



Neutral Citation Number: [2021] EWHC 90 (Ch)

Case No: IL-2020-000084

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**  
**INTELLECTUAL PROPERTY LIST**

Royal Courts of Justice, Rolls Building  
Fetter Lane, London, EC4A 1NL

Date: 20/01/2021

**Before :**

**MR JUSTICE MILES**

-----  
**Between :**

**LYLE & SCOTT LIMITED**

**Claimant**

**- and -**

**AMERICAN EAGLE OUTFITTERS, INC**

**Defendant**

-----  
-----  
**Amanda Michaels** (instructed by **Freeths LLP**) for the **Claimant**  
**Michael Bloch QC and Daniel Burgess** (instructed by **Dentons UK and Middle East**) for the  
**Defendant**

Hearing date: 13 January 2021  
-----

**JUDGMENT**

**Covid-19 Protocol:** This judgment was handed down by the judge remotely by circulation to the parties' representatives by email and release to Bailii. The date and time for hand-down is deemed to be 10:30 on 20 January 2021.

**Mr Justice Miles :**

**Introduction**

1. This is an application by America Eagle Outfitters, Inc (“AE”) to set aside an order of Master Clark dated 14 August 2020 by which Lyle & Scott (“L&S”) was permitted to serve the claim on AE out of the jurisdiction in Pennsylvania, USA.
2. AE and L&S are both clothing brands. L&S is incorporated in England. It is a long-standing high-end fashion brand. It is the successor to a knitwear business originally set up in Scotland in 1874 and is now a general fashion manufacturer. It historically made golf clothes but some years ago diversified into general clothing so that by 2019 polo shirts and T-shirts accounted for about 50% of its sales by volume. It sells predominantly through third party retailers, including John Lewis, Selfridges and others. L&S also sells through online retail portals such as ASOS and Zalando. These are websites which offer numerous clothing brands.
3. Since at least 1968 L&S’s goods have been branded with a device of a flying eagle facing to the left with uplifted wings and outstretched talons. The eagle device has been used on more than 80% of L&S’s goods since 2007 and is currently used on 99% of its goods. The current form of the eagle device has been in use since 2002. There is no dispute that the eagle device is well known in the UK and that L&S has substantial goodwill in the UK where the device is used on its clothing and fashion accessories. The device has been registered as a trade mark in many jurisdictions including the UK. It is used in various colours. A monochrome version is shown at [6] below.
4. AE is incorporated in Delaware. Its principal place of business is in Pittsburgh, Pennsylvania. It was founded in 1977. It is a clothing manufacturer and retailer. It has some 969 bricks and mortar shops in the USA and elsewhere and has its own website. It does currently not have any physical stores or corporate presence in the UK. Its goods tend to be more modestly priced than L&S’s and are mainly aimed at young adults.
5. AE also uses a flying eagle device embroidered or applied to some of its clothing. Its eagle device also faces to the left with spread wings and talons outstretched.
6. There are some differences between the devices: AE’s eagle’s tail points downwards rather than to the right and the talons are facing forward rather than backward. But overall the two devices are closely similar as can be seen here:

*AE’s eagle*



*L & S’s Eagle*



7. AE has used an eagle device since 1982 and the current design was created in 2003. It started selling its products using its eagle device in the UK from around November 2014: first in branded AE stores (from November 2014 to July 2017) and second on a UK facing website AEO.UK from August 2015 to June 2017. Currently its goods are available here from its AEO.EU website and on third party websites such as ASOS and Zalando.
8. In 2005 L&S became aware of AE's sale in the UK and EU of goods bearing the AE eagle device. L&S contended that AE had infringed its registered trade marks in the UK and EU and that the use by AE of the eagle device could confuse customers. After some without prejudice correspondence, the parties' representatives met in London on 9 January 2006. At the conclusion of the meeting they drew up an agreed hand written document ("the memorandum").
9. The memorandum recorded that AE was to pay US\$1 million to L&S and, in a series of bullet points, stated (so far as material):
  - "AE to use its current eagle on American Eagle Branded merchandise, products must also bear American Eagle or American Eagle Outfitters on the label;
  - AE to sell products in AE stores, stores within stores or AE website;
  - LS to use its eagle designs on Lyle & Scott branded merchandise, products must also bear Lyle & Scott on the label;
  - perpetual and worldwide pertaining to goods of LS registrations;
  - [...]
  - Each party shall consent for registration of the other's eagle and AE shall withdraw its opposition against LS application in the US."
10. After the meeting the parties exchanged various draft long form agreements, but the negotiations broke down without an agreed text.
11. In May 2006 AE commenced proceedings against L&S in the Courts of the Western District of Pennsylvania ("WDP") seeking a declaration that the memorandum constituted a valid and binding agreement, specific performance of the clause of the agreement concerning registration of the logos as trademarks and a declaration that AE's use of its eagle logo would not infringe the US trademarks of L&S. In 2007 L&S filed its answer to the claim and made trademark-related counterclaims. In November 2008, the Pennsylvania District Court granted AE's application for summary judgment, finding that the memorandum was a valid and binding agreement and that its terms were unambiguous. It entered judgment for AE.
12. On L&S's appeal the United States Court of Appeals for the 3rd Circuit upheld the decision of the judge that the memorandum contained a valid and binding agreement but concluded that two of the terms of the agreement were not unambiguous such that

