

# EIP



## Confusion in the marketplace: “Woolley” licences and misrepresentation

Woolley v Ultimate Products Ltd[2012] EWCA Civ 1038 (26 July 2012)

Upholding a decision of the High Court, the Court of Appeal considered the effect of a licence, consumer confusion “the wrong way” and concurrent goodwill on passing off.

### **Background to the dispute**

Since 2004, Woolley and his company Timesource Ltd had used the registered Community Trade Mark (CTM) HENLEY for watches. In 2007, Ultimate Products Limited (UPL) took a licence from Henleys Clothing Limited (HCL) to import and sell watches under the mark HENLEYS. UPL also took a licence from Woolley permitting the sale of watches under the mark HENLEYS with safeguards to protect the HENLEY brand.

In 2009, UPL terminated the Woolley licence and Woolley sued for passing off and trademark infringement. The infringement claim was stayed pending the result of an application to invalidate Woolley’s CTM registration.

### **Decision at First Instance**

Woolley’s goodwill in relation to watches was clear and so the case hinged on misrepresentation and damage. The evidence for misrepresentation was inconclusive thus the Judge reached his own conclusions having reviewed all the facts. In this regard:

- The Woolley licence was set aside because it favoured neither party.
- The evidence of confusion favoured UPL and HCL. In particular, initial confusion

over the watches was shown to be resolved before any decisions were made to purchase the goods. Also, it was shown that mistaken enquiries stemmed from the belief that Woolley's HENLEY watches originated from HCL; the wrong way round for passing off.

- The Judge found that the marks were virtually indistinguishable, particularly on the watch dials. Both were "fashion" lines with some overlap in retail outlets.
- HCL's existing goodwill did not mean that purchases were due to association with this goodwill, particularly as it only extended to the youth market.

The Judge concluded that there was misrepresentation stemming from the use of the HENLEYS mark on watches, but not on other accessories. Claims for loss of royalties and erosion of goodwill were however rejected. A small loss of sales was found likely.

### **The Appeal Decision**

Dismissing the appeal, Lady Justice Arden found UPL and HCL unable to show that the Judge was clearly wrong on any of the key points and that his conclusions were reasonable. In particular.

- UPL and HCL argued that evidence of "reverse misrepresentation", mistaking HENLEY watches for HENLEYS watches, proved that no passing off was occurring. However, it was held that the Judge was not bound by the lack of evidence of "right way round" confusion and was entitled to form his own judgement.
- The issues raised by the Woolley licence were finely balanced and the Judge was reasonable to discount the licence.
- HCL's established concurrent goodwill did not extend to the mark HENLEYS alone or to watches.
- The Judge's conclusion that HENLEY and HENLEYS would be viewed as virtually identical by a substantial number of consumers was sound.
- Woolley's HENLEY mark enjoyed goodwill for watches, while HCL's reputation for clothing was limited to the youth market. The Judge was entitled to find misrepresentation the "right" way round more likely.
- The Judge was justified in giving more weight to the "real" evidence and his own experience given that there was little evidence regarding misrepresentation.
- The Judge was entitled to infer lost sales and there was no requirement for this loss to be substantial. The Judge's findings on the erosion of goodwill did not undermine his conclusion on loss of sales.

### **Commentary**

- Although evidence showing misrepresentation the “right” way can demonstrate passing off, the lack of such evidence is unlikely to be determinative for the defence.
- Market context can be given a substantial weighting when reviewing evidence.
- A strong goodwill and reputation of a mark in one field may not be sufficient to avoid passing off in relation to products in another field.
- Licences for use of a mark are likely to be scrutinised in detail. A licence for use of a similar brand should be treated carefully.
- Challenging the validity of a CTM will stay trademark infringement claims and can leave the right holder relying on more complex passing off rights in the interim.

By Simon Stanes and Anand Varu