

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)**

Royal Courts of Justice, Rolls Building
Fetter Lane, London, EC4A 1NL
26/11/2021

Before:

MASTER CLARK

Between:

OTHER CREATIVE LIMITED

Claimant

- and -

MOTHER FAMILY LIMITED

Defendant

**Benet Brandreth QC (instructed by Venner Shipley LLP) for the Claimant
Georgina Messenger ((instructed by Lewis Silkin LLP) for the Defendant
Hearing date: 17 November 2021**

HTML VERSION OF JUDGMENT

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Approved (Redacted) Judgment

Master Clark:

Application

1. This is the defendant's application dated 11 June 2021 to transfer this passing off claim to the Intellectual Property and Enterprise Court ("IPEC").

Parties and claim

2. The claimant, Other Creative Limited, claims to have traded since 1996 providing creative consultancy services in the UK (and abroad) by reference to the sign "Other"; and, as a result of those activities, to own substantial goodwill in the UK.
3. The defendant, Mother Family Limited, is the intermediate parent company for a group of companies which include Mother London Limited, which claims to have provided advertising and marketing services under the name Mother, also since about 1996.
4. On 18th October 2020, the defendant launched an independent creative agency under the name "Other" and an associated figurative sign. From that date it has offered and promoted its services under that name from a website <https://other.london> and from Twitter, LinkedIn and Instagram accounts.

5. The claimant alleges that that use gives rise to actionable misrepresentations that the defendant is, or is connected or associated with, the claimant; and that this has caused damage by way, among other things, of diversion of sales and swamping.
6. On the face of the Defence, the defendant puts the claimant to proof on virtually every allegation in the particulars of claim:
 - (1) whether the claimant is the operator of/responsible for the website other.co.uk and the various social media pages and accounts it relies on in the particulars of claim;
 - (2) the nature of the claimant's use of the word "Other";
 - (3) the nature of the business said to have been carried on under "Other";
 - (4) the length of time that business has been carried on;
 - (5) the existence and scope of goodwill associated with "Other".
7. The defendant also denies that it has made the misrepresentations alleged by the claimant, and denies that the claimant has suffered any loss or damage.
8. The defendant has served an extensive request for further information as to all aspects of the pleaded case, to which the claimant has replied. The defendant does not suggest the replies are inadequate. In addition, the Reply sets out 6 instances as examples of deception or likelihood of deception arising from the defendant's acts. However, the defendant's pleaded position remains that all issues are live.
9. The claim was issued on 8 March 2021. The defendant, without any admission of liability, has offered a contractual undertaking to re-brand so as to not use the sign OTHER by 12 November 2021; and in the course of the hearing this was fortified to an undertaking to the court. Provided that undertaking given is permanent, the claimant will no longer need to seek injunctive relief. The defendant in fact completed its re-brand on 8 November 2021.

Legal principles

10. CPR PD 30 para 9 provides:

"9.1 When deciding whether to order a transfer of proceedings to or from [the IPEC] the court will consider whether-

- (1) a party can only afford to bring or defend the claim in [the IPEC]; and
- (2) the claim is appropriate to be determined by [the IPEC] having regard in particular to-
 - (a) the value of the claim (including the value of an injunction);
 - (b) the complexity of the issues; and
 - (c) the estimated length of the trial.

9.2 Where the court orders proceedings to be transferred to or from [the IPEC] it may-

- (1) specify terms for such a transfer; and-
- (2) award reduced or no costs where it allows the claimant to withdraw the claim."

11. In *Kwikbolt v Airbus* [2019] EWHC 2450 (IPEC), HHJ Hacon made the following general observations as to the approach to be taken:

"4. ... First, I must take into account the complexity of the issues and the estimated length of trial. As these two issues are related, it will usually be the case that if a trial can be heard in two or at the most three days it will be of a complexity that makes it suitable for hearing in IPEC.

5. ... In assessing the time that the trial is likely to take, the court must take into account the extent to which the proceedings can fairly be case-managed to focus the issues between the parties, which will include preventing a proliferation of issues which are marginal at best and may even have been raised to improve the chances of having the case transferred out of IPEC or to resist it being transferred into IPEC.