(in accordance with Pennsylvania procedure) their meaning should be determined by a jury. The jury gave its view as to the proper construction of the relevant clauses of the agreement. Its conclusion (so far as material) was that the relevant clauses were of worldwide scope. The US courts did not however rule on the meaning or effect of the bullet point saying, “AE to sell products in AE stores, stores within stores or AE website” (which I shall call “the 2nd bullet”).

13. In the US proceedings there was no dispute that the governing law of the memorandum (if it was a contract at all) was the law of the state of Pennsylvania. L&S accepts for the purposes of the present proceedings that there is an issue estoppel on that point. L&S also accepts (and indeed asserts) that the memorandum constitutes a written contract. Neither party sought to argue on the present application that the memorandum was only a record of an oral agreement; instead both said that the contract was in writing.
14. The current claim was issued on 4 August 2020. In the particulars of claim L&S alleges that it discovered in mid May 2020 that AE was selling its clothing on the UK websites of ASOS and Zalando (“the third party websites”). This is alleged by L&S to give rise to two causes of action: breach of contract on the basis that the third party websites are not “AE stores, stores within stores or AE website” within the 2nd bullet of the memorandum; and passing off by selling goods bearing the AE eagle in the UK via the third party websites.
15. L&S claims a declaration that AE has breached the 2nd bullet, damages for breach of contract and passing off, and an injunction restraining AE from selling its goods in the UK through third party websites or stores. The breach of contract alleged is restricted to sales through the third party websites in the UK. Similarly the passing off claim is restricted to sales within the UK.
16. The claim form was issued in the Intellectual Property List of the Chancery Division under the provisions of the Shorter Trials Scheme. AE contends that the claim is not suitable for the scheme and, if unsuccessful in its application, will apply to transfer it out of the scheme.
17. On 13 August 2020 L&S applied without notice to serve the claim form on AE out of jurisdiction in Pennsylvania. That application was granted by Master Clark by order dated 14 August 2020. The order identified four jurisdictional gateways: (i) a claim is made for an injunction ordering AE to do or refrain from doing an act within the jurisdiction; (ii) a claim is made in respect of the contract where the contract was made within the jurisdiction; (iii) a claim is made in respect of a breach of contract committed within the jurisdiction; and (iv) a claim is made in tort, namely passing off, where damage was sustained, or will be sustained within the jurisdiction, or damage which has been or will be sustained, results from an act committed, or likely to be committed within, the jurisdiction.
18. The proceedings were served on AE in the USA in accordance with local law on 28 August 2020. On 18 September 2020 AE filed its acknowledgement of service indicating that it intended to dispute the jurisdiction of the court.

19. On 1 October 2020 AE issued its own proceedings in the courts of WDP seeking (inter alia) a declaration that it was entitled to sell its goods through third party websites.
20. On 2 October 2020 AE filed this application, disputing the jurisdiction of this court and seeking to set aside Master Clark's order.

### **Relevant principles**

21. There was little dispute before me about the relevant principles.
22. Where an application is made to set aside an order of service out of the jurisdiction the application is in effect a rehearing of an application for permission with the onus lying on the party who needed permission in the first place. The fact that permission was granted to L&S in the first place is largely irrelevant at this point.
23. A party seeking permission must satisfy the requirements of CPR 6.37. The principles applicable to the grant of permission were summarised by Lord Collins in *Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd* [2011] UKPC 7 at [71]. The claimant has to satisfy the court that:
  - (a) there is a serious issue to be tried on the merits. This is the same as a test for (reverse) summary judgment;
  - (b) there is a good arguable case that the claim falls with one of the jurisdictional gateways; and
  - (c) in all the circumstances of the case England and Wales is clearly or distinctly the appropriate forum for the trial of the dispute, and that in all the circumstances the court ought to exercise its discretion to permit service of the proceedings out of the jurisdiction.
24. The merits standard under the first limb is whether there is a real (as opposed to fanciful) prospect of success. This is a fairly low threshold: the question is whether the case has sufficient reality to proceed and a court will not be drawn into a mini-trial. On the other hand the case must carry some conviction and be better than merely arguable.
25. The second limb calls for no further comment on the facts of the present case as the gateways are not in issue.
26. As to the third requirement, in *Shenzhen Senior Technology Material Co Ltd v Celgard LLC* [2020] EWCA Civ 1293 Arnold LJ said this:

