in West Sussex, run by Cowdray Park Polo Club Ltd and known as 'The Veuve Clicquot Gold Cup' ("VCGC").
9. There is no dispute that in each of 2007, 2008, 2009 and 2010, the First Defendant became an official supplier to the VCGC pursuant to an agreement (or agreements) with the Second Claimant for the production, promotion and sale of garments (specifically, approved designs for short-sleeved polo shirts, t-shirts and caps) branded with the Marks and the Insignia ("Branded Merchandise"), nor that the Second Claimant consented to its use of the Marks and the Insignia by the First and Third Defendant for those purposes. Nor is there any dispute that the signs used on the garments manufactured and imported by the First Defendant, offered for sale and sold by the First and Third Defendant and used in promotion and advertising by the Defendants, were identical, or if not identical, confusingly similar to the Marks and the Insignia. The dispute is limited to the scope of the consents given to use of the Marks and the Insignia and the purposes for which those consents were given.
10. The Claimants' case is that:
 - i) consent to the First and Third Defendants' use of the Marks and the Insignia was limited, in that the time period in which they could

produce, promote and sell Branded Merchandise using the Marks in each year was the period ‘during the VCGC’, and not year-round;

- ii) consent to the First and Third Defendants’ use of the description as ‘official suppliers to the VCGC’ was also limited to the time period ‘during the VCGC’ in each year;
- iii) those consents were terminable at will and upon reasonable notice;
- iv) those consents were terminated by an email from the Second Claimant’s Senior Brand Manager, Christina Jesaitis to Mr Lynn in September 2011, alternatively by a letter from the Claimants’ solicitors to the First Defendant of 11 June 2012;
- v) accordingly any production, promotion or sale by the First and Third Defendants of Branded Merchandise: (a) otherwise than ‘during the VCGC’ in the years 2007 – 2010; alternatively (b) after termination in September 2011 or alternatively June 2012; is passing off and/or infringement of the Marks;
- vi) the production, promotion and sale by the First and Third Defendants in 2009 and 2010 of long-sleeved ‘snow polo’ shirts bearing the Marks and the Insignia, which were not an approved design, were outwith the terms of any consent and amount to passing off and/or infringement of the Marks;
- vii) any promotion or marketing by the Defendants of the First Defendant as ‘official supplier to the VCGC’ otherwise than ‘during the VCGC’ during the years 2007 to 2010 amounts to passing off;
- viii) Mr Lynn is and was at all material times the controlling mind of the First and Third Defendants, was in day to day control and management of them, and directed, procured or personally instigated and/or undertook the acts of the First and the Third Defendants complained of. Accordingly, the First, Second and Third Defendants are jointly and severally liable as joint tortfeasors for the acts complained of.

11. It is not easy to discern the Defendants' case from what is a diffuse, narrative Defence, but it appears to be as follows:
- i) the consents to the First and Third Defendants' use of the Marks and Insignia to produce, promote and sell Branded Merchandise, were not limited to 'during the VCGC' or at all and were for an unlimited duration;
 - ii) the First Defendant voluntarily terminated the production of Branded Merchandise in September 2011 upon request by Christina Jesaitis of the Second Claimant;
 - iii) such voluntary termination did not and does not affect the First and Third Defendants' rights to continue to promote and sell stocks of then-existing Branded Merchandise, which right is unlimited in time and which cannot be terminated other than with the First Defendant's consent;
 - iv) the First Defendant has a perpetual, interminable right to promote itself as having been an official supplier to the 2007, 2008, 2009 and 2010 VCGCs, as this is a historical fact and accordingly the Defendants may use the Marks and the Insignia for such purpose;
 - v) The Second Defendant is not liable as a joint tortfeasor for any of the acts of the First and Third Defendants which the court finds to be tortious, as he was at all times merely acting as a director of those companies.
12. Finally, the Claimants allege further passing off and/or infringement of the Marks by the First and Third Defendants by the production, promotion and sale of garments bearing the Marks and/or the Insignia which are co-branded GAUCHO (the "Gaucho Garments"). Gaucho is a chain of Argentinian-themed restaurants run by Gioma UK Ltd that is also involved in the sponsorship of polo events. The Claimants' case is that the use of the Marks and/or Insignia on the Gaucho Garments is without any consent from the Claimants and accordingly all such acts by the First and Third Defendants

amount to infringement of the Marks or passing off. The Defendants' case is that the production, promotion and sale of the Gaucho Garments is not infringing because the Claimants provided Gaucho with a licence to use the Marks for that purpose.

13. It is important to note that the Defendants have not at any point raised a limitation defence, nor do they challenge the validity of the Marks.

THE TRIAL

14. In this trial the Claimants are represented by Mr Douglas Campbell QC, who has filed a comprehensive and most helpful skeleton argument for which I thank him. The Second Defendant, Mr Lynn, acts in person for himself and as a representative of the First and Third Defendants. He has done so since the start of these proceedings. I am aware that both the Claimants' solicitors, Browne Jacobson, and His Honour Judge Hacon, who conducted the case management conference, have suggested to him that the Defendants should take professional advice. He has chosen not to do so. Mr Lynn has filed a note of argument, a note of submissions on damages and some summary spreadsheets relating to sales and costs figures. I thank him for those and thank both Mr Campbell and Mr Lynn for their courteous and wide-ranging submissions.
15. I heard live evidence from three witnesses for the Claimants and two for the Defendants. Each filed a witness statement and was cross-examined. The Claimants' witnesses were:
 - i) Mr Niccolo Ragazzoni, who was Brand Manager for the Second Claimant, responsible for the Veuve Clicquot brand in the UK, from October 2006 to January 2008 and is now the International Marketing Director at Moët Hennessy. He gives evidence about how the relationship between the Claimants and the Defendants came about, the commercial relationship between them in 2007, and the quantum of the Claimants' claim.

- ii) Ms Melanie Boury, who was employed by the Second Claimant as Brand Manager in January 2008 (taking over that role from Mr Ragazzoni). She became Senior Brand Manager at the Second Claimant in 2009 until December 2010 when she left the UK to take another role at Moët Hennessey Europe as Regional Marketing Director. She gives evidence about the commercial relationship of the parties in 2008, 2009 and 2010.
- iii) Mr Soutar, who has been employed by the Second Claimant since 2008, was an Account Manager for Restaurants from November 2011 to January 2013, and has since become the London Sales Manager. He gives evidence about the commercial relationship between the Claimants and Gaucho from 2011 to 2013.

16. The Defendants' witnesses were:

- i) Mr Lynn himself. He gives evidence about the entirety of the relationship between the parties, about the Defendants' dealings with Gaucho and about issues relating to the quantum of the claim.
- ii) Ms Christie McCarthy, who was the Sales & Marketing Manager of the First Defendant from June 2007 to October 2008. She gives evidence about the commercial relationship between the parties in 2007 and 2008. Miss McCarthy now lives in New Zealand and so she gave her oral evidence by video-link.

17. I do not doubt the honesty of any of the witnesses. I am satisfied that each of them came to court prepared to assist the court to the best of their ability and provided what they considered to be truthful answers within the limits of their recollection. However, they had to cast their minds back to events which took place up to nine years ago, and it is clear to me that the recollections of all of the witnesses were to some extent imperfect. This is understandable. Because of this, I place great weight upon the extensive contemporaneous documentary evidence which is before me in the form of emails between the Claimants and Defendants and also internally within the Claimants' organisation.

18. I accept Mr Campbell QC's submission that it is more likely than not that Miss McCarthy's written evidence was somewhat influenced by having read, before she prepared it, only Mr Lynn's witness statement, which is full of commentary and argument, and not the underlying documentary evidence to which he refers. Despite that, she stated in that written evidence that she agreed with that part of Mr Lynn's witness statement which covered the period of her employment. It was clear in her oral evidence, by which time she had read the relevant underlying email documents, that she did not wholly accept what he said. For that reason I treat her written evidence with some caution, but I consider that she gave careful, honest, considered oral evidence to the court upon which I can place greater weight.