6. Secondly, if the proceedings are of a nature such that they can be heard fairly within two or three days, possibly following some focussing of the issues, by far the most important factor is to ensure that parties with limited financial means are afforded access to justice. ...Where access to justice is likely to be possible only if the proceedings are in IPEC, that is a very powerful factor in favour of having the case heard in IPEC.

7. Thirdly, the value of the claim should not be confused with the cap on damages which applies in the IPEC. To take an example, it is possible that an injunction would cut the defendant's market share and increase the claimant's share such that the value of the injunction is well in excess of £500,000. However, it does not follow that the high value of a claim by itself means that it cannot be heard in IPEC. It would make no sense at all if an impecunious claimant could never seek to enforce his right in IPEC solely because the claimant can show that the injunction could have a large financial impact. Access to justice always remains important.

8. That said, the value of the claim, including the likely financial impact of the injunction, is of course relevant, and sometimes will be a matter of significance. Generally, that will be the case because a defendant who is facing the possibility of an injunction which could have high financial consequences will have a proportionately greater entitlement to ensure that all these reasonable arguments in their defence are taken.....

9. Fourthly, the approach to the litigation taken by the parties seeking to have the case heard in IPEC is relevant. As Judge Birss said in *Comic Enterprises*, the claimant that pleads and otherwise approaches a case in a manner more appropriate for a case in a list outside IPEC: that case is liable to be transferred out of IPEC."

Issues in the application

12. In this claim, it is common ground that both parties can afford to litigate in the High Court. Indeed, the defendant is the financially stronger party. The primary issues in the application were therefore:

(1) the value of the claim;

(2) the complexity of the claim and the likely length of the trial.

Value of the claim

Claimant's evidence

13. Since, in the usual way in IP claims, there will be separate trials of liability and quantum, the particulars of claim do not seek to quantify the value of the claim. As noted in the IPEC Guide at para 3.2:

"the value of the claim, though relevant, is generally not a major factor in the evaluation of whether a case is suitable for the IPEC. This is in part because it is often difficult to give an accurate estimate of the overall value."

14. The claimant relied upon the witness statement dated 10 November 2021 of its solicitor, David Pountney, to which is exhibited a draft witness statement of Jonathan Dobinson, the founder and managing director of the claimant. That draft statement derives from a previous statement made in EU trade mark opposition proceedings to which the defendant was a party.

15. This evidence can be summarised as follows. The claimant's turnover in the previous 6 years (ending September) has been:
- 2014-15: £3,658,420
- 2015-16: £2,522,790
- 2016-17: £1,572,647
- 2017-18: £1,125,314
- 2018-19: £1,307,200
- 2019-20: £980,489
- 2020-21: £1,050,000 (estimated)
16. Mr Dobinson's evidence is that the average value to the claimant of a new client's instruction is £[REDACTED]. This figure is, he says, the average value per client over a 5 year period. Before the defendant launched its agency, he says, the claimant won 6 new clients on average in a 10 month period. This equates to 7.2 (or 7 to 8) clients in a 12 month period, or £[REDACTED] in revenue.
17. His evidence is that in the 10 months from October 2020 to June 2021, the claimant has had one new business win, via a personal referral where no confusion could occur. He discusses whether the impact of Covid-19 could have had a significant effect on new business. His evidence is that in the critical period when lockdowns and restrictions made their biggest impact (March - October 2020), there was no impact on any measure of performance. All the impact is seen in the period following the launch of the defendant's agency. Since that launch, the claimant has seen no new clients via online contact, which was the previous most common path.
18. Mr Dobinson also provides a specific example of a high value contract, which he says the claimant lost as a result of the marketing consultant of a potential client contacting the defendant's agency in the mistaken belief that it was the claimant. The potential client, Cignposts, is a Covid test provider. Mr Dobinson's evidence is that in June 2021, it was intending "to run a major consumer facing campaign over the Summer aimed at those intending to go on holiday this year" and that its marketing consultant had "a (very) short list of agencies" to help with it. The budget for phase 1 of the contract was set at £2m, with further similarly substantial investments planned thereafter. Mr Dobinson's evidence is that the claimant would typically receive 30% of this, so that its loss on the first phase of this one project alone would be over £650,000 (in fact, 30% of £2m is £600,00).
19. In addition, Mr Pountney sets out (at para 18) that the claimant will need to spend money and resources in repairing the damage done by the defendant. He estimates that paying a professional to correct the brand position in the marketplace "could easily be in the region of hundreds of thousands of pounds". In the absence of more details, this evidence is, in my judgment, of little weight as to the likely amount needed to be spent.
20. Mr Pountney concludes that the defendant's overall losses are likely stand at over £[REDACTED], namely £[REDACTED] plus £650,000 plus the costs of the corrective work referred to above.