“70. The court will not give permission to serve the claim out of the jurisdiction “unless satisfied that England and Wales is the proper place in which to bring the claim”: see CPR rule 6.37(3). This means that Celgard must satisfy the court that in all the circumstances England “is clearly or distinctly the appropriate forum for the trial of the dispute, and that in all the circumstances the court ought to exercise its discretion to permit service of the proceedings out of the jurisdiction”: see

*Altimo Holdings and Investment Ltd v Kyrgyz Mobil Tel Ltd* [2011] UKPC 7, [2012] 1 WLR 1804 at [71] (Lord Collins of Mapesbury).

71. The “dispute” for this purpose is not restricted to an analysis of the claim and the relief sought by the claimant: one must have regard to the totality of the dispute, including where necessary the defendant’s answer to the claim: see *Huawei Technologies Co Ltd v Conversant Wireless Licensing SARL* [2019] EWCA Civ 38, [2020] RPC 6 at [32]-[35] (Floyd LJ) and *Unwired Planet International Ltd v Huawei Technologies Co Ltd* [2020] UKSC 37 at [94] (Supreme Court).

72. The factors involved in identifying the proper forum were conveniently summarised by Lord Briggs of Westbourne in *Lungowe v Vedanta Resources plc* [2019] UKSC 20, [2019] 2 WLR 1051 at [66]:

“The best known fleshed-out description of the concept is to be found in Lord Goff of Chieveley’s famous speech in the *Spiliada* case [1987] AC 460, 475–484, summarised much more recently by Lord Collins JSC in the *Altimo* case [2012] 1 WLR 1804, para 88 as follows: ‘the task of the court is to identify the forum in which the case can be suitably tried for the interests of all the parties and for the ends of justice ...’ That concept generally requires a summary examination of connecting factors between the case and one or more jurisdictions in which it could be litigated. Those include matters of practical convenience such as accessibility to courts for parties and witnesses and the availability of a common language so as to minimise the expense and potential for distortion involved in translation of evidence. Although they are important, they are not necessarily conclusive. Connecting factors also include matters such as the system of law which will be applied to decide the issues, the place where the wrongful act or omission occurred and the place where the harm occurred.”

27. The governing law of the claim may be of some significance. In *VTB Capital plc v Nutritek International Corp* [2013] UKSC 5 at [46], Lord Mance said:

"The governing law, which is here English, is in general terms, a positive factor in favour of trial in England, because it is generally preferable, other things being equal, that a case should be tried in the country whose law applies. However, that factor is of particular force if issues of law are likely to be important and if there is evidence of relevant differences in the

legal principles or rules applicable to such issues in the two countries in contention as the appropriate forum...”.

28. *VTB* at [14] to [15] also shows that where jurisdiction is founded on a tort committed within the jurisdiction, this is likely a weighty factor pointing to the jurisdiction being the appropriate one (though it must be weighed against the other circumstances).
29. As to the substantive law of passing off, the parties were agreed that the basic principles may be taken from the speech of Lord Oliver in *Reckitt & Colman (Products) Ltd v Borden Inc* [1990] 1 WLR 491 at 499 (“the *Jif* case”) as follows:

“The law of passing off can be summarised in one short general proposition – no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying ‘get-up’ (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff’s goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods and services of the plaintiff. Whether the public is aware of the plaintiff’s identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely upon a particular brand name in purchasing goods of a particular description, it matters not at all that there is a little or no public awareness of the identity of the proprietor of the brand name. Thirdly, he must demonstrate that he suffers, or, in a *quia timet* action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the plaintiff.”

30. In *Glaxo Wellcome UK Limited v Sandoz Limited* [2019] EWHC 2545 (Ch) Arnold LJ (sitting as a trial judge) gave a helpful survey of the law of passing off. I summarise the salient points as follows. First, the starting point is the *Jif* case. Second, the date for assessing the three elements identified in *Jif* is the date when the defendant commences the act complained of. Third, there is no tort of copying, or of taking another’s customers or its market, or of competing. Fourth, the claimant must show some deception of the ultimate consumer. It is not enough if members of the public are merely caused to wonder. In order for there to be passing off a substantial number of members of the public must be misled. But it is not enough that careless or indifferent people may be led into error. Fifth, in assessing this question the judge

