IN THE HIGH COURT OF JUSTICE
KING'S BENCH DIVISION

No. KB-2023-004735

[2024] EWHC 437 (KB)

Royal Courts of Justice
Strand
London, WC2A 2LL

Thursday, 4 January 2024

Before:

MRS JUSTICE STACEY

B E T W E E N :

ARTCRAFTS INTERNATIONAL SpA
(a company incorporated in the Italian Republic) — Claimant/Applicant

- and -

MOU LIMITED — Defendant/Respondent

MR A TOLLEY KC and MR C MONAGHAN (instructed by Rowel Genn Solicitors) appeared on behalf of the Claimant/Applicant.

MR P COPPEL KC (instructed by Wiseman Solicitors) appeared on behalf of the Defendant/Respondent.

J U D G M E N T

MRS JUSTICE STACEY:

1 This matter comes before the interim applications court on an interim on notice injunction application with a hearing time estimate of one hour. It concerns a contractual dispute over a licence agreement.

2 The claimant/applicant entered into a licence agreement with the defendant the principal terms of which are in a document dated 8 April 2011 ("the Licence Agreement") for the commercial exploitation of intellectual property rights in "Mou" a brand of high-end and fashionable footwear (defined as the Products under the Licence Agreement). Exclusive rights in some territories (referred to as the "Territories") were conferred and non-exclusive rights in relation to other geographical areas. The claimant is the Licensee and the defendant the Licensor under the Licence Agreement. The claimant has a portfolio of around 16 brands of footwear, clothing and accessories, including the defendant, which it operates on a variety of distribution channels.

3 The particular clauses of the Licence Agreement that are the subject matter of this dispute, are clauses 2.1 and 7.1. Clause 2.1 grants to the Licensee for the term of the Licence Agreement and on the terms and conditions set out in the Licence Agreement an:

"exclusive licence and authority to manufacture, distribute, sell, advertise and promote throughout the Territory, the Products [as defined within the terms of the Licence Agreement], and to use the Trade Marks [again a defined term] on and in relation to the Products manufactured, sold, advertised and promoted by the Licensee in the Territory".

4 Clause 2.1.2, the non-exclusive licence, is not so much the subject matter of this dispute and need not be set out in full.

5 Clause 7.1.1, sets out the Licensor's undertaking and warranty to:

"use all reasonable endeavours so far as permitted by law to safeguard the sole and exclusive licence granted to the Licensee and in particular to promptly cease to supply any person, firm or company who the Licensor knows infringes the Licensee's rights hereunder and in particular, without limiting the foregoing, any such entity who seeks to sell or otherwise dispose of the Products in the Territory".

6 There is a history of litigation between the parties. In 2022, the claimant brought proceedings again seeking an interim injunction, which came before Freedman J ("the first proceedings"). The first proceedings were issued in June 2022 seeking injunctive relief to prevent the defendant from terminating the Licence Agreement. After a number of postponements of the hearing by consent it was heard by Freedman J over a period of two days and he gave judgment on 7 December 2022 granting the interim injunction sought.

7 The background is that the claimant first had a distributorship contract in 2009 for the Product. That relationship was successful and progressed to the formation of the Licence Agreement on 8 April 2011, which was renewable on five-yearly terms. It was most recently renewed on 31 March 2021. Absent any terminating provisions, it is therefore next due for renewal on 31 March 2026.

8 The first proceedings are relevant in terms of the background and context but the subject matter of this injunction is different and separate, and of limited assistance beyond noting the deteriorating relationship between the parties. I further note that following the resolution of the first proceedings, it appears that Freedman J's judgment led to settlement and negotiations between the parties which it is common ground that they were concluded

on favourable terms to the claimant, who obtained what they had sought through the first proceedings.

9 In 2023 there were discussions between the parties for the purchase by the claimant of the defendant's brand, which were unsuccessful. These appear to have added to a lack of trust between the parties and the defendant has a concern that both the fact of and the terms of the injunction sought may be used to affect a possible purchase price and the risk of diminishing the value of the brand relevant to any future sale or discussions relating to sale of the brand or Product.

10 After the first proceedings were resolved, the claimant became concerned that there were breaches of the Licence Agreement by the claimant and raised these in a formal letter before action on 7 November 2023. The concerns were that there was sale by the defendant to purchasers outside the Territory, for onward sale within the Territory, which the claimant considered to be a breach of the Licence Agreement. There was also concern that there was use by the defendant of its website to facilitate sales outside the scope and in breach of the Licence Agreement. The particular company was a Canadian company called SSENSE. The defendant agreed to stop selling to SSENSE having been alerted to the concerns raised by the claimant and agreed also to make modifications to its website which, as far as I understand, were made.