Defendant's criticisms of the claimant's evidence

21. The defendant makes a number of criticisms of this evidence.
22. As to the test I should apply, its counsel submitted that I should simply determine on the balance of probabilities, applied to the evidence before the court, whether the claimant has shown that the damages recoverable by it are likely to exceed the IPEC cap.
23. I do not accept that that is the appropriate approach to determining the likely value of the claim, for two reasons. First, it is likely to lead to a disproportionate mini-trial of that issue, which indeed the hearing of this application did to a degree become. Secondly, it would lead to the court resolving contested issues of fact on the written evidence, and where there has been no disclosure or cross examination. In

my judgment, the appropriate test is whether the claimant has a reasonable prospect of showing that its damages will exceed £500,000, to which the test for summary judgment (and the principles set out in *Easyair*) would apply.

24. In any event, the defendant's counsel submitted that there was no evidential basis for the claimant's position as to the level of its damages, and that it was clear that its damages would be less. In addition, although that is its primary case, the defendant's position was that if I were to order a transfer to the IPEC conditional upon its waiving the damages cap, it would do so.
25. First, the defendant's counsel submitted that since Mr Dobinson's witness statement is unsigned, undated and lacks its exhibits, it is "mere hearsay". It is, however, confirmed by Mr Pountney as being the evidence that Mr Dobinson will give, and in its key respects, Mr Pountney expressly sets out what he has been told by Mr Dobinson. In an interim application of this type, this is unexceptionable. Furthermore, the defendant did not challenge Mr Pountney's assertion that the substance of the evidence has already been provided to them in verified form in the EU trade mark proceedings.
26. As to specific criticisms of the evidence, these were framed within the summary in Wadlow on the Law of Passing-Off^[1] by reference to the Judgment in *Spalding v Gamage (damages)*^[2] as follows:

"The decision of the House of Lords in the present case determines that the defendants have infringed a right of property in the plaintiffs' business or goodwill, which was likely to be injured by the misrepresentation; and the defendants are liable, in my opinion, for all the loss **actually sustained by the plaintiffs, which is the natural and direct consequence of the unlawful acts of the defendants.** This will include any loss of trade actually suffered by the plaintiffs, either directly from the acts complained of, or properly attributable to the injury to the plaintiffs' reputation, business, goodwill and trade and business connection caused by the acts complained of; in other words, such damages as flow directly and in the usual course of things, from the wrongful acts, and **excluding any speculative and unproven damages.**"

(emphasis added)