must consider the evidence adduced and use his own common sense and his own opinion as to the likelihood of deception. It is an overall jury assessment. The assessment of the likelihood of deception depends on all the evidence. Sixth, it is not fatal to a claim for passing off that there is no evidence of actual confusion, but where the rival goods have been sold side by side for a long period the absence of such evidence is very material unless satisfactorily explained. Seventh, the most common form of passing off involves a misrepresentation as to trade origin. Such a misrepresentation is normally made by the adoption of features of a name, mark or get-up which are distinctive of the claimant in the sense of indicating an exclusive trade origin. This form of misrepresentation does not require proof that the defendant's goods will actually be mistaken for the claimant's goods. It suffices if some customers think that the claimant is in some way responsible for the defendant's goods, or that they share a common (unknown) manufacturer. Eighth, it is not a necessary element of passing off that the misrepresentation was deliberate. That said, it is also clearly established that the intentions of the defendant may have evidential relevance.

31. In *Phones4U Ltd v Phone4u.co.uk Internet Ltd* [2006] EWCA Civ 244 at [11] Jacob LJ said that in the *Jif* case Lord Oliver did not limit damage to direct diversion of sales caused by goodwill. If that were so, passing off would fail in one of its key purposes – viz protection of the property in the goodwill. At [14] he cited the judgment of Slade LJ in *Chelsea Man v Chelsea Girl* [1987] RPC 189 at 202 setting out the kinds of recoverable damage as including (a) by diverting trade from the plaintiffs to the defendants; (b) by injuring the trade reputation of the plaintiffs whose men's clothing is admittedly superior in quality to that of the defendants; and (c) by the injury which is inherently likely to be suffered by any business when on frequent occasions it is confused by customers or potential customers with a business owned by another proprietor or is wrongly connected with that business.

### **Issues arising on the current application**

32. AE accepts that L&S is able to satisfy at least two of the relevant jurisdictional gateways: that an agreement was made within the jurisdiction, and that, in respect of the passing off claim, it is sufficiently arguable that any damage has been or will be sustained in the jurisdiction. I can also see no reason why the other two gateways relied upon and set out in the order of Master Clark are not satisfied.
33. AE contends, however, that L&S cannot establish the remaining two criteria. It says (i) that L&S has not shown a real prospect of success in respect of the passing off claim, and (ii) that L&S has not established that England and Wales is clearly or distinctly the proper forum.
34. It is logical to start with the first of these issues as the scope of the dispute has to be determined before the proper forum can be assessed.

### **Does the passing off claim have a real prospect of success?**

35. The first of the ingredients of the tort identified by Lord Oliver in the *Jif* case is not in issue on the present application. AE accepts that L&S has established goodwill in respect of clothing bearing the L&S's eagle device.



36. AE contends, however, that L&S cannot establish (to the summary judgment standard) either misrepresentation or damage.
37. Before turning to the substance of the arguments, I should note that L&S objected to the evidence served by AE in support of its application. This evidence consists of two statements by its solicitor, Ms Copeman and the exhibited documents. L&S says that these statements fail to meet the requirements of the CPR about the identification of sources of information and belief. L&S relies on *Skatteforvaltningen v Solo Capital Partners LLP* [2020] EWHC 1624 (Comm) where Andrew Baker J said that evidence which fails to comply with these requirements may be disregarded or given little weight. I think there is force in this criticism and as I shall explain I consider that some of the contents of the statement should be given little weight. However this cannot be said of most of the exhibited documents which largely speak for themselves.
38. L&S founds its passing off case on the similarity between its own eagle device and that used by AE. I have set out the two eagles at [6] above. The devices used by the parties respectively are generally small and are embroidered, printed or applied to the outside of the relevant garment. As I have already said, while there are some differences between the devices, there are close similarities. Customers are unlikely to view them side-by-side in the usual course and I consider that (leaving aside other indications of origin) there is a realistic case that customers could confuse the two devices and suppose that AE's eagle-bearing garments had some connection with those sold under the L&S brand.
39. The similarity of the eagle device is only the starting point. A court assessing a passing off claim has to look at all the circumstances, including the way in which the goods have been sold and any steps or measures taken to distinguish a defendant's goods from a claimant's.
40. AE invites the court to conclude at this stage that it is fanciful that a reasonably careful customer buying the goods on the third party websites would be misled into thinking that AE goods were those of L&S or were connected in the course of trade with the L&S brand.
41. AE relies on screenshots showing (a) the steps a customer would go through in searching the websites and (b) what the customer would be told about the goods. Taking the ASOS website as an example, a customer may choose to search for products by brand or clothing type or keyword. A customer searching for AE's goods by brand will of course already have chosen to look for AE clothes and all the goods shown are called "American Eagle" in the relevant text. But if the customer searches by clothing type or keyword each item of clothing in the search results starts by naming the brand of the goods. AE goods are called "American Eagle" products. If the consumer clicks on the shopping bag option, the AE name again comes up. The process is similar on the Zalando website. AE argues that where the clothes pictured on these websites bear its eagle device it appears as a small part of the image and no prominence is given to it. Ms Copeman asserts that the image of the device is no more than a few millimetres high, and that the device could even be seen as a tick.