19. Mr Campbell QC submits that Mr Lynn was not a satisfactory witness, describing him in closing as bitter, angry, resentful and lacking in objectivity. I accept that these are descriptions that can be levelled at his written evidence, which contained a great deal of commentary and argument and some intemperate accusations and language. However, in oral evidence he did not, in my judgment, present that way. He answered questions in a straightforward, candid fashion, he made concessions where appropriate, and he sought to simplify and explain the financial disclosure in a manner to assist both the court and the Claimants in their understanding of it. Accordingly I give greater weight to his oral evidence than his written evidence. Of course he has a completely different understanding of the commercial arrangement that he believes the parties reached to that of the Claimants, and to that extent he lacks objectivity, but I perceived both Mr Ragazzoni and Miss Boury as being equally certain of their own, differing understanding and they could also be described as lacking objectivity in the same way. I also note that the Claimants' position at the start of this dispute, namely that no consent to merchandise goods was ever given to the Defendants, is now accepted by them to be wrong. It appears to me that witnesses on both sides have differing recollections and perceptions of events of 2007 to 2010 which have almost certainly solidified during the scrutiny of the litigation process and which they are now convinced are fact. Accordingly I do not prefer one witness to another

where there is a dispute, but look for corroboration from other sources, including the documentation and the inherent probabilities.

THE LAW

Trade Mark Infringement

20. Section 10(2) of the 1994 Act provides

“A person infringes a registered trade mark if he uses in the course of trade a sign where because –

- (a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or
- (b) the sign is similar to the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.”

21. The Court of Appeal summarised the six requirements for infringement under section 10(2) of the 1994 Act at paragraph 68 of Interflora v Marks & Spencer [2014] EWCA Civ 1403, [2015] FSR 10 as follows:

[68]. A proprietor of a registered trade mark alleging infringement under art.5(1)(b) of the Directive (art.9(1)(b) of the Regulation) must also satisfy six conditions, namely (i) there must be use of a sign by a third party within the relevant territory; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor; (iv) it must be of a sign which is identical with or similar to the trade mark; (v) it must be in relation to goods or services which are identical with or similar to those for which the trade mark is registered; and (vi) it must give rise to a likelihood of confusion.

22. Article 9 of the ETR provides:

"Rights conferred by an EU trade mark

1. An EU trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the EU trade mark in relation to goods or services which are identical with those for which the EU trade mark is registered.

(b) any sign where, because of its identity with, or similarity to, the EU trade mark and the identity or similarity of the goods or services covered by the EU trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) any sign which is identical with, or similar to, the EU trade mark in relation to goods or services which are not similar to those for which the EU trade mark is registered, where the latter has a reputation in the EU and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark."

23. It is common ground that the only issue between the parties on infringement is that of consent. No issue is raised by the Defendants in respect of the other five Interflora conditions for the purposes of considering infringement of the UK Mark, and it is common ground, I believe, that signs used on the Branded Merchandise are identical to the Community Mark in relation to goods and services which are identical to those for which the Community Mark is registered.

24. Mr Campbell submits, and I accept, that the relevant law on consent is that considered by the CJEU in Zino Davidoff SA v AG Import Ltd (and others) in Joined Cases C-414/99, C-415/99 and C-416/99 [2002] CH 109, [2002] RPC 20. Mr Campbell sets out the well-known passages at paragraphs 42, 43, 45 and 46 in his skeleton argument, so I will not repeat them here. It is perhaps useful to note Lewison LJ's succinct and helpful summary of the principles to be gleaned from Zino Davidoff, in Honda Motor Co Ltd v Neesam [2006] EWHC 1051 (Ch) at paragraph 5:

"In the joined cases of Zino Davidoff SA v A & G Imports Limited and Levi Strauss & Co v Tesco Stores Limited... the European Court of Justice said that the concept of consent for this purpose was to be uniformly interpreted across the whole of the EU. The ECJ made a number of important points. First; consent amounts to renunciation of the right to the trademark proprietor, and must, therefore, be unequivocally demonstrated. Second; an intention to renounce will normally be gathered from an express statement. Third; there may be

circumstances from which consent may be inferred, but it is an actual consent and not a deemed consent, that must be established. Fourth; it is, in almost all cases, for the trader to prove consent, not for the trademark proprietor to prove the absence of consent. Fifth; consent cannot be inferred from the trademark proprietor's silence, nor from the fact that the goods carry no warning, nor from the fact that the trademark proprietor originally placed goods on the market without any further restriction on the onward sale of those goods."

25. Accordingly the burden of proof is on the Defendants to unequivocally demonstrate consent. Mr Campbell submits that it is a high hurdle, although in doing so acknowledges that does not affect the standard of proof, which remains the normal civil standard. I accept that submission.

Passing off

26. The Claimants rely on passing off pursuant to the 'classical trinity' of that tort as described in the *Jif Lemon* case (Reckitt & Colman Product v Borden [1990] 1 WLR 491 HL), namely goodwill, misrepresentation leading to deception and damage.
27. Again, the single issue between the parties at trial appears to be whether the use of the Insignia by the Defendants in the manner complained of was permitted by the Second Claimant, i.e. it comes back to consent. It appears to be common ground that such use would be a misrepresentation to the public from which deception and damage inevitably would flow. Certainly this is the Claimants' position which was made clear in Mr Campbell's skeleton argument and closing submissions; Mr Lynn in cross-examination appeared to accept that proposition when put to him; and he made no submissions in closing which suggested otherwise. The Defendants' position in the Defence that any unauthorised use by them of the Insignia would enhance the Claimants' business, rather than damage it, because of the beneficial association with the highly respected POLISTAS brand of the First Defendant, appears to have been abandoned.

THE FACTS

2007

28. The Defendants were introduced to the Claimants by a previous employee of the Second Claimant, Naomi Hancock. Following a meeting with Mr Lynn during which they discussed the possibility of the First Defendant making VCGC branded polo shirts which could be sold to the Claimants for use by their staff during the event and merchandised more widely through the Defendants' retail channels, Ms Hancock introduced Mr Lynn by email to Kirstin Stanley-Hughes, who was the Events Manager at the Second Claimant with responsibility for the VCGC.
29. Mr Lynn promptly emailed Ms Stanley-Hughes, on 24 April 2007, with a link to the Defendants' website at www.polistas.com and a request for a meeting. Ms Stanley-Hughes replied saying: "*Are you proposing to sell merchandise on the site or to provide us with merchandise should we decide we need to order some?*" to which he responded: "*I'm proposing to make some Veuve Clicquot polo clothing merchandise to sell at the Gold Cup and on our website and in our chain of stores... We would be willing to make a set number of Veuve Clicquot logoed baseball caps, polo shirts and fleeces which you could use to promote the Gold Cup and the Veuve Clicquot brand through our sales channels. I could put some design concepts together for you if this is of interest.*"
30. Kirstin Stanley Hughes asked Liz Higgins, of the PR company used by Cowdray Park to promote the VCGC, to speak to Mr Lynn to find out "*how they could be of use to us etc etc – obviously [we] don't want expense*". Ms Higgins did so and also met with him at the Defendants' store in Burlington Arcade on 21 May 2007. She must have reported back in favourable terms to Ms Stanley-Hughes, because the next day Mr Lynn emailed Ms Stanley-Hughes, promising to send over a sample of products for her to inspect and attaching some "*initial artwork on some of the merchandise garments we would like to be licensed to produce for your event... Hopefully... Veuve Clicquot can make a quick decision as the tournament commences in just over a month and many of these garments can take at least that long to produce.*"
31. Mr Lynn, Ms Stanley-Hughes and Mr Ragazzoni met on 30 May 2007 at the Burlington Arcade store. I don't believe it is disputed that at this meeting the

offer from the Defendants was for them to produce VCGC branded polo shirts, t-shirts and baseball caps, which the Defendants would have the right to sell through their retail channels, in return for which the Claimants would be able to buy 200 of the shirts for £10 and caps for £5. I am satisfied that in that meeting Ms Stanley-Hughes raised concerns about gaining budget approval for the cost to the Claimants of buying the branded shirts and caps that they wanted for their staff, because the next day Mr Lynn emailed Ms Stanley-Hughes with *“our corporate catalogue to compare prices if you think it will help you win the argument”*.