11 The defendant's position is that the claimant's concerns have been met and the claimant's position is that the defendant has continued to flaunt the contractual terms that bind it, hence the application before the court. There is, therefore, a dispute between the parties as to both the facts as to what the defendant has or has not been doing and the contractual obligations,

specifically the scope of 2.1.1 and 7.1.1, and the interpretation of the defendant's obligations to take reasonable endeavours to prevent breaches of the Licence Agreement.

12 In terms of the chronology of these proceedings, the claimant informed the defendant on or around 6 December 2023 that they were dissatisfied with the defendant's answer and that they would be issuing an application for injunctive relief. There was then no further correspondence from the claimants to the defendants. Without further reference to the defendant, the claimant issued proceedings on 20 December, the interim relief application on 21 December and served the claim form, the application and supporting documents on 22 December at 11.30 a.m. in person. Solicitors acting for the defendant had not been instructed to accept service and there had been no agreement to accept service by email: service was effected in the old-fashioned way. The claimant's draft bundle was received at 13:39 on 2 January, shortly before the hearing. The defendant sought an extension of time of one week for the hearing of this application, which was refused by the claimant.

13 It would have been much better practice had the claimants informed the defendants of their intention to enable matters to be better prepared, given the Christmas and New Year holidays. Mr Coppel KC had been counsel before Freedman J on behalf of the defendant but was not involved thereafter, but I am satisfied is able to address the points raised today even though no evidence has been served by the defendant. I also accept that it would have been difficult for them to do so given the extent of the Christmas holidays and New Year holidays.

14 I, therefore, refuse the request to adjourn this application to next week and I will consider whether or not to grant, even on a very short basis, until a further return date, the claimant's application.

15 The first matter is whether there is a serious issue to be tried. I am satisfied that there is a serious issue. The witness statement of Mr Ponziani, and the documents served, provide grounds for considering that there is a matter that requires judicial determination.

16 The second question is whether damages are or are not an adequate remedy. Whilst this is a commercial dispute ostensibly about money and the claimant's ability to earn money from the Product licenced to it, that is not a complete answer to the question. I am satisfied with the evidence served and Mr Tolley's submissions why damages may not be a sufficient remedy because of the reputational damage to a company such as the claimant. If it purports to have exclusive distribution rights that are not being honoured by the brands that it sells, this will have a wider impact and reputational damage beyond the mere loss of profit from selling the Products themselves from this one brand.

17 In terms of the balance of risk and risk of injustice, it is often said that the role of this court in applications such as this, where there is a lengthy hearing bundle, 800 pages, all of which are relevant documents and much, much detail to be on top of, the best that we can do in a one hour hearing with minimal preparation time, is just to hold the ring, maintain the status quo, to give space for closer consideration. Like a l modification of the Hippocratic Oath: to do the least harm possible.

18 As to whether a cross-undertaking as to damages would be an adequate remedy for the defendant, I have some little anxiety. It is common ground that this application is taking place in the context of a possible sale of the brand by the defendant to the claimant or another possible prospective purchaser, which may result in losses to the defendant which are not easily quantified or sound in damages. Whilst I conclude that the balance lies in the

claimant's favour in the granting of an injunction in principle, the terms sought must be considered particularly rigorously to ensure they do no more than the minimum necessary to protect the claimant's legitimate rights on a temporary basis. Looking at the draft terms of the order, I agree, (as does Mr Coppel) that clause 3.1 is appropriate and justified. It provides considerable protection to the claimant as it will require the defendant to neither directly nor indirectly manufacture, distribute, sell, advertise or promote the Product anywhere in the Territory, including the USA. The extent to which the USA forms part of the Territory remains a dispute between the parties but, in any event, it has been conceded by Mr Coppel, for the purposes of today's hearing.

19 I have considerable concerns, however, in relation to proposed clauses 3.2 and 3.3 of the claimant's draft order, which appear to go beyond the contractual obligations of the defendant in clause 7.1.1 and are wider than that to which the claimant is entitled. The claimant has not sufficiently explained why the modifications that the defendant had made to its website are insufficient to meet its concerns so as to justify the wide wording proposed.

20 The parties were given a few minutes and an opportunity to agree wording that enable the parties better to understand their respective obligations under clause 7.1.1 in the Licence Agreement. On their failure to agree, and doing the best I can in the time available, I will require the defendant to comply with the terms of clause 7.1.1. I appreciate the order lacks specificity and risks being a circular argument, but at least it brings to the fore the importance of that clause and is, on this limited time available in vacation, but there is insufficient time to do anything more sophisticated. The intention is to ensure compliance with 7.1.1.

21 It is also important that we have an early return date when more time can be given to consider this matter. I will again invite submissions from the parties as to when that should be, how quickly that can be and what the time estimate should be. I am open to the suggestion that it is a very quick return date to make this an extremely temporary injunction, but will await the parties' submissions.

CERTIFICATE

Opus 2 International Limited hereby certifies that the above is an accurate and complete record of the Judgment or part thereof.

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