42. The AE products sold and delivered through the third party websites have collar labels and swing tags which bear the words American Eagle. So a customer receiving the goods would see the AE brand name.
43. AE submits that, given the prominence of these various identifiers, even if there were possible confusion between the two eagle devices considered in isolation, there is no realistic prospect of L&S establishing a risk of a substantial number of reasonably careful consumers being confused or deceived about the origin of AE's goods sold on the third party websites. AE submits that the users of the websites are likely to be fashion conscious young consumers. Customers will be aware that these websites are portals for a large number of fashion brands and the particular brand of the clothing would be important to them. AE says that it is unrealistic to suppose that customers of this type would ignore the various references to "American Eagle" when looking at the webpages and would suppose that the goods were coming from, or were associated with, L&S. And when the ordered goods actually arrived the customer would see the AE labelling and swing tags.
44. AE also points out that there is no evidence of actual confusion. It accepts that sales over the third party websites have not been going on for long enough for this to be of any real significance concerning those sales. But it observes that there have been sales through other channels in the UK since at least November 2014 and that there is no evidence of confusion.
45. AE accepts that there is one known case of consumer confusion. This is a Facebook instant message from someone saw a model wearing a shirt with the AE device on a webpage for River Island jeans and sent an inquiry to L&S's customer services about the shirt. The individual thought that the shirt was one of L&S's. AE says that this provides negligible support for the claim as the page in question was for River Island jeans and the page did not focus on the shirt or display any of the AE brand indicators that appear on the pages for the shirt itself.
46. AE also says that L&S has not given any evidence of any damage suffered by it. AE accepts that this point is not decisive but says that it underscores the weakness of the passing off case. AE submits that the passing off case has been contrived to seek to establish a stronger connection with the forum for jurisdictional purposes but that there is no reality in it.
47. L&S submits (in summary) that the passing off case comfortably passes the reverse summary judgement standard. It emphasises the close similarity of the eagle devices and the obvious potential for consumer confusion about the brands. It submits that there is no admissible expert evidence as to consumers' understanding or behaviour. It says that the various references to AE's name on the third party website pages and the labelling on the goods themselves do not preclude a case of passing off: a reasonably careful consumer seeing the eagle device on an AE garment could well suppose that the goods were being made under licence or other collaboration or that the AE goods were otherwise connected with L&S and its garments. L&S also relies on the possibility of post-sale confusion (as discussed in, e.g., *Freddie SPA v Hugz Clothing Limited* [2020] EWHC 3032 [IPEC]). On the question of damage, L&S says that its main claim is for an injunction and that it is notoriously difficult in cases of this kind to provide hard evidence of losses in pounds and pence. It says that even if there has not been diversion of business, its goodwill will be damaged by association of its

brand with that of AE and by reason of the confusion caused by the use of a similar eagle devices.

48. I have concluded that the passing off claim meets the reverse summary judgment standard. I am required to decide whether the case advanced carries some conviction and not whether L&S has a strong case on the merits. The action is at an early stage and there is limited evidence. This is not the occasion for a mini-trial.
49. I start by observing that the two devices are closely similar. They are both being used on clothing. I accept L&S's submission that there is a clear potential for confusion between the two devices. I do not accept AE's suggestion that the devices are hardly visible on the webpages or that they could be seen as a tick. The silhouette of the two devices is similar and they present on the website pages as a bird in flight.
50. It seems to me next that at a trial of the claim the court might well be assisted by evidence about a number of issues, including consumers' knowledge and understanding of the L&S and AE brands respectively; the extent to which customers may or may not associate goods sold by the two by reason of their respective eagle devices; the nature of the users of the third party websites; and the way they typically use those sites to search for goods. AE's submissions rest on various factual assumptions, which are likely to be contested and would have to be explored at trial. These include assumptions that users of the third party websites are young and fashion-conscious; that they would understand and be interested in the differences between the brands' names; that AE is a well-known brand of which customers are likely to be aware; and that customers know that AE goods come from a distinct source from those of L&S.
51. I consider that L&S may well be able to establish that a substantial number of consumers would take the AE use of its eagle device (which is similar to the L&S eagle) to represent that its goods are connected in some way with L&S and its business. As counsel for L&S observed, L&S does not have to establish a representation that the goods were made by it; it is enough if consumers are led to believe that there is some trading arrangement (say, a collaboration or licence) or relationship under which L&S has some control over the goods. For this reason, the identification of AE on the websites and on the labels attached to the goods, while doubtless relevant, cannot be decisive on the current state of the evidence.
52. I do not think that the current absence of evidence about actual confusion assists AE much on the current state of the evidence (certainly to the reverse summary judgment standard). AE accepts that their sales through third party sites have not been going on for long enough for the lack of evidence of confusion about those sales to be significant. Ms Copeman says in her statements that there have been third party website sales in other countries without complaint, but this is one of the areas where she does not provide sources of information or details of the levels of historical trading and I do not think the evidence should be given any material weight. Moreover, L&S's evidence is that it only became aware of the third party website sales in May 2020.
53. There are other reasons why it is not surprising that L&S has not come across evidence of actual confusion in relation to the third party website sales. For such evidence to have reached L&S a number of things would have had to happen: a