32. Negotiations between the parties continued by email, and it is clear that cost was still an issue for the Claimants. On 1 June 2007 Ms Stanley-Hughes emailed Mr Lynn saying *“I have discussed further with Niccolo [Ragazzoni] and also our office in France re the logo. Their response has been that we have never allowed anyone else to use our logo for commercial gain, and that if we were to let you use it, then there needs to be more of a kick back for us. I appreciate you are taking a risk (in terms of weather) but there is no date on the shirts, so I am presuming they could be used at a later date in the unlikely event that the weather is bad... I have given them the figures – and the feedback is that if we are to allow use of our logo then we should not need to pay for the 200 shirts you are offering to do for us at £10 and the caps at £5. I appreciate you are giving us a serious discount, but you will after all be making financial gain through VCP and not insignificant advertising if they are picked up in the press – which is highly likely... unless we discuss further the matter of the cost for the 200, we may be at stale-mate.”*
33. Mr Lynn responded that evening with a revised offer: *“I... appreciate the French office’s concerns and desire to get some sort of a ‘fee’ for our rights to make a profit on the sale of merchandise with their brand on it... Normally corporate luxury brands buy product from us at the prices indicated in our catalogue and either give or sell the merchandise as they see fit... You mentioned in our meeting that you only really need 150 shirts for your staff. How about we do 150 staff shirts for free. This will be a significant cost to us and a significant savings for you. Let me know if you think this is acceptable*

and we can start moving forward on design and manufacturing. As you know we are very short on time for this...”

34. Miss Stanley-Hughes accepted that offer at 21.39 on 1 June 2007 by an email saying: *“I appreciate your response and move towards finding a solution. I am very happy with your suggestion as it means now I can shrug off any constraints from France and just get on and order! Can we agree furthermore to [buy] the extra 50 at the price you suggested initially (£10 each) and caps at £5 each (if I can confirm the quantity in a week – but I anticipate needing c. 100)... I will let you have the new [logo] shortly. So please press the button!”*
35. On 4 June 2007 Mr Ragazzoni sent Mr Lynn the pantone colour of the Veuve Clicquot yellow to be used for the shirts and provided the logo to be used on the shirts and caps.
36. By 5 June 2007 the designs of the garments had been finalised and approved by both Mr Ragazzoni. The various sizes of the staff shirts needed for the Claimants were specified and ordered by 14 June 2007.
37. The VCGC window display was installed on 9 July 2007 and I have seen photos in the bundle which were emailed by Ms McCarthy to Mr Ragazzoni and Kirstin Stanley-Hughes on 11 June 2007. The display included mannequins dressed in navy blue polo shirts and t-shirts co-branded with Polistas and Veuve Clicquot word marks and logos, a number of bottles of Veuve Clicquot champagne of varying sizes, Veuve Clicquot bottle bags, and a video installation of images of VCGC polo matches and interviews with players. I am satisfied that these images clearly show the range of T-shirts and polo shirts which were produced exclusively for merchandise for sale in the Defendants’ retail channels, as opposed to the staff shirts which were designed for Veuve Clicquot in ‘Veuve Clicquot yellow’. Email traffic shows that this display was not dismantled until after 24 August, having been left in situ longer than the Defendants wanted, so that Ms Stanley-Hughes could see it.
38. On 13 July 2007 Kirstin Stanley-Hughes contacted Ms McCarthy asking for details of pricing of children’s shirts. She replied saying *“As the initial deal was 150 shirts for free and an additional 50 at £10 each, but we have only*

produced an additional 40, you can order another 10 shirts (any size/adults or kids) at £10 each. After that the price will be 25% off the standard retail of you order in advance, but full price (£89) if you want to buy additional shirts on the day (the Trade Stand that sells them is not operated by us so we have to pay them as well).”.

39. On 31 December 2007 the Claimants raised an issue on the invoice raised by the Defendants for additional sales, querying two children’s shirts. That was explained by Ms McCarthy in an email to Ms Stanley-Hughes of the same date, to which she replied *“That’s fine Christie... We still have some left over which we will probably use for next year”*.

2008

40. On 1 April 2008 Ms McCarthy emailed Ms Stanley-Hughes and said *“I can’t believe the polo season is nearly upon us... should we get a time in the diary to catch up on polo shirts for Veuve Clicquot Gold Cup and putting up another window display in the shop etc”*. They did have a discussion, during which Ms Stanley-Hughes told Ms McCarthy that they wanted to use a different version of the logo to the previous year, and Ms McCarthy followed up with an email on 9 May 2008 saying:

“The agreement in 2007 was as follows:

Polistas will provide:

-113 staff and 25 non staff shirts free of charge (normal retail £99 each for adults and £69 each for kids).

-50 shirts @ £10 + VAT each

-Additional shirts at normal retail (£99 for adults and £69 for kids) minus 25%

-Caps at £5 each

-One of its three windows to create a Veuve Clicquot window in the Polistas flagship shop in the prestigious Burlington Arcade for the month of June Footfall in excess of 200,000

In return for:

-Naming rights as 'official clothing supplier to 2008 Veuve Clicquot Gold Cup'

-Full page advertisement in official Veuve Clicquot Gold Cup programme

-Banner placement throughout the tournament, through to finals day

-2X tickets throughout the tournament, through to finals day. 2X VIP tickets on finals day.

-Preferential location in the trade village.

...

We need to order these shirts and caps asap to be here in time... please can you also forward me your new logo so we can get started on the design."

41. There are a number of points to note about this email. First, the number of free shirts offered is lower than the agreement from the previous year. Second, there is no mention of merchandising rights in this email. Mr Lynn in cross-examination said it 'went without saying' because 'everyone' knew that the deal included merchandising. Third, it contains details about advertisements, banner placement and location of trade stand which I understand is common ground actually relates to the terms of a deal agreed between the Defendants and Cowdray Park in the previous year. Ms Stanley-Hughes forwarded this email on 9 May 2008 to Cowdray Park and Liz Higgins, who confirmed those arrangements. Ms Higgins also responded with the statement "*the window in the month of June is irrelevant. We would want first three weeks of July.*" It can be seen on a later email from Ms McCarthy to Ms Stanley-Hughes of 5 June 2008 that the First Defendant did reserve one of their shop windows for the month of July 2008.
42. Ms McCarthy chased Ms Stanley-Hughes by email on 14 May, 19 May and 27 May 2008 looking for a response to her 9 May email and asking for the new logos to be sent to her as soon as possible. On 27 May 2008 she said: "*Have you had a chance to read through the agreement? We need to place the shirt order this week...*"

43. Ms Stanley-Hughes forwarded the emails to a number of people internally within the Claimants, asking for responses. In particular, she forwarded the email of Ms McCarthy setting out the Defendants' description of the 2007 agreement to Melanie Boury (Mr Ragazzoni's replacement) on 29 May 2008, saying: *"I have said I will get back to them Monday latest with orders for shirts... however can you just look at the below as I need to know if you are happy with the first point re naming rights as official supplier to VCP GC 2008 for example... Not sure if we should put a "roof" on where they use this. That said we do get alot of stock out of them..."*
44. It is clear from the emails between Ms Boury and Ms Stanley-Hughes which followed, that Ms Boury was not happy with the terms offered in Ms McCarthy's email of 9 May, and was unwilling to commit the Second Claimant to those terms without reference to the First Claimant. Ms Boury emailed Ms Stanley-Hughes on 4 June 2008: *"Regarding the naming rights, I would not agree on 'official supplier of VC Gold Cup'... I think we already give them enough."* Ms Stanley-Hughes responded: *"We get 150 shirts for free as part of the deal (shirts they sell at £90 each on the day –very good quality/don't fade/shred – i.e. very luxury) I think we should allow them a bit more of a free leash because if they are advertising worldwide that they sponsor the VCGC it is effectively international advertising of our event and therefore more publicity..."*
45. Ms Stanley-Hughes emailed Ms McCarthy on 5 June asking: *"what did we allow you to do last year in terms of saying you are the official supplier to VCP Gold Cup as we would not normally allow this other than during the event – i.e. not in promotional material or publicity you were doing throughout the year. If you want to do this, then it needs permission from the Maison in France – something which usually takes months..."*. She emailed her again on 9 June: *"Christie I've not heard back re the 'official supplier to'... from you and at the moment it is not something we can agree to. If you wanted to use it, then I would have to obtain permission from France – let me know if you wish to do so and I will see what I can organise – but at the*

moment you won't be able to use it until we approach them and gain a favourable answer..."