27. The defendant's first criticism is that the claimant is not entitled to recover lost gross income, only lost profit. This principle was accepted by the claimant, but its counsel submitted that the figure of £[REDACTED] represented profit, not revenue. However, it is clear from both Mr Pountney's statement (at para 14) and Mr Dobinson's statement (at para 27) that this cannot be the case. If the claimant's counsel's submission were correct, I would have expected to see corrective evidence on this issue, explaining how the apparent error came to be made. No such evidence has been filed.
28. Secondly, the defendant's counsel submitted that the anticipated profit margin on that revenue of £[REDACTED] would be less than £500,000. The defendant's evidence includes a statement dated 12 November 2021 by Paulo Salomao, a senior employee of the defendant, and the person responsible for the defendant's agency. He sets out the result of research by The Institute of Practitioners in Advertising (the trade body incorporated by Royal Charter for agencies and individuals working in the UK's advertising media and marketing communications industry). This states, he says, that the average profit margin for member agencies is 9.5%, with smaller agencies having a higher average profit margin (13.9%) than larger agencies (8.3%). He does not exhibit a copy of the relevant document because he says it is confidential to members of the IPA.
29. Mr Salomao also sets out other published figures as to profit margin of agencies in the marketing and advertising industry. The most favourable to the claimant is the 13.9% referred to above. On this basis, he concludes, the claimant's operating profit on a revenue of £[REDACTED] would be around £[REDACTED].
30. In response, the claimant's counsel submitted that the IPA figures were prepared by reference to large advertising agencies, as against small creative agencies. He relied upon a document published by the Wow Company, which describes itself as an accountancy practice that specialises in working with agencies. This sets out the average gross profit margin of agencies as 44% (although I note that 13% achieve 61-80% gross profit) and exhorts its readers to aim for a gross profit of 50% or above.
31. On this evidence, I cannot conclude that the claimant has no reasonable prospect of showing that its profit margin would have been in the region of 44%, or possibly greater.

32. Thirdly, as to the Cignposts contract, the defendant's counsel submitted that the loss of this contract was entirely speculative, and not a recoverable loss. She relied on the fact that the claimant's evidence does not say that Cignposts awarded the contract to another party, as suggesting it may not have done so. In response, the claimant's counsel told me on instructions that the contract had gone ahead (and with a higher value than stated in the claimant's evidence), but there was no admissible evidence as to this before me. However, I am not conducting an inquiry as to damages. It would not be right to assume that the claimant will not be able to show at any enquiry as to damages that the Cignposts contract went ahead, and the overall value of that contract. In addition, the claimant relies on the Cignposts contract as an example of the type and value of contracts which its business comprises.
33. Similarly, the defendant submitted that even if the claimant could establish that, in the absence of the defendant's use of the name in the market, Cignposts would have awarded the claimant the contract, then it would only be entitled to damages equivalent to its percentage chance of successfully securing that contract applied to the profit it would have obtained as a result. Since Cignposts indicated that there was a shortlist of contenders that it had intended to approach, she submitted that on its best case the claimant's chance of success would have been 50% (assuming only one other company pitching), which reduced its loss in turnover to £300,000. Again, the claimant's counsel accepted that the correct measure of damages should reflect the loss of a chance, but submitted that this did not affect the claimant's position that the Cignposts contract was illustrative of the claimant's business.
34. If the claimant were able to show that the defendant's use of the name "other" caused it to lose the Cignposts contract, then on this basis, and discounting the value of the contract by 50%, that reduces the approximate loss of turnover to £[REDACTED]. 44% of £[REDACTED] is £[REDACTED]; 50% of £[REDACTED] is £[REDACTED].
35. I accept the claimant's counsel's submission that the Cignposts contract provides an example of the sort of contract which the claimant might reasonably expect to secure, and therefore the level of loss it is likely to have sustained. In addition, I accept that the claimant's costs of restoring the position of its brand are in principle recoverable, though these costs remain unquantified.
36. Fourthly, the defendant's counsel relied upon the evidence of Mr Salamao, that in the period October 2020 to November 2021, the defendant's agency only secured four paid projects (two of which were short-term), and that these were from clients who were already known to the defendant, and had been referred to the agency by the defendant itself. These sales were therefore secured, she submitted, as a result of the defendant's existing reputation and business contacts, rather than as a result of it using the sign OTHER. Consequently, she said, insofar as those sales would otherwise have gone to the claimant, the fact that they did was as a result of legitimate competition. Therefore, she said, they are not losses flowing from the alleged wrongdoing, and the claimant is not entitled to claim damages on them.
37. As to this, this evidence is unsupported by disclosure, and untested by cross-examination. In addition, the damage caused by passing off may well be wider than shown by a comparison of this type. First, the defendant's evidence only encompasses contracts actually secured by the defendant during the period. It does not take into account business that might be gained after that period as a result of use of the name within the period. Secondly, the defendant's agency is a new business, so opportunities resulting from prospective clients believing it to be the claimant or connected with the claimant may not have resulted in contracts, because of its lack of a track record. Thirdly, a contract may be lost by the claimant, where the defendant's use of the name confuses a prospective client, even though the defendant itself does not secure the contract. These are all matters for the quantum hearing.
38. Finally, the defendant's counsel submitted that any reduction in the claimant's turnover in the year 2020-2021 was far more likely to be the result of the Covid pandemic than the defendant's activities. She pointed to the fact that the claimant's turnover declined by £327,000 between 2018-19 and 2019-2020. That fact is insufficient, in my judgment, to justify that conclusion. The claimant's evidence is that its contracts are high value (with an average of £[REDACTED]) so variations in turnover are likely to be in order of tens or hundreds of thousands of pounds. Furthermore, Mr Dobinson's evidence (set out above) is that the loss of business began when the defendant began using the name.
39. For these reasons, I am not satisfied that there is no credible evidence to support the value of the claim being greater than £500,000. If I am wrong about that, the value of the claim is at the higher end of the £500,000 cap, and is not such as to make the IPEC a plainly more appropriate court by reason of value.