confused customer would have had to decide to return the goods and gone to the bother of doing so; the customer would have had to explain that he or she was confused (rather than just returning them and seeking a refund or exchange); and the website operator would have had to inform L&S (despite the sale being one of AE goods). That is an improbable chain of events.

54. I also think there is some force in L&S's submission that it assumed until May 2020 that all sales by AE had taken place in accordance with the memorandum agreement, so that it was not on the look-out for evidence of confusion.
55. I have referred to the one known example of actual confusion above. In that case the person making the inquiry thought, on the basis of the AE eagle device, that the shirt was one of L&S's. The relevant page did not contain the textual references to AE and is therefore arguably distinguishable, but it does show that the use of the AE device, though appearing as a small part of the webpage image and being given no prominence, is capable of leading to confusion.
56. For these reasons L&S has satisfied me that the passing off case raises a serious issue to be tried.

### **Is England clearly or distinctly the appropriate forum?**

57. AE submits that L&S has failed to show that England and Wales is clearly or distinctly the most appropriate forum. There was in the end no real dispute that the courts of Pennsylvania are an available forum for the determination of the dispute, though (see further below) there was no material evidence as to the way the courts of that state would address the claim for specific relief. The parties (naturally) agreed that the whole of the claims have to be decided in one forum or other.
58. The first step is to identify the dispute. As already explained, this requires the court to go beyond the particulars of claim and to determine the likely parameters of the dispute including likely defences and counterclaims. L&S says that the dispute relates to the jurisdiction because it only makes claims in respect of breaches of contract within the UK and passing off within the UK.
59. I consider L&S's characterisation of the dispute is too narrow as regards the contract claims. The terms of the memorandum agreement were worldwide in scope (as found by the US courts in the earlier proceedings). The 2nd bullet is not limited to any particular territories. I agree with AE's submission that the declaration being sought by L&S in the proceedings could potentially have consequences for both parties throughout the world.
60. On the other hand the tort claim is more closely focused on the UK, being concerned with L&S's UK goodwill (see further below).
61. With this description of the dispute in mind I turn next to the various connecting factors.

62. The first is that the proceedings include a tort claim (in passing off) in respect of a tort committed within the jurisdiction. *VTB Capital* (supra) shows that this is a weighty (though not decisive) factor in favour of the claim being appropriately tried in the courts of this jurisdiction.
63. Moreover the claim concerns damage to the goodwill of L&S within the jurisdiction. Goodwill is a territorial concept. The main remedy being sought is an injunction for the protection of L&S within the jurisdiction. These features too favour the claim being tried in this jurisdiction.
64. The next consideration is the governing law. The contract and passing off claims need to be considered separately.
65. It is common ground that the contract claim is governed by Pennsylvania law, on the footing that the point was not contested in the earlier US proceedings (albeit there was no choice of law clause).
66. As to the passing off claim, the parties agree the governing law is to be identified under Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (“Rome II”). There is however a difference between the parties as to which article of Rome II applies to the passing off claim. AE says they fall under Articles 4 (by way of Article 6); L&S says the claim comes under Article 8.
67. Article 4, headed “the General Rule,” provides:
  1. Unless otherwise provided for in this Regulation, the law applicable to a non-contractual obligation arising out of a tort/delict shall be the law of the country in which the damage occurs irrespective of the country in which the event giving rise to the damage occurred and irrespective of the country or countries in which the indirect consequences of that event occur.
  2. However, where the person claimed to be liable and the person sustaining damage both have their habitual residence in the same country at the time when the damage occurs, the law of that country shall apply
  3. Where it is clear from all the circumstances of the case that the tort/delict is manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2, the law of that other country shall apply. A manifestly closer connection with another country might be based in particular on a pre-existing relationship between the parties, such as a contract, that closely connected with the tort/delict in question.
68. Article 6, headed “Unfair competition and acts restricting free competition,” provides:
  1. The law applicable to a non-contractual obligation arising out of an act of unfair competition shall be the law of the country where competitive relations or the collective interests of consumers are, or are likely to be, affected.
  2. Where an act of unfair competition affects exclusively the interests of a specific competitor, Article 4 shall apply.