46. Ms McCarthy replied to Ms Stanley-Hughes on 11 May suggesting: *"We are happy to be able to say we are the 'official supplier to the VCP Gold Cup' ONLY during the actual event. Noted that we can not make this statement for promotional material/publicity etc during any other time of the year."* Ms Stanley-Hughes forwarded this email to Ms Boury who responded *"I am sorry to insist but we can't give this authorisation to Polista [sic]. Even a temporary 'license' it should be agreed by the Maison, and as you said it could be long."* Ms Stanley-Hughes asked Ms Boury to check with Mr Ragazzoni, as *"niccolo agreed it with them last year – and felt sure he checked with Maison."*
47. Ms Boury did ask Mr Ragazzoni by an email of 12 June 2008 whether he remembered accepting that the Defendants could mention that they were official suppliers. Mr Ragazzoni's evidence was that he could not specifically remember his response, and that response is not to be found in the documents before me. Ms Boury also asked Ms Stanley-Hughes for clarification: *"If I understand, they will sell VC Gold Cup Polos for the period of the VC Gold Cup but they do not plan to communicate on that outside their shop, do they?"* Ms Stanley-Hughes replied: *"yes, you understand correctly – they sell them during the tournament but once it is over, they will not communicate to anyone that they are official suppliers to the VCPGC etc"*.
48. On 13 June 2008, Ms Boury emailed her boss Sally Warmington, informing her: *"Just to let you know what we eventually agreed for us to maintain our good prices on Polistas Polos. Polista can sell VC Polos during the VC Gold Cup in their shops. No advertising or further communication of 'official polo supplier of VC gold cup' outside of their shops during the VC gold cup."*
49. This wording was sent by Ms Boury to Kirstin Stanley-Hughes, and from Kirstin-Stanley Hughes to Ms McCarthy on 15 June with a note *"give me a call if a problem"*. Ms McCarthy replied the next day *"All good. Thanks Kirsty"*.

2009

50. On 15 January 2009 Mr Lynn emailed Ms Stanley-Hughes and asked for a meeting *“to renew our agreement for Gold Cup 09”*.
51. Ms Boury emailed Ms Stanley-Hughes on 12 March 2009 asking: *“Could you tell me again what was your agreement with Polistas as regards VC Polos. Are they still looking at that this year?”*
52. Ms Stanley-Hughes left the employment of the Second Claimant in April 2009. Her role was taken over in part by Katie Potter, Assistant Brand Manager who worked with Ms Boury. Ms Potter contacted Mr Lynn on 21 May and asked him *“to please send through confirmation that Polistas will cover the costs to produce the polo shirts for staff at this year’s Gold Cup”*. Mr Lynn responded on the same day: *“I can confirm that Polistas will be happy to supply the yellow staff shirts again this year on the same basis as the last two years.”*

2010

53. Discussions about the 2010 VCGC started in April 2010. Ms Boury asked Mr Lynn by email to remind her of the previous agreement, and to deal with her colleague Caroline Koch to get numbers and sizes for the staff shirts purchase for 2010. Mr Lynn replied on 12 April 2010 saying:

“The last 3 years we have provided the following staff shirts for the event [113 men’s and women’s Staff polo shirts in assorted sizes]. We can also provide up to 50 shirts at a staff rate of £25 each (but these have to be ordered at the same time as the staff shirts). Any retail merchandise that MH staff want to purchase after this is on a 25% discount. We also supply caps...”

In return Polistas has received:

-Merchandising rights

Naming rights as ‘official clothing supplier to 2010 Veuve Clicquot Gold Cup’

-Full page advertisement in official 2010 Veuve Clicquot Gold Cup programme...[etc]”

54. There then followed some discussions and changes to the design of the shirts. On 29 April 2010 Ms Koch confirmed that:

“We would then need to see a final artwork proof of the t-shirt and then we can press print. In terms of quantity: [sizes and quantities provided]. Please can you confirm that 10 caps and 50 shirts will be free of charge in return for:

–Merchandising rights

-Naming rights as ‘official clothing supplier to 2010 Veuve Clicquot Gold Cup’

-Full page advertisement...[etc]”

55. An order was placed, an invoice raised by the First Defendant for the cost of additional shirts and caps ordered outside the free allocation, and that invoice was paid by the Claimants.

2011

56. Melanie Boury left the UK for a European role in December 2010. Mr Lynn contacted the Claimants in January and February 2011 trying to arrange a meeting to discuss the 2011 VCGC. Charity Finnigan of the Second Claimant responded on 24 February 2011: *“Our maison has produced polo shirts for us to use for this year so we have to use these for staffing, etc.”* She told him that a new Brand Manager would be starting in April and suggested a meeting about other opportunities then. In April and through May 2011 and again in early July 2011 Mr Lynn tried to arrange that meeting without success. In early July he was informed by the Senior PR Manager for Veuve Clicquot that he was not on the guest list for the VCGC that year because *“the commercial relationship is no longer in place”*.
57. In July 2011 Mr Lynn finally met the new Brand Manager, Christina Jesaitis, at the VCGC. Upon trying to arrange a meeting with her by email in September 2011 she replied:

“...Veuve Clicquot would not like to enter into any deal or agreement with Polistas at this time.

Should we need support on the production of Veuve Clicquot Polos or Caps for the Veuve Clicquot Gold Cup in 2012, we’ll be sure to contact you and can then discuss retailing opportunities.

Finally, as we have no/do not have any such deals or agreements in place, we would prefer that the Veuve Clicquot logo/brand is not used/mentioned by Polistas without our prior permission.”

58. Despite that unpromising email, Mr Lynn did arrange to meet Ms Jesaitis for lunch in Westfield and at that meeting he also showed her around the First Defendant’s Westfield store. Internal emails from Ms Jesaitis show that she was unhappy that Branded Merchandise was still for sale and that various VCGC props were still being used to form a promotional display in the shop. It also shows that she had very little understanding of the previous agreements that had been reached between the parties.
59. The Claimants instructed solicitors who wrote a letter before action to the Second Defendant on 8 May 2012 wrongly asserting that the Claimants had *“permitted you to apply its trade marks to a limited number of polo shirts, strictly for our client’s use in connection with the Veuve Clicquot Gold Cup in 2007. This is the extent of your association with our client”*. Following an exchange of correspondence with Mr Lynn, on 11 June 2012 they wrote another letter, giving 6 months notice of termination of any stated contractual right that the First Defendant might have to use the Claimants’ trade marks.

THE ISSUES

60. Unusually in IPEC, the issues of liability and quantum have not been split for trial. Accordingly if I find for the Claimants on liability, I will go on to consider quantum.
61. At a case management conference before His Honour Judge Hacon on 5 February 2015, he identified the following issues as requiring determination at trial:
1. Was the relationship between the Claimants and the First Defendant from 2007 – 2010 inclusive: (a) a series of annually negotiated agreements or (b) some other agreement, and if the latter, then what other agreement?

2. What were the terms of such agreements?
3. Did such agreement(s) terminate and if so, when?
4. Upon what terms did the Claimants permit Gaucho to use the Claimants' marks?
5. Acts of the Defendant complained of:
 - a) How many goods bearing the Claimants' marks have the Defendants manufactured (or had manufactured) in the UK and/or imported into the UK since the 2010 Veuve Clicquot Gold Cup?
 - b) How many good bearing the Claimant's marks have the Defendants sold in the UK outside the period of the 2007, 2008, 2009 and 2010 Veuve Clicquot Gold Cups?
 - c) How many Gaucho/Veuve Clicquot co-branded goods have the Defendants sold in the UK?
 - d) What, if any, other sales have the Defendants made of goods bearing the Claimants' marks?
6. Which of the acts in (5), if any, amount to infringement of the Claimants' trade marks?
7. Which of the acts in (5), if any, amount to passing off?
8. Joint and personal liability of the Defendants
9. Damages

62. I will deal with each in turn.

Issue 1 - Was the relationship between the Claimants and the First Defendant from 2007 – 2010 inclusive: (a) a series of annually negotiated agreements or (b) some other agreement, and if the latter, then what other agreement?