Complexity of the case and length of trial

40. As both sides accepted, these factors are closely linked.
41. The defendant's position is that this claim is a straightforward passing off claim which could easily be accommodated within a 2 day trial, and that it could be case-managed within the IPEC to fit within the 2 days.
42. This would be a more attractive submission if the defendant had made any concessions as to the issues in the claim. As noted, it contests all the elements of the claim. Its approach to the litigation is, in my judgment, more appropriate for a case in a list outside the IPEC. The defendant has not had regard to the guidance at para 3.2 of the IPEC Guide:

"A litigant with a complex claim or complex defence and/or counterclaim, as the case may be, who wishes the case to be heard in the IPEC, should give strong consideration to pruning their case down to the essentials."

43. The defendant's approach has a number of evidential consequences. The first concerns disclosure. The disclosure pilot (CPR 51U) does not apply in the IPEC^[3]. CPR 31 applies, with the exclusion of standard disclosure^[4]. As noted in the 2021 White Book, at 2F-17.17.1:

"Disclosure in the IPEC is often significantly limited by comparison to that typically ordered in intellectual property cases in the Chancery Division. In particular, the starting assumption is that no disclosure will be ordered unless the parties make out a case, centred on a cost-benefit analysis Disclosure may often be limited to specific categories and/or types of document, though each case will be decided on its own facts."

44. Although the defendant's skeleton argument does not accept that disclosure would be required, its draft directions order for the IPEC realistically includes provision for disclosure in relation to the 3 main issues in the claim: goodwill, likelihood of deception and causation of damage. The defendant's budgeted costs for disclosure total £50,150 comprising 120 hours of solicitor time, 40 hours of junior counsel time and £5000 for a "basic document review platform". On the basis that the court will need to consider these documents, and hear cross examination and submissions in respect of them, the 2 day time estimate for the trial already seems over-optimistic.
45. The second consequence of the defence to the claim is the need for oral evidence and cross examination. As to this, the defendant's counsel referred to and relied upon the court's power to control witness evidence found in CPR 32.1, 32.3 and para 3.1 of PD57AC.
46. The claimant's evidence^[5] is that it has up to 20 witnesses. This is plainly disproportionate even in the High Court. Its counsel's skeleton argument realistically puts forward far fewer witnesses: 1 as to goodwill (presumably Mr Dobinson) and 4 as to misrepresentation and/or causation of damage.
47. *Warren v Lidl* [2021] EWHC 1097 (Ch) was the trial of a passing off claim in the Shorter Trials Scheme. The claimant was a high-end family butcher trading in Launceston, Cornwall under the name "PHILIP WARREN" and "PHILIP WARREN & SONS". The defendant was the well-known supermarket chain, Lidl, who sold a range of fresh meat products under the label "WARREN & SONS". The primary issues were the extent and nature of the claimant's goodwill, and whether and to what extent the defendant's use of its label made a misrepresentation as to a relevant trade connection.
48. There were no direct reports of confusion by the claimant's customers in the Launceston shops, or evidence from any confused customers. There were only second-hand (and sometimes third hand) reports of confusion on the part of such people. Thus, neither the claimant's staff (who were said to have received reports of confusion) or the customers themselves were put forward as witnesses. As to this, the judge said at [74]:

"I accept [the defendant]'s submission that it is necessary to treat this kind evidence about reports of confusion with caution, given the significance of the difference in a passing off case between the public assuming a connection between traders and merely enquiring whether there was one. It is not possible to assume that these reports of alleged confusion were ones where the person in question had been confused as opposed to making an enquiry."