3. (a) The law applicable to a non-contractual obligation arising out of a restriction of competition shall be the law of the country where the market is, or is likely to be, affected.

(b) When the market is, or is likely to be, affected in more than one country, the person seeking compensation for damage who sues in the court of the domicile of the defendant, may instead choose to base his or her claim on the law of the court seised, provided that the market in that Member State is amongst those directly and substantially affected by the restriction of competition out of which the non-contractual obligation on which the claim is based arises; where the claimant sues, in accordance with the applicable rules on jurisdiction, more than one defendant in that court, he or she can only choose to base his or her claim on the law of that court if the restriction of competition on which the claim against each of these defendants relies directly and substantially affects also the market in the Member State of that court.

4. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

69. Article 8, headed “Infringement of intellectual property rights,” provides:

1. The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.
2. In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.
3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

70. L&S submits that passing off proceedings fall under Art. 8.

71. AE submits that the claim falls under Art. 6 (1) as an act of unfair competition. By Art. 6 (2) the act of unfair competition affects exclusively the interests of a specific competitor (L&S) and therefore Art 4 applies.

72. I have concluded that the passing off claim falls within Art. 6 rather than Art. 8:

- (a) The relevant terms used in Rome II (unfair competition and intellectual property rights) fall to be given autonomous interpretations.
- (b) There is a long tradition in civil jurisdictions of a law of unfair competition. This is wider than the common law concept of passing off but includes the acts that common lawyers would regard as passing off. In other words passing off is a species within the genus of unfair competition.
- (c) L&S relied on *L’Oréal SA v Bellure NV* [2007] EWCA 968 where the Court of Appeal declined to recognise a broad tort of unfair competition which did not require misrepresentation. At [147] Jacob LJ also rejected the submission that

the UK was in derogation from its treaty obligations under Art 10 (bis) of the Paris Convention for the Protection of Industrial Property 1893 which requires contracting states to assure the nationals of its country effective protection against unfair competition. I think, if anything, the point goes the other way. I read Jacob LJ as saying that English law (including the tort of passing off) does provide effective protection against unfair competition. He did not suggest that the tort of passing off had nothing to do with unfair competition.

- (d) As to Art. 8, there is no definition of “intellectual property rights”, but recital (26) says that the term should be interpreted as meaning, for instance, copyright, related rights, the sui generis right for the protection of databases and industrial properly rights. It does not appear to me that the passing off involves the infringement of an intellectual property right of the kinds mentioned in the recital. The cause of action protects the goodwill of traders against deceptive conduct; goodwill is not an intellectual property right; and passing off is not the infringement of a right.
  - (e) The view that passing off falls within Art. 6 rather than Art. 8 is supported by Dicey, Morris and Collins on the Conflict of Laws at paras 35-054 and 35-077; and Wadlow on the Law of Passing off at paras 10-65-1066. I have found the latter discussion particularly persuasive on this issue and agree with it.
73. The next question is whether the claim falls within Art. 6 (2). In my view it does. The act of unfair competition alleged (passing off) affects exclusively the interests of a specific competitor (L&S). It follows that Art. 4 applies.
74. The final stage is to apply Art 4. to determine the governing law. The default rule in Art. 4 (1) is that the applicable law shall be that of the country in which the damage occurs (in the present case, England and Wales). AE argues that this may be displaced in the present case by Art. 4 (3). It says that the tort is manifestly more closely connected with another country (the state of Pennsylvania) because of the pre-existing relationship, namely the agreement. AE says that even if this is not clear it is at least arguable.
75. I have reached the view English law is probably the applicable law under Art. 4:
- (a) The default rule is only to be displaced under Art. 4 (3) if a preponderance of factors points to another legal system.
  - (b) Though the agreement concerns the general relationship of the parties, the passing off claims do not arise from or under that agreement. On the contrary the basis of the passing off element of the proceedings is that this aspect of the parties’ relationship is not governed by the contract.
  - (c) The agreement itself does not appear to me to have a stronger connection with the jurisdiction of Pennsylvania than it does with England. AE indeed emphasised that it has global reach and governs the relations of the parties worldwide. There was no choice of law clause in the agreement. The fact that the parties have proceeded on the basis of the law of Pennsylvania in the previous proceedings may create an issue estoppel does not entail that the legal relations of the parties have a Pennsylvania focus.