63. I am satisfied on the evidence that the relationship was a series of annually negotiated agreements, as the Claimants submit and as Mr Lynn conceded in closing submissions. It is clear from the documentary and witness evidence that in each year a new decision was required from the Claimants as to whether they were going to order shirts from the First Defendant for the VCGC that coming summer, and enter into an ‘official supplier’ arrangement, although the agreement of the previous year was used as a starting point for negotiating the new one. This is alluded to in Ms McCarthy’s email on 9 May 2008 when she refers to ‘the 2007 agreement’ in the context of seeking Ms Stanley-Hughes’ agreement to an agreement for 2008. Of course in 2011, the Claimants decided not to enter into a new agreement at all. That was their choice, in my judgment.
64. I am also satisfied on the evidence that the agreements were reached by exchange of emails, as the Claimants submit, and I reject Mr Lynn’s varied and confused submissions made in closing argument: first that they were a series of agreements in which each agreement was concluded orally and merely documented in emails afterwards; second that each was agreed both orally and in writing; and third that each was arrived both orally, in writing and ‘by practice between the parties’. None of these alternatives reflect the case pleaded by the Defendants in the Amended Defence, nor were any of them set out by the Defendants’ witnesses in their witness statements, nor was Mr Lynn able to clearly articulate the legal basis of the second and third alternatives in his closing submissions.
65. When I asked Mr Lynn when and with whom the First Defendant had reached oral agreements, he sought to produce a completely new case. For example, he sought to submit that oral agreement had been reached in 2007 with Mr Ragazzoni either at the meeting on 30 May 2007 or another, unspecified, later meeting to which he could not give a date. The former contention was not put to Mr Ragazzoni by Mr Lynn, and I have no doubt that no deal was concluded at that 30 May meeting, because the offer by the First Defendant to provide 150 staff shirts to the Claimants for free was not made until 1 June 2007, which in my judgment was a key term without which the Claimants would not

have agreed to enter the 2007 agreement. As to the latter point, there is no evidence before me from Mr Lynn or any other witness that there was any second meeting or conversation with Mr Ragazzoni around this time in which such oral agreement could have been reached, nor did Mr Lynn put that contention to Mr Ragazzoni in cross-examination.

Issue 2 - What were the terms of such agreements?

66. It is necessary to look at the agreements for each year separately.

2007

67. I am satisfied that agreement was reached between the First Defendant and the Second Claimant on 1 June 2007 when Ms Stanley-Hughes accepted by email the new terms offered by Mr Lynn. I find on the balance of probabilities that the terms of the 2007 agreement were that the First Defendant would supply to the Second Claimant: 150 staff shirts for free and 50 further shirts at £10 each and caps at £5 each, in return for which the Second Claimant unequivocally consented to the First Defendant using the Insignia to produce specified and approved designs of Branded Merchandise for sale through all of its retail channels (which include the website operated by the Second Defendant). By a later variation of the concluded 2007 agreement, it was further agreed that (i) the First Defendant would provide the Claimants with a discount of 25% of retail price on additional purchases of merchandise; and (ii) the Claimants would provide VCGC-related props which the First Defendant would use to create a window display in the Burlington Arcade shop to promote the Branded Merchandise and the 2007 VCGC itself.

68. I am satisfied on the balance of probabilities that the 2007 agreement contained no limitation on such production, promotion or sales of Branded Merchandise to a period defined as ‘during the VCGC’ as the Claimants submit. I do not accept Mr Ragazzoni’s evidence that it did, because: (i) there is very little in the emails between Mr Lynn and Ms Stanley-Hughes or Mr Ragazzoni at that time suggesting that such a limitation was ever discussed, let alone expressly agreed by the parties; (ii) upon cross-examination of Mr Ragazzoni, it appears that his evidence at its highest is that all discussions

were “*in the context of the VCGC*” and so such a limitation should have been understood by the Defendants; (iii) in my judgment, Mr Ragazzoni’s evidence was rather contradictory and confused on this point. He stated in written evidence that the branded merchandise could be sold after the period of the 2007 VCGC: “*we would not object to Polistas selling these shirts on for a reasonable period after the event*” but in oral evidence confirmed that there was no discussion between the parties of any proposed sell-off period: “*We did not go into details of the period or the quantities. We just said if there is some stock left, that could be sold after the Gold Cup itself. We were assuming there was an estimate to be sold only during the Gold Cup*”.

69. In making that finding, I reject Mr Campbell’s submission for the Claimants that the first email of Ms Stanley-Hughes of 1 June 2007 referring to shirts being “*... used at a later date in the unlikely event that the weather is bad...*” (i) provides only some sort of unspecified and limited extension to the agreed permitted sale period in the event of bad weather; and (ii) is corroborative of limitation on sales during the VCGC. First, in my judgment, this statement was made in the context of an acknowledgment of the commercial risk that the First Defendant would be taking, by providing staff shirts to the Claimants for free. I accept Mr Lynn’s submission that it merely shows the Claimants accepting that merchandise could be sold after the VCGC itself, as Mr Ragazzoni conceded in cross-examination. Second, it is a statement made in contract negotiations. It cannot assist me in determining whether such a limitation on the sale period was actually agreed, and I cannot be satisfied on the balance of probabilities of such an express agreement given the difficulties I have identified with Mr Ragazzoni’s evidence, the lack of documentary evidence in what was a contract concluded by exchange of emails, and Mr Lynn’s and Ms McCarthy’s oral evidence that no such limitation was agreed.
70. I am also satisfied on the evidence before me, which is not disputed, that parties did not specify or agree (i) a term or procedure for termination of the agreement (including the consent); or (ii) a sell-off period for existing stock in the event of termination of the agreement. I do not accept Mr Campbell’s submission that this means that the Claimants’ consent to the First

Defendant's use of the Insignia was not unequivocal. I find that it was. However, I find as a matter of law that: (i) as no term or procedure for termination of the agreement was granted, the agreement could be terminated by the Claimants at will upon reasonable notice; and (ii) as no sell-off period was agreed, the First Defendant's right to promote or sell existing stock also ceased on the date of termination of the agreement.

2008

71. I find that the 2008 agreement was entered into on 16 June 2008 when Ms McCarthy agreed to the revised counter-offer put forward by Ms Stanley-Hughes incorporating the additional terms required by Ms Boury, namely: *“Polista can sell VC Polos during the VC Gold Cup in their shops. No advertising or further communication of ‘official polo supplier of VC gold cup’ outside of their shops during the VC gold cup.”*
72. I note that both the Claimants and the Defendants regularly referred to Branded Merchandise in emails using the shorthand of ‘VC Polos’ and it appears to be common ground that the same can be understood in relation to this email.
73. Mr Campbell for the Claimants submits that these terms provide an explicit and unambiguous limitation on the consent provided to the First Defendant for use of the Insignia to: (i) sale of Branded Merchandise in their shops (including the online shop operated by the Third Defendant) during the VCGC; and (ii) advertising and communication of ‘official supplier’ status in those shops during the VCGC, as Ms Boury stated in her written and oral evidence.
74. Mr Lynn submits that both of those terms are ambiguous. First, he submits that the first term does not say that the First Defendant cannot sell Branded Merchandise outside the VCGC period. Of course, I am concerned with identifying actual, unequivocal consent and per Zino Davidoff, consent cannot be inferred from the trade mark proprietor's silence. Accordingly, in my judgment this argument must fail. Second, he submits that the second term is ambiguous, and contends for a meaning that the First Defendant may not

advertise and communicate its ‘official supplier’ status to the outside world during the VCGC, but may do so within the shops or to the outside world at any other time.

75. I prefer the interpretation for which the Claimants contend. The guidance provided by the Supreme Court on the interpretation of contract terms in the cases of Rainy Sky SA v Kookmin Bank [2001] UKSC 50, [\[2011\] 1 WLR 2900](#) and Arnold v Britton & Ors [\[2015\] UKSC 36](#) makes clear that the court must focus on the natural and ordinary meaning of the relevant provisions; it is only if the language used has more than one potential meaning that the court must seek to construe it and “ascertain what a reasonable person, that is a person who has all the background knowledge which would reasonably have been available to the parties in the situation in which they were at the time of the contract, would have understood the parties to have meant.” (per Lord Clarke of Stone-cum-Ebony in Rainy Sky at para 21).
76. I find that the natural and ordinary meaning of the second term is that for which the Claimants contend. To the extent that there is an ambiguity as identified by Mr Lynn (and in my judgment you have to treat the language rather unnaturally to get to the interpretation he seeks to prove), I am satisfied that the reasonable person with all the background knowledge would know of Ms McCarthy’s prior email to Ms Stanley-Hughes stating “*We are happy to be able to say we are the ‘official supplier to the VCP Gold Cup’ ONLY during the actual event. Noted that we can not make this statement for promotional material/publicity etc during any other time of the year*”. This is directly contradictory to the meaning that Mr Lynn seeks to put on the term. In my judgment, with that background knowledge the reasonable person would have understood the parties to have meant to limit the Defendants’ advertisement and communication of official supplier status to the period of the VCGC only, which would lead inevitably to the meaning for which the Claimants contend.
77. Mr Lynn further submits that: (i) if the Claimants wished to impose a new limitation that the First Defendant could only sell Branded Merchandise during the VCGC period, it should have been made more explicit than just a

single email; and (ii) that if it had been made explicit, the First Defendant would not have accepted it because it would be uneconomic for it to enter into the agreement with such a limited sale period.

