

World Trademark Review Daily

High Court examines factors to consider when assessing damages on 'user principle' Confusion United Kingdom - Burges Salmon LLP

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In *32Red Plc v WHG (International) Ltd* ([2013] EWHC 815 (Ch), April 12 2013), in a decision that examines the factors that should be taken into account when assessing damages on the 'user principle', *32Red Plc* has been awarded damages of £150,000 in respect of *William Hill group's* use of the name *32Vegas* for online casino services.

William Hill Online used the *32Vegas* brand for an online casino for a period of just over seven months, having ceased use of the name shortly after proceedings were issued. The High Court and Court of Appeal held that this use of *32Vegas* had infringed *32Red's* UK and Community trademarks for *32*, *32RED* and a device consisting of a stylisation of '*32Red*' in a roulette ball respectively, all of which were also used for online casino services.

Having accepted that it was unable to prove loss of profits, *32Red* claimed that it was entitled to a sum equal to a reasonable royalty on the strength of the 'user principle'. *32Red* sought a payment of around £5 million, being 30% of the 'net gaming revenue' for the *32Vegas* casino during the period of infringement and six months thereafter. *William Hill* accepted that damages were payable on the basis of the user principle, but maintained that an award of between £25,000 and £50,000 would be appropriate.

The term 'user principle' derives from *Stoke-on-Trent City Council v W&J Wass Ltd* ([1988] 1 WLR 1406), where *Nicholls LJ* used it to refer to the principle that a person who has wrongfully used another's property can be liable to pay, as damages, a reasonable sum for such use. The primary basis for the assessment is to consider what sum would have been arrived at in negotiations between the parties, had each been making reasonable use of their respective bargaining positions, bearing in mind the information available to the parties and the commercial context at the time that notional negotiations should have taken place (*Force India Formula One Team Ltd v 1 Malaysia Racing Team Sdn Bhd* ([2012] EWHC 616 (Ch))).

Newey J held that the hypothetical trademark licence must reflect what *William Hill* actually did. Consequently, the licence would be assumed to:

- be for the use of the name *32Vegas*;
- cover the period of infringement, although the parties would have borne in mind that *William Hill* could continue to derive a benefit for a period after the end of that period;
- be exclusive; and
- contain some quality control provisions, but it would have enabled *William Hill* to use the website terms and conditions that had given rise to a large number of complaints during the period of infringement.

A central area of dispute between the parties was whether *William Hill's* ability to abandon the name *32Vegas* in favour of another brand should be taken into account for the purposes of calculating a reasonable royalty.

William Hill operated a 'carousel' of online casino brands and encouraged customers to switch from one to another. It argued that this business model meant that within the carousel particular brands used had limited significance and that *William Hill* therefore had an option to re-brand *32Vegas* at relatively little expense instead of entering into a licence. *32Red* argued that a defendant should not be allowed to pray in aid a non-infringing alternative to reduce damages payable for infringement.

Newey J held that, if the parties to a hypothetical negotiation would have had in mind that the defendant had an alternative course of action open to it, the court must also do so. The question was what impact the possibility of re-branding would have had on the hypothetical negotiation.

32Red could not insist on being paid a sum out of proportion to the financial advantages that the defendants stood to obtain by using the name *32Vegas* rather than re-branding, and the ability of *William Hill* to re-brand was of central importance in determining the figure that would have been agreed in a hypothetical negotiation. *William Hill* would have had to factor in the cost and inconvenience attached to re-branding, as well as the risk of disrupting the existing carousel and could therefore be expected to prefer to continue with the *32Vegas* name.

Newey J concluded that, while there was no specific figure that the parties to the hypothetical negotiation would have agreed, a licence fee of £150,000, representing between 1% and 1.5% of the *32Vegas* casino's

World Trademark Review *Daily*

net gaming revenue, was likely to have been agreed.

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