- (d) The passing off claim is concerned with goodwill within the jurisdiction of the court and alleged infringements within the jurisdiction. This further bolsters the selection of the default rule in Art. 4 (1).
76. For these reasons I conclude that the law applicable to the passing off claims is probably (and by some distance) English law.
77. It follows that there are (probably) two different governing laws for the two parts of the claim. The contact claim is governed by the law of Pennsylvania. The passing off claim is (probably) governed by English law.
78. How does this affect the jurisdictional issues? As to the contract claim, AE submits that there are substantial differences between Pennsylvania and English contract law. There was no expert evidence before the court, but it is common ground that under Pennsylvania law that there is (speaking broadly) a two stage approach to the interpretation of contracts. The court has to decide first whether the language used in the contract is unambiguous. If it is the court simply gives effect to the chosen language. But if the court finds a relevant ambiguity, the parties are allowed to adduce evidence as to their subjective intentions and post-contractual conduct in order to seek to bolster their rival interpretations. The second stage is treated as a matter of fact and falls to be decided by a jury.
79. AE contends that the proper construction of the 2<sup>nd</sup> bullet of the agreement is the central issue in the proceedings and that the contours of Pennsylvania law as to the rules of construction are likely to be of considerable significance. AE also submits that, given the global scope of the agreement and its importance to the parties, there is a good prospect of an appeal. This it says is a further reason why the courts of Pennsylvania are a better forum (see *The Eleftheria* [1970] P. 94 and *Konamenani v Rolls Royce* [2002] 1 WLR 1269).
80. AE also submits that the application of Pennsylvania law is likely to require expert evidence which may increase costs and delay.
81. L&S accepts that there are differences between Pennsylvania and English contract law in relation to the admissibility of evidence. It says however that the legal issues are unlikely to be complicated (indeed they appear to be largely common ground) and that an English court would be well able to deal with any factual issues that may arise as part of the interpretation process under that system of law.
82. It also contends that AE has not been forthcoming in setting out the nature of its case on the interpretation of the 2<sup>nd</sup> bullet, so that it is unclear what the contractual dispute is likely to entail evidentially. I think there is some force in this contention. AE submitted in general terms that the words of the 2<sup>nd</sup> bullet were intended to be permissive rather than restrictive. But it did not expand on this or explain why the parties would have chosen to set out a non-exhaustive list of channels through which AE might trade. AE also suggested that the words might need to be interpreted in light of the fact that retail channels have changed since 2006 (so that there are now third party website retailers). At any rate it does not appear to me that the contractual issues are likely to be particularly complex or involved.



83. Overall I think that the governing law of the contract is a feature pointing away from this jurisdiction, but its significance should not be overstated. I agree with L&S that the English Court would have relatively little difficulty understanding the relevant legal principles (which appear to be largely common ground) or applying them to the facts.
84. The applicable law of the passing off claim (probably English law) points towards this jurisdiction as the appropriate forum. I was not provided with any material evidence about the relevant law of Pennsylvania or how its courts would address the passing off claims. Nor is there any evidence about the way those courts would exercise any jurisdiction to grant injunctive relief in respect of conduct taking place in the UK.
85. I turn to other potential connecting factors:
86. The location of the parties and witnesses is neutral. L&S and its principal witnesses are based here; AE and its witnesses are based in Pennsylvania.
87. Disclosure or discovery will be given by the parties in either forum and, though there are differences in their respective procedures, there is no reason for preferring one over the other. This point is therefore neutral.
88. The passing off claim may well involve evidence about consumers within the jurisdiction. The parties may seek to adduce either factual evidence or expert evidence on these issues. This favours the case proceeding in this jurisdiction, though it is not a point of great weight.
89. AE has suggested that there may be some differences in the limitation laws of Pennsylvania, but this is also a neutral factor.
90. AE says that the contract has already been litigated (as far as the Court of Appeals) in the courts of the WDP. This does not to my mind carry any real weight. The case was completed a decade ago. The proceedings did not concern the clause now in issue. Neither of the first instance judges who heard the case remain in office so there is therefore no question of continuity with subsisting or even recent proceedings.
91. Taking account of the various features of the case I have concluded that England and Wales is clearly or distinctly the appropriate forum for the trial of the dispute. The weightiest features are that the case includes a claim for a tort committed within the jurisdiction (see the discussion of *VTB* above), which is (probably) governed by English law, and for which specific remedies relating to the English jurisdiction are sought. The evidence relating to the passing off claim will also focus on activities and consumers within the jurisdiction and this too favours proceedings here. In my judgment these features, taken together, clearly or distinctly outweigh the main feature of the case which favours Pennsylvania, namely the governing law of the contract claims.

## **Conclusion**

92. For these reasons the application is dismissed.