49. At [79] he continued:

"I have considered whether ... the respective marks are so similar that it is right for the court to assume that confusion would be likely to occur to a significant extent and (in effect) challenge [the defendant] to show that it was not significant. In my judgment it would not be in this case. Sometimes a very clear inherent likelihood of confusion of marks means that the court can treat minimal evidence as confirmatory of that. However, this is a case in which, in my view, evidence is needed to inform the court's view as to whether there is likely to be confusion ..."

50. Similarly, in relation to emails sent to the claimant put forward by it as evidencing confusion, the judge said at [86]:

"the authors of the e-mails, save in the respects identified below which cast a different light on what was said, did not give evidence and it was therefore not possible to test the extent to which there was confusion in their minds, how it arose and how long lasting it was."

51. Finally, I note that in *Philip Warren* there were 4 witnesses of alleged confusion, of which 3 gave oral evidence.

52. *Philip Warren* provides an illustration of how, in a claim where likelihood of deception is an issue, oral evidence by those said to have been confused may be necessary. In this claim, although not expressly pleaded, the defendant's position (as put forward at the hearing) is that the effect of the defendant's use of the mark did not go beyond bringing the claimant to mind, and did not result in actual confusion. The claimant will, in my judgment, be unfairly disadvantaged if it is not able to call its witnesses of confusion. I therefore reject the defendant's counsel's submission that third party evidence of confusion will not be necessary.

53. Having accepted that a fair trial requires providing the claimant with the opportunity to call third party witnesses on the issue of confusion, and whether that resulted in damage to it, the inevitable consequence in my judgment is that this claim will require a 3-4 day hearing. This renders it inappropriate for the IPEC. The claimant is also applying for permission to adduce expert evidence, which if successful, will further increase the duration of the trial.

Conclusions

54. To summarise, the following factors, in my judgment, lead to the conclusion that this claim should not be transferred to the IPEC:

(1) Neither side would be denied access to justice if the claim were not transferred – they can both afford to litigate in the High Court;

(2) The claimant has chosen to bring its claim in the High Court, and that choice should be accorded some weight;

(3) The defendant has conducted its defence in a way appropriate for the High Court, and has not sought to prune its case down to the essentials;

(4) The effect of this is that the case has a level of legal and factual complexity that make it inappropriate for the IPEC;

(5) The claimant has a reasonable prospect of showing that the value of its claim approaches or exceeds the IPEC cap on damages of £500,000;

(6) That value is sufficiently high that it would be unfair on the claimant for its claim to be resolved using the modified procedure in the IPEC in the absence of any countervailing factors;

(7) The fair resolution of the claim will require search based disclosure, which is only unusually ordered in the IPEC, and which is likely to result in a significant increase in the

duration of the trial;

(8) The fair resolution of the claim will also require permitting the claimant to call third party witnesses as to likelihood of confusion, and this will extend the trial duration beyond that suitable for the IPEC.

55. For these reasons, therefore I dismiss the application. There was some discussion at the hearing as to whether the claim should be transferred into the Shorter Trials List. This is floated as a possibility in the claimant's counsel's skeleton argument, but there is no formal application before me. I will hear counsel briefly as to this when judgment is handed down.

Note 1 6th edn, para 10-52 [\[Back\]](#)

Note 2 (1918) 32 R.P.C. 101 CA [\[Back\]](#)

Note 3 See para 4.6 of the IPEC Guide - although "known adverse documents" within the meaning of PD51U must be disclosed. [\[Back\]](#)

Note 4 CPR 63.24 [\[Back\]](#)

Note 5 Pountney 2nd, para 26 [\[Back\]](#)