Claim No. IP-2020-000060

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
INTELLECTUAL PROPERTY ENTERPRISE COURT
NEUTRAL CITATION NUMBER: [2020] EWHC 3320 (IPEC)

BEFORE: Before HIS HONOUR JUDGE HACON

BETWEEN:

(1) LIFESTYLE EQUITIES C.V.
(2) LIFESTYLE LICENSING B.V.

Claimants

-and-

(1) HORNBY STREET (MCR) LIMITED
(2) REGENCY TRADING LIMITED
(3) SANTA BARBARA POLO CLUB
(4) SB MEMBERS LLC
(5) TOQIR ABBAS
(6) ARUNKUMAR DEVIJ PINDORIA
(7) JOANNE CLAIRE SWIFT
(8) SANTA BARBARA POLO & RACQUET CLUB

Defendants

THOMAS ST QUINTIN (Instructed by **Brandsmiths**) appeared on behalf of the Claimants

LINDSAY LANE QC (Instructed by **Burges Salmon LLP)** appeared on behalf of the Third, Fourth, and Eighth Defendants

ANDREW LENON QC appeared on behalf of the First, Second, Fifth, Sixth, and Seventh Defendants

Monday, 30 November 2020

(9.00 am)

JUDGE HACON:

1. This is an application by the third, fourth and eighth defendants for a stay of the proceedings pursuant to section 9 of the Arbitration Act 1996 and CPR 62.8.

2. Those three defendants have been referred to by the parties as the SBPC Defendants, the letters standing for Santa Barbara Polo & Racquet Club. The remaining defendants call themselves the MCR and Regency Defendants. Lindsay Lane QC appears for the SBPC Defendants; Andrew Lenon QC appears for the MCR and Regency Defendants; Thomas St Quintin appears for the claimants, which are the respondents to this application.

3. Although all the defendants are applying for the stay, it is the SBPC Defendants which have been at the forefront of the argument and the application has been led by them. Unless I state otherwise, hereafter my references to "the defendants" should be taken to mean the SBPC Defendants.

4. In the substantive proceedings, the claimants allege trade mark infringement and passing off. The first claimant is the registered proprietor of 6 EU trade marks, five of them figurative marks which look like this:

I will call this the Beverly Hills Logo.

5. The sixth EU trade mark is a word mark for the words BEVERLY HILLS POLO CLUB. The first claimant also owns a UK trade mark in the form of the Beverly Hills Logo. The six EU trade marks and the UK trade mark are registered in respect of various goods, mostly clothing.

6. The second claimant is the exclusive licensee of the first claimant's rights. Both the first and second claimants are companies registered in the Netherlands, and I need not distinguish them.

7. The claimants say that the seven trade marks have been infringed. The claimants also claim goodwill associated with the Beverly Hills Logo and allege passing off. The alleged acts of infringement and passing off consist of the sale and related acts done in the UK and in the EU under the following sign:

SANTA BARBARA
POLO & RACQUET
CLUB®

I will call this the Santa Barbara Logo.

8. The third defendant is a non-profit corporation which owns a UK trade mark in the form of the Santa Barbara Logo. The day-to-day business of the Santa Barbara Polo & Racquet Club, founded in 1911, is run by the eighth defendant, another non-profit corporation.

9. The fourth defendant is described as the global master licensee of the third defendant's IP rights, which include the third defendant's UK trade mark and other

rights in the Santa Barbara Logo.

10. It is relevant to set out how the seven trade marks came to be in the ownership of the first claimant. The following chronology is taken from Mr St Quintin's helpful skeleton argument. I am not sure that all the dates are quite agreed, but it does not matter and it is sufficient for me to state only months and years.

11. In 1982 two students in California began to market products under the brand name BEVERLY HILLS POLO CLUB. In January 1986 the application for the UK trade mark in suit was filed by Gregory Lang Inc. In January 1989 the granted UK mark was assigned to a US entity called BHPC Marketing Inc. In 1996 and 1997 respectively, BHPC Marketing applied for the first and second of the EU marks in suit.

12. At around this time, there arose a dispute between BHPC Marketing and the defendants. The defendants had registered the Santa Barbara Logo as a trade mark. The issue was whether the signs each side used, the logos shown above, infringed the other side's trade marks.

13. In June 1997 the dispute was resolved by a written agreement, which I will call the 1997 Agreement. The signatories to the 1997 Agreement were BHPC Marketing and the eighth defendant, the Santa Barbara Polo & Racquet Club.

14. I will come back to the terms of that agreement, but here it is enough to say that each side consented to the other side's use of the other side's logo worldwide, and also agreed to the filing of further marks in the form of the other side's logo.

15. In September 2004 BHPC Marketing applied for the third of the EU marks in suit. In January 2007 BHPC Marketing assigned the UK trade mark and the three EU marks to BHPC Associates LLC. In October 2008, those four trade marks were

assigned by BHPC Associates LLC to BHPC International LLC. In February 2009, the UK mark was assigned by BHPC International LLC to the first claimant.

In March 2009, the three EU marks were assigned to the first claimant.

In July 2009, the first claimant applied for the fourth of the EU trade marks in suit and in 2016 and 2017 respectively, the first claimant applied for the fifth and sixth of the EU trade marks in suit.

16. I was shown a written recording of one of the assignments I have referred to but not the others. It is not clear which law governed each of those assignments but they played little part in the arguments. It was not in dispute that all the assignments were effective.

17. The claimants say that they did not know of the 1997 Agreement when they obtained assignments of each of the trade marks in suit. There is evidence in support of this from Eli Haddad, who is Managing Director of the claimants, that the claimants did not have such knowledge.

18. The Arbitration Act 1996 provides, in relevant part:

> "2.— Scope of application of provisions.
>
> (1) The provisions of this Part apply where the seat of the arbitration is in England and Wales or Northern Ireland.
>
> (2) The following sections apply even if the seat of the arbitration is outside England and Wales or Northern Ireland or no seat has been designated or determined—
>
> (a) sections 9 to 11 (stay of legal proceedings, &c.), and
>
> (b) section 66 (enforcement of arbitral awards).
>
> (3) The powers conferred by the following sections apply even if the seat

of the arbitration is outside England and Wales or Northern Ireland or no seat has been designated or determined—

(a) section 43 (securing the attendance of witnesses), and

(b) section 44 (court powers exercisable in support of arbitral proceedings);

but the court may refuse to exercise any such power if, in the opinion of the court, the fact that the seat of the arbitration is outside England and Wales or Northern Ireland, or that when designated or determined the seat is likely to be outside England and Wales or Northern Ireland, makes it inappropriate to do so.

(4) The court may exercise a power conferred by any provision of this Part not mentioned in subsection (2) or (3) for the purpose of supporting the arbitral process where—

(a) no seat of the arbitration has been designated or determined, and

(b) by reason of a connection with England and Wales or Northern Ireland the court is satisfied that it is appropriate to do so.

(5) Section 7 (separability of arbitration agreement) and section 8 (death of a party) apply where the law applicable to the arbitration agreement is the law of England and Wales or Northern Ireland even if the seat of the arbitration is outside England and Wales or Northern Ireland or has not been designated or determined.

3. —The seat of the arbitration.

In this Part “the seat of the arbitration” means the juridical seat of the arbitration designated—

(a) by the parties to the arbitration agreement, or

(b) by any arbitral or other institution or person vested by the parties with powers in that regard, or

(c) by the arbitral tribunal if so authorised by the parties, or determined, in the absence of any such designation, having regard to the parties' agreement and all the relevant circumstances.

…

5.— Agreements to be in writing.

(1) The provisions of this Part apply only where the arbitration agreement is in writing, and any other agreement between the parties as to any matter is effective for the purposes of this Part only if in writing. The expressions “agreement”, “agree” and “agreed” shall be construed accordingly.

(2) There is an agreement in writing—

(a) if the agreement is made in writing (whether or not it is signed by the parties),

(b) if the agreement is made by exchange of communications in writing, or

(c) if the agreement is evidenced in writing.

(3) Where parties agree otherwise than in writing by reference to terms which are in writing, they make an agreement in writing.

(4) An agreement is evidenced in writing if an agreement made otherwise than in writing is recorded by one of the parties, or by a third party, with the

authority of the parties to the agreement.

(5) An exchange of written submissions in arbitral or legal proceedings in which the existence of an agreement otherwise than in writing is alleged by one party against another party and not denied by the other party in his response constitutes as between those parties an agreement in writing to the effect alleged.

(6) References in this Part to anything being written or in writing include its being recorded by any means.

6.— Definition of arbitration agreement.

(1) In this Part an "arbitration agreement" means an agreement to submit to arbitration present or future disputes (whether they are contractual or not).

(2) The reference in an agreement to a written form of arbitration clause or to a document containing an arbitration clause constitutes an arbitration agreement if the reference is such as to make that clause part of the agreement.

7.— Separability of arbitration agreement.

Unless otherwise agreed by the parties, an arbitration agreement which forms or was intended to form part of another agreement (whether or not in writing) shall not be regarded as invalid, non-existent or ineffective because that other agreement is invalid, or did not come into existence or has become ineffective, and it shall for that purpose be treated as a distinct agreement.

…

9.— Stay of legal proceedings.

(1) A party to an arbitration agreement against whom legal proceedings are brought (whether by way of claim or counterclaim) in respect of a matter which under the agreement is to be referred to arbitration may (upon notice to the other parties to the proceedings) apply to the court in which the proceedings have been brought to stay the proceedings so far as they concern that matter.

(2) An application may be made notwithstanding that the matter is to be referred to arbitration only after the exhaustion of other dispute resolution procedures.

(3) An application may not be made by a person before taking the appropriate procedural step (if any) to acknowledge the legal proceedings against him or after he has taken any step in those proceedings to answer the substantive claim.

(4) On an application under this section the court shall grant a stay unless satisfied that the arbitration agreement is null and void, inoperative, or incapable of being performed.

(5) If the court refuses to stay the legal proceedings, any provision that an award is a condition precedent to the bringing of legal proceedings in respect of any matter is of no effect in relation to those proceedings."

19. Pursuant to section 9(4), the court must grant a stay if the requirements of subsections (1) to (3) of section 9 are satisfied, save where the arbitration agreement is null and void, inoperative or incapable of being performed.

20. The defendants rely on the 1997 Agreement as the basis for their application for a stay, so I need to say more about it. The recitals set out details of the ownership by BHPC Marketing and the eighth defendant of their respective trade marks, the disputes the parties had entered into regarding those marks and their desire to settle the disputes by entering into mutual obligations.

21. These are the relevant terms of the agreement:

> “1. BHPC consents to use by SANTA BARBARA of the name and marks SBPC, SBP&RC, SANTA BARBARA POLO CLUB, SANTA BARBARA POLO and RACQUET CLUB, and of SANTA BARBARA’s mark as depicted in Exhibit 3, worldwide. BHPC further agrees SANTA BARBARA may register these marks as service marks and/or trademarks in any and all countries in the world, for use in connection with any goods and services. BHPC agrees not to interfere with or oppose such registration and hereby specifically consents to such registration.
>
> 2. SANTA BARBARA consents to use by BHPC of the name and marks BHPC and BEVERLY HILLS POLO CLUB and of BHPC’s marks as depicted in Exhibits 1 and 2, worldwide. SANTA BARBARA further agrees BHPC may register these marks as service marks and/or trademarks in any and all countries in the world, for use in connection with any goods and

services. SANTA BARBARA agrees not to interfere with or oppose such registration and hereby specifically consents to such registration.

3. BHPC and SANTA BARBARA agree that in the event that either party is informed of third party confusion resulting from the use by the other party of any of its marks, that party may advise the other party of such confusion, and the other party shall take reasonable steps necessary to rectify such confusion and avoid that third party's further confusion. Both parties acknowledge that they wish to avoid confusion in the marketplace.

4. The parties agree this Agreement may be used as evidence worldwide to assist with trademark and/or service mark registration, to show consent to the use of the parties' respective above-described marks and/or registration of those marks.

…

7. The parties agree that this Agreement shall remain in force and shall be irrevocable, as long as at least on party continues to use any of its above-described marks or trade makes or can demonstrate by a preponderance of evidence an intent not to abandon its above-described marks or tradename.

…

Any controversy, dispute or claim with regard to, arising out of, or relating to this Agreement, including but not limited to its scope or meaning, breach, or the existence of a curable breach, shall be resolved by arbitration in Los Angeles, California, in accordance with the rules of the American Arbitration Association. Any judgment upon an arbitration award may be entered in any court having jurisdiction over the parties.

…

9. This Agreement shall be construed and governed in accordance with the applicable laws in the State of California, without reference to its conflicts of law provisions.

…

12. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their subsidiaries, representatives, heirs, administrators, successors, assigns, licensees, distributors, wholesalers, customers, subcontractors and others working under the license of a party to manufacture, market or sell goods bearing any of the party's above identified marks, each of whom shall be entitled to enforce the provisions of this agreement."

22. The overall issue I have to decide is whether the arbitration provision contained in clause 7 can be enforced against the claimants.

23. Mr St Quintin said that first and foremost this depends on satisfying the requirements of the Arbitration Act 1996. Mr St Quintin referred to sections 5, 6 and 9 of the Act and argued that the cumulative effect of these sections is that there must be a written arbitration agreement to which the claimants are parties in order for section 9(1) to be engaged in the present case. Since there is not, there is no basis for a stay of the proceedings.

24. The eighth defendant is a signatory to the 1997 Agreement. The claimants are not signatories. They are assignees of the assets of the counterparty to the eighth defendant, BHPC Marketing, that is to say assignees of trade marks protected by the agreement.

25. Section 9(1) imposes three requirements on a person applying for a stay. First, the person must be a party to an arbitration agreement. Secondly, proceedings must have been brought against that person in respect of a matter which under the agreement is to be referred to arbitration. Thirdly, the person must give notice to the other parties to the proceedings.

26. There is no requirement in section 9(1) that the party which has brought the relevant proceedings is also a party to the arbitration agreement.

27. Section 5 requires an arbitration agreement to be in writing, and defines what that means. Section 6 defines the term "arbitration agreement".

28. I was shown nothing in the 1996 Act which precludes the possibility of a party to an arbitration agreement contained in a contract being entitled to apply for a stay under section 9(1) in relation to a claim brought by the assignee of assets protected by the contract.

29. Mr St Quintin referred to the judgment of Mr Justice Andrew Smith in *Unum Life Insurance Company of America v Israel Phoenix Assurance Company Limited*, dated 16 March 2001. The defendant, Israel Phoenix, had underwritten a personal accident policy and had placed reinsurance with the plaintiff, Unum. Unum sought a declaration that it had validly avoided the contracts of reinsurance or that the cover afforded was limited in various ways. Israel Phoenix applied for a stay under section 9 of the 1996 Act of the proceedings brought by Unum.

30. The judge set out section 9(1) and section 9(4) and said:

> "The dispute that I have to consider is whether there is an arbitration agreement between Unum and Israel Phoenix. It is clear from the wording of the subsection that 9(4) does not apply in these circumstances and that the

burden of proof is upon Israel Phoenix to show an arbitration agreement."

31. Mr St Quintin relied on those words. I accept that on the facts of Unum, the judge had to decide whether there was an arbitration agreement between the plaintiff and a defendant. He did not deal with the need for the plaintiff and defendant to be party to such an agreement as a point of principle.

32. Mr St Quintin further argued that to enforce an arbitration agreement against a person which is not party to the agreement would run contrary to the rule of privity of contract. The correct view may be that a person is party to an arbitration agreement within the meaning of the 1996 Act if, according to the law governing the agreement he is party to it, or, alternatively and more broadly, if he is bound by the arbitration agreement under that law. I will turn later to both those matters.

33. However, even if, as Mr St Quintin contends, English law must be applied to the question whether a person is a party to an arbitration agreement, in my view at least the first claimant is a party to the arbitration agreement in this case.

34. The relevant facts are these. On 17 April 2013, in-house counsel for the first claimant's parent company wrote to the eighth defendant on the first claimant's headed notepaper and on the first claimant's behalf. He referred to an application that the eighth defendant had made for a Community Trade Mark. He said:

> “I have also been advised that there may be a previous arrangement in place between the previous owners of our BHPC trademark and the owners of your Santa Barbara trademark. Rather than spend time and money on potential litigation, we will appreciate it if you would kindly provide to us a copy of this past agreement, which may lead to an amicable solution. While we would prefer to avoid litigating this issue, by offering this potential alternative to

> litigation we do not surrender any future rights we may have to pursue all available means to protect our rights to our BHPC trademark and against any possible infringement thereof."

35. A copy of the 1997 Agreement was provided to the claimants as requested.

36. In 2015, the claimants wanted to support an application for a trade mark which had been filed with a Mexican Trade