78. I do not accept these submissions for the following reasons. In relation to the first point, the offered terms followed a number of emails in which it was made clear by Ms Stanley-Hughes to Ms McCarthy, in my judgment, that Ms Boury and the Maison had not yet approved the terms and were concerned about the protection of the Claimants' brand and trade marks. As a matter of fact, I am satisfied that the new limitation was explicitly set out in the form of two terms contained in the email forwarded from Ms Boury to Ms McCarthy. In turn, I am satisfied that Ms McCarthy explicitly agreed to those terms by her response to that email. I also remind myself of Ms McCarthy's evidence, which I accept, that she would not have agreed those additional terms without Mr Lynn's approval.
79. In relation to Mr Lynn's second point, I remind myself of Lord Neuberger's guidance in paragraph 20 of *Arnold v Brittan*: "*...a court should be slow to reject the natural meaning as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight. The purpose of interpretation is to identify what the parties have agreed, not what the court thinks that they should have agreed.*"
80. Accordingly, in the light of that explicit acceptance of terms by Ms McCarthy, find on the balance of probabilities that the terms of the 2008 agreement were that the First Defendant would supply to the Second Claimant: 138 staff/non-staff shirts for free; 50 further shirts at £10 each and caps at £5 each; additional shirts at 25% discount to normal retail price; and promotion of the VCGC and merchandise in a window of the Burlington Arcade shop for the month of July; in return for which the Second Claimant provided an unequivocal consent to the First Defendant to use the Insignia to: (i) produce, sell and promote Branded Merchandise in shops (including the online shop of the Third Defendant), during the period of the VCGC; and (ii) promote itself as 'official polo supplier of the Veuve Clicquot Gold Cup' in those shops during the period of the VCGC.

81. In reaching this finding, I accept Mr Lynn's evidence that it 'went without saying' that the agreement reached included the right to merchandise, despite the failure by Ms McCarthy to mention merchandising in her email of 9 May 2008, because: (i) it was not seriously suggested otherwise by the Claimants' witnesses; (ii) I am satisfied that Ms Boury's additional terms make it clear that the First Defendant was granted a limited a right to sell Branded Merchandise; (iii) the right granted to the Claimants to purchase additional shirts at 25% off normal retail price does not make sense, in my judgment, unless such shirts are being retailed.
82. Mr Lynn also submits that the court should take into account in the Defendants' favour that the Claimants knew that the First and Third Defendants were selling the Branded Merchandise all year around and never objected to it. I accept that there is evidence that at the very least Ms Boury knew that Branded Merchandise was being sold on the Second Defendant's website in January 2009. She accepted that in oral evidence, and accepts that she did nothing about it at the time. So did other people within the organisation at different times. However, knowledge and silence or failure to act is not enough to establish unequivocal consent to the Defendant's actions, per Zino Davidoff. Mr Campbell submits that the Claimants were not obliged to act, and were entitled to wait to take legal action until the end of the limitation period, and I accept that submission.
83. What was the period 'during the VCGC' agreed to? Ms Boury's oral evidence was clear - it was "*between early June and the VCGC Final on the third weekend of July*", not before and not after these dates, although she accepts that the period may not have been explicitly defined by the parties. Mr Ragazzoni's oral evidence was that it was one month between June and July, with some promotion prior to this and some press and PR period afterwards - but of course I have found that there was no such limitation in 2007 when he was involved in discussions.
84. Mr Campbell suggested to Mr Lynn in cross-examination that it might be a period of 7 weeks or so, and Mr Lynn originally said that he thought that might be too long, disagreeing with Mr Ragazzoni's suggestion that it would

extend past the VCGC Finals day. He then changed his position later in oral evidence to say that every year is a VCGC year and so ‘during the VCGC’ means a full year from one annual event to the next. I reject that latter evidence as wishful thinking, as in my judgment there would be no purpose to the limitation to which both parties explicitly agreed, if ‘during the VCGC’ meant all year.

85. Mr Campbell further suggests that I can look at the time period that the window displays were up and divine the meaning of ‘during the VCGC’ from that. I disagree. The issue is what a reasonable person with the background information of the parties would understand what ‘during the VCGC’ meant at the time that it was agreed, and this cannot be affected by what happened later. I consider that Ms Boury’s evidence was clear and that Mr Lynn’s initial response in the witness box did not contradict it. I find on the balance of probabilities that the period was 6 weeks ending with VCGC Finals day, as the Claimants submit.
86. Finally, once again I am also satisfied that the parties did not agree: (i) a term or procedure for termination of the agreement; or (ii) a sell-off period for existing stock at the end of the selling period of the VCGC. For the same reasons as before, I find that the agreement could be terminated by the Claimants at will upon reasonable notice; and the First Defendants’ right to promote or sell existing stock ceased on termination of the consent i.e. on the day after VCGC Finals day.

2009 and 2010

87. There is very little documentation about the 2009 or 2010 agreements. Of course it is for the Defendants to prove an unequivocal consent. Mr Campbell submits the lack of evidence is, accordingly, the Defendants’ problem. However Ms Boury accepted in oral evidence that the First Defendant was an official supplier to the 2009 and 2010 VCGC, and emails around the 2010 agreement show, in my judgment, that the parties all accepted that the First Defendant had enjoyed the right to produce, promote and sell Branded Merchandise (including through the Third Defendant’s online shop) in 2009.

Mr Lynn's email of 12 April 2010 represents to the Claimants that the agreements in 2007, 2008 and 2009 were all on the same terms; I have found that they were not and certainly in 2010 Mr Lynn appears to have raised the cost of the 50 additional shirts to £25 each from £10.

88. Ms Boury's written and oral evidence is that the Second Claimant granted the First Defendant limited consents in 2009 and 2010 to sell Branded Merchandise during the VCGC; to promote itself as 'official supplier to the VCGC' during those years; and that such consents "*were not extended*" from those granted in 2008. I accept Mr Campbell's submission that this evidence was not seriously challenged by Mr Lynn in cross-examination. Also not seriously challenged by Mr Lynn was Ms Boury's evidence that the Defendants were not authorised pursuant to the 2009 and 2010 agreements to manufacture long-sleeved 'Snow Polos' using the Marks and/or the Insignia, which appear to have been manufactured and sold by the First and Third Defendants between September 2009 and December 2010. I accept her evidence.
89. Accordingly I am satisfied on the balance of probabilities that the 2009 and 2010 agreements provided the First Defendant with limited unequivocal consents to produce, promote and sell Branded Merchandise (not including 'Snow Polos') using the UK Mark and the Insignia in the shops and to advertise and communicate its 'official supplier' status, on the same terms as the 2008 agreement.
90. I find that the 2010 agreement was the last agreement entered into by the parties.

Issue 3 - Did such agreement(s) terminate and if so, when?

91. I have found that all of the agreements were terminable at will upon reasonable notice. Given that finding, the Claimants' primary position is that such notice was given by Ms Jesaitis in September 2011. I find that her email is insufficiently certain to provide that notice, since the wording suggests, in my judgment, that any agreements between the parties have already been terminated and it expresses a preference, rather than a request, that the

Defendants cease to use the Claimants' trade marks. However I am satisfied that the letter from the Claimants' solicitors of 11 June 2012 was effective to terminate the 2007, 2008, 2009 and 2010 agreements, the termination date being 11 December 2012.

Issue 4 - Upon what terms did the Claimants permit Gaucho to use the Claimants' marks?

92. Mr Soutar's evidence is unequivocal and was almost entirely unchallenged in cross-examination: the Second Claimant authorised Gaucho to use the Marks to produce team shirts to be worn by the Gaucho polo team during the 2011 polo season. His evidence is that Gaucho "*did not ask for and were not given permission to sell merchandise bearing any of the Veuve Clicquot trade marks or any other marks owned by MHCS or Moët Hennessy UK.*"
93. The Defendants' pleaded case is that "*Gaucho gave assurances and an indemnification that the use of the Veuve Clicquot logo on the shirts was sanctioned by the Second Claimant... the First and Second Claimant' should know they gave Gaucho authority to use the brand and allow Polistas to recoup its costs for sponsoring the event by selling Gaucho polos*". The Defendants have disclosed a draft agreement which does not appear to contain the indemnity to which the Defence refers and which, in any event, cannot help me as it is unsigned. There is no other evidence before me which supports the Defendants' contention that the Claimants authorised Gaucho to sell merchandise branded with the Claimants' Marks and/or Insignia, save Mr Lynn's bare assertion. I accept Mr Soutar's evidence and find on the balance of probabilities that the Claimants permitted use by Gaucho of the Marks and/or Insignia only on team shirts to be worn by the Gaucho polo team and not for retail sale.

Issue 5 - Acts of the Defendant complained of:

How many goods bearing the Claimants' marks have the Defendants manufactured (or had manufactured) in the UK and/or imported into the UK since the 2010 Veuve Clicquot Gold Cup?

94. I accept the Claimants' evidence that the disclosed documents show some 333 units manufactured in 2011.

How many goods bearing the Claimants' marks have the Defendants sold in the UK outside the period of the 2007, 2008, 2009 and 2010 Veuve Clicquot Gold Cups?

95. The Claimants have analysed 25 lever-arch files of documents and have discussed with Mr Lynn additional spreadsheet purchase orders disclosed by him during the course of the trial. They have reached a figure of 8060 units ordered for manufacture and import since 2007. That includes the Gaucho Garments and the 333 units manufactured in 2011. The Defendants arrive at a figure slightly lower than that, but I prefer the Claimants' figures as they appear to have done the forensic work.

96. Mr Lynn's evidence is that about 1060 of those 8060 units ordered did not make it to stock, because: he estimates that the delivered units were about 5% less than ordered units due to short orders; 250 units of a single order were returned to manufacturer for quality issues; and he estimates wastage at about 7%. Mr Campbell submits in response that there is no corroborative documentary evidence about that despite the 25 lever arch files of documents disclosed. I accept that submission. It seems to me that if there was an order of 250 units that failed quality control, there would be some documentary evidence about that but Mr Lynn puts none before me. Nor is this event mentioned in his witness evidence. Similarly there is no evidence about the First Defendant's average wastage and short order figures. Accordingly I am not minded to give the Defendants the benefit of the doubt. I remain at 8060 units.

97. It seems to be accepted by the parties that about 1380 units were provided or sold to the Claimants or remain in stock, leaving about 6680 for sale to retail.

98. In relation to 2007, my findings mean that I am satisfied that the goods manufactured in 2007 were not limited for sale within the period of the VCGC in any year. They amount to about 20% of the total goods manufactured and so taking a rough and ready approach, I find that about 1336 units (being 20%

of 6680 units sold to retail) were sales within the terms of the Claimants' consent granted in 2007.

99. In relation to the consents granted in 2008-2010, the Claimants have counted the units sold by the Defendants through all channels during the 6 week 2010 VCGC period at 95. They do not have sufficient disclosure to do this for all three years and so contend for the court to accept a figure of 95 units per year as being sales during the 6 week VCGC period for that year.
100. However, Mr Lynn submits for the Defendants that on a conservative estimate, 25% of total annual sales are made within that six-week summer period, and that is what he contends the court should allow as being within the terms of the 2008-2010 consents. He relies on no evidence to support this contention, it being made for the first time in closing submissions. I reject it, as an estimate entirely unsupported by evidence, in favour of the compelling evidence of actual sales presented by the Claimants. Accordingly I find that 285 units sold were within the terms of the Claimants' consent for the three years from 2008 – 2010.
101. In total therefore, I find on the balance of probabilities that 1621 units were sold within the terms of the Claimants' consents and 5,060 were not.

How many Gaucho/Veuve Clicquot co-branded goods have the Defendants sold in the UK?

102. Mr Lynne's evidence is that of 350 Gaucho Garments manufactured, 150 were provided to Gaucho and 49 left in stock, so 151 were sold to retail. I accept that evidence. I understand those to be accounted for in the above figures.

What, if any, other sales have the Defendants made of goods bearing the Claimants' marks?

103. The unauthorised snow polos appear all to have been sold to retail and I so find. I understand those to be accounted for in the above figures.

Issue 6 - Which of the acts in (5), if any, amount to infringement of the Marks?

104. I remind myself that the date of filing of the UK Mark is 31 October 2011 and of the EU Mark is 14 January 2008. It follows from my previous findings that I am satisfied that the following acts amount to infringement of the Marks:

- i) all sales by the First and Third Defendants of Branded Merchandise outside the terms of the consents after 14 January 2008, and the promotion, offering and exposing of such goods for sale, which infringe the EU Mark;
- ii) all sales by the First and Third Defendants of Branded Merchandise outside the terms of the consents after 31 October 2011, and the promotion, offering and exposing of such goods for sale, which infringe the UK Mark;
- iii) all manufacture and/or importation by the First Defendant of Branded Merchandise in 2011 which infringe the EU Mark (but not the UK Mark since I understand all of that manufacture and/or importation pre-dates 31 October 2011);
- iv) all retail sales by the First and Third Defendants of the Gaucho Garments and the snow polos, and the promotion, offering and exposing of such goods for sale, which infringe the EU Mark and those actions after 31 October 2011 which also infringe the UK Mark.

Issue 7 - Which of the acts in (5), if any, amount to passing off?

105. In light of my previous findings, I am satisfied that the following acts amount to passing off:

- i) the sale by the First and Third Defendants of 5060 units of Branded Merchandise which I have found to be outside the terms of the consents granted in 2007 to 2010, and the promotion, offering and exposing of such of Branded Merchandise for sale;
- ii) the manufacture and/or importation by the First Defendant of Branded Merchandise in 2011;

iii) all retail sales by the First and Third Defendants of the Gaucho Garments and the snow polos, and the promotion, offering and exposing of such goods for sale.

106. In addition, I am satisfied that the use of the Insignia in shops and online to promote the First Defendant as an official supplier to the VCGC from 2008 to date, and in window and shop displays, in each case other than in the six week VCGC period in each of 2008, 2009 and 2010, amounts to passing off by the First and Third Defendant.

Issue 8 - Joint and personal liability of the Defendants

107. Mr Campbell has set out a succinct and, in my judgment, accurate summary of the law in respect of joint tortfeasors in his skeleton argument. That summary refers, *inter alia*, to Lords Sumption and Neuberger's tests in Sea Shepherd [2015] UKSC 10, and I specifically drew Mr Lynn's attention during his closing submissions to Lord Neuberger's test at paragraph 55: "*...in order for the defendant to be liable to the claimant in such circumstances, three conditions must be satisfied. First the defendant must have assisted in the commission of an act by the primary tortfeasor; secondly, the assistance must have been pursuant to a common design on the part of the defendant and the primary tortfeasor than the act be committed; and thirdly the act must constitute a tort as against the claimant.*"

108. I have already set out the Claimants' case on this point, that Mr Lynn: was at all material times the controlling mind of the First and Third Defendants; was in day to day control and management of them; and directed, procured or personally instigated and/or undertook the acts of the First and the Third Defendants complained of to a common design. The Claimants say that the Third Defendant has assisted the First Defendant as primary tortfeasor by making available to it the website used in the commission of the infringements of the Marks and passing off. I am satisfied (and I do not believe that it is disputed) that the First and Third Defendants were acting pursuant to a common design, namely to sell garments including the Branded Merchandise. Mr Campbell submits that since Mr Lynn admitted in cross-examination that

he was the decision-maker in respect of these companies, and Ms McCarthy also accepted in evidence that Mr Lynn was the decision-maker, and since Mr Lynn has put forward no evidence that decisions are taken in any other way or by any other person (for example, no board minutes or any other internal documentation is disclosed or relied upon by Mr Lynn), then on the evidence before me, Lord Neuberger's test is met.

109. Mr Lynn's submissions on the point are general ones relating to directors' liability and the corporate veil and as such are not relevant to the decision I have to make. Upon being requested to focus on Lord Neuberger's test and consider whether he had further submissions in relation to it, he had none. I am satisfied that Mr Lynn was the controlling mind of the First and Third Defendants and directed them and their acts in accordance with the common design I have identified. Accordingly, I accept the Claimants' submission for the reasons that Mr Campbell gives, and find that the First, Second and Third Defendants are jointly and severally liable as joint tortfeasors for the acts of infringement of the Marks and passing off which I have found to have occurred.

Issue 9 - Damages

110. Mr Campbell for the Claimants submits that this is a case where the court should rely on "*the exercise of a sound imagination and the practice of the broad axe*", per Watson, Laidlaw v Pott, Cassels and Williamson 1914 SC (HL) cited with approval by Newey J in 32 Red v WHG (International) [2013] EWHC 815 (Ch).
111. The Claimants seek a notional figure for damages of £5000 in respect of trade mark infringement and passing off from 2007 to VCGC Finals day at the end of July 2010. That is about £1 per garment which is not far from the 70p per garment for which the Defendants contend.
112. The Claimants seek a further £120,000 in damages for trade mark infringement and passing off from the end of July 2010 to date. Mr Campbell says this figure can be arrived at in a number of ways.

113. First, Mr Campbell submits the Claimants are entitled to at least 50% of the available profit from sales of unauthorised sales, which he says is as an appropriate profit share which would have been arrived at by a willing licensor and a willing licensee in the circumstances in which the parties found themselves. Mr Campbell identifies a number of those circumstances in his skeleton argument at paragraph 60 which I do not disagree with. He accepts that, in fact, the profit is “*impossible to work out given the deficiencies in the Defendants’ disclosure*” but, nonetheless, the Claimant’s solicitors have made an attempt to do just that, and arrived at a profit figure on unauthorised sales of just over £200,000. Mr Campbell submits that since this is almost certainly an underestimate, £120,000 is probably a more accurate guess of what a 50% profit share should be.
114. Mr Lynn submits in response: (i) what the Claimants refer to as profit is no such thing: rather it is gross margin and takes no account of the overheads and other costs of running the First Defendants’ business, including staffing, premises and marketing and advertising costs. I accept that submission. Mr Ragazzoni conceded as much in cross-examination; (ii) a 50% profit share is not appropriate in a case such as this where all costs and risk is carried by the Defendants. This is not a joint venture where the costs and risks of the venture are shared between the parties. He suggests a figure of between 5-10% as being more appropriate and points to two agreements that he has disclosed which license the Polistas unregistered trade mark to companies in Japan and Canada for such a rate.
115. I do not consider this to be a case in which a calculation of damages by profit share is appropriate for several reasons. First, I agree with Mr Campbell that it is impossible to calculate such profits, because the Defendants have not disclosed the relevant financial information to do so; but I do not consider it appropriate to take a gross margin figure and treat it as a profit figure in those circumstances. Second, the Claimants’ suggested royalty rate of 50% is also unsupported by evidence. They offer no comparables, because as Mr Ragazzoni’s evidence makes clear, they do not license their trade marks and so they have none. The arrangement with the Defendants was, for them,

unique. However, I accept the Claimants' submission that the comparables provided by the Defendants for use of the POLISTAS unregistered trade mark in Canada for unknown purposes, for example, is unlikely to assist me in setting the inevitably higher appropriate rate for use of the Claimants' internationally renowned trade marks in connection with the most important polo tournament outside of Argentina.

116. Mr Lynn's calculation of damages at his suggested royalty rate of 6.25% of total net manufacturing cost leads him to suggest an appropriate damages figure of around £2,000. I am satisfied that such an extremely low figure is entirely disproportionate to the benefit that the Defendants have received from their unauthorised use, not only in profits on sales of goods, but also the less tangible benefits arising from being associated with the Veuve Clicquot luxury brand.
117. In my judgment, there is no axe in the world broad enough to calculate royalty as a percentage of profit share when neither the appropriate royalty rate nor the profits made are discernible from the evidence, so I must look for an alternative way to assess damages.
118. Mr Campbell submits that the court's alternative approach could be to take as a starting point the value of the goods supplied to the Claimants in return for the limited consents in 2007 to 2010. From that, he submits, the court can extrapolate what the parties as willing licensor and willing licensee would have been willing to agree as a fee for a licence covering the use to which the Marks and the Insignia were actually put.
119. It seems to me that this is a much more sensible approach. It deals with the reality of what the Claimants and Defendants have previously agreed when they were actually dealing together as a willing licensor and a willing licensee, which I am satisfied is the best evidence available to me in the absence of any comparables from the Claimants.
120. The Defendants plead that they have supplied the Claimants with £120,000-worth of products over 4 years. This appears to be based on the recommended retail prices of those products. Perhaps more appropriate, in my judgment, is

the figure to be found in Mr Lynn's calculations before the court, which is that the value of those goods at corporate prices is £78,454.00. After all, the First Defendant's initial offer to the Second Claimant was simply that it should buy the goods at those corporate prices. The Claimants were only given free and discounted goods in return for the unlimited consent to merchandise in 2007 and limited consents to merchandise in 2008 - 2010.

121. The Claimants limit themselves to damages equivalent to £20,000 per annum from 2010 to date, although Mr Campbell acknowledges that is putting the same value on an unlimited licence as was placed by the parties on the limited consents granted in 2008 – 2010, and so almost certainly an undervalue. Similarly, the Claimants limit themselves to damages of £5,000 for sales of infringing goods for forty-six weeks a year from 2008 – 2010, when the value to the parties of the consent to sell such goods for six weeks a year was four times that. So be it. I am satisfied, broad axe aloft, that an appropriate licence fee between these two parties as willing licensor and willing licensee certainly cannot be any less than those figures contended for.
122. Accordingly, I award the Claimants the £125,000 damages they seek, being six years at £20,000 per annum plus £5,000 for the pre-2010 infringements.
123. The Claimants are also entitled to an injunction to prevent further infringement and passing off. I will hear submissions on the terms of that injunction, and on consequential orders, at handing down.

Annex

The UK Mark



Intellectual Property Office

**Current case details for UK Trade Mark Number:
UK00002599538**

Printed On: 01 December 2016

Trade mark

Trade mark: VEUVE CLICQUOT

Status: Registered

Relevant dates

Filing date: 31 October 2011

Date of entry in register: 03 February 2012

Renewal date: 31 October 2021

List of goods

Class 33: Alcoholic beverages (except beers);
wines; sparkling wines; wines from the
French Appellation of Origin
"Champagne".

Name and Address details

Owner(s) name: MHCS

9, Avenue de Champagne, 51200
Epernay, France, France[View owner's other trade marks](#)

IPO representative name: Lysaght & Co.

P.O. Box 49, 39 La Motte Street,, St
Helier, Jersey, JE4 5NB

Publication details

First advert: Journal : 6915 Date of publication :
25 November 2011

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<https://www.ip.gov.uk/tmcase/Results/1/UK00002599538?printFriendlyView=True>

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The EU Mark



Intellectual Property Office

Current case details for EU Trade Mark Number: EU006490205

Printed On: 01 December 2016



Mark Description:	Rectangle in which appears the inscriptions VEUVE CLICQUOT, REIMS and FRANCE but also two orange squares as well as a hexagonal anchor into which initial " VCP " is inserted, in a specific font at the House Veuve Clicquot Ponsardin.
Colours Claimed/Indication:	Black and orange such as defined in the community registration number 000747949.
Status:	Registered

Relevant dates	
Filing date:	14 January 2008
Date of entry in register:	18 December 2008
Renewal date:	14 January 2018

List of goods and services	
Class 33:	Alcoholic beverages (except beers); wines; wine of French origin, namely

01/12/2016

Intellectual Property Office - By number results

Champagne or sparkling wine.

Class 35:

Advertising relating to wine, in particular champagne; dissemination of advertising matter relating to wine, in particular champagne; publication of publicity texts relating to wine, in particular champagne; public relations relating to wine, in particular champagne; arranging of promotional advertising events, award ceremonies, exhibitions and trade fairs, for commercial or advertising purposes, relating to wine, in particular champagne.

Class 41:

Organisation of promotional advertising events, award ceremonies, exhibitions and trade fairs, for cultural or entertainment purposes.

Name and Address details

Holder's name:

MHCS

9, avenue de Champagne, Epernay,
France, 51200

Representative:

Alexandra Carton

9, avenue de Champagne, Epernay,
France, 51200

Publication details

First advert:

Journal : 2008/031 Date of
publication : 04 August 2008

The information displayed is our version of the details supplied by EUIPO. For the official register of the case please refer to the EUIPO website ([Click here](#)).

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The Insignia



Veuve Clicquot

■ REIMS FRANCE ■



■ **Veuve Clicquot** ■
Gold Cup

■ **Veuve Clicquot** ■
Gold Cup

■ **Veuve Clicquot** ■
Gold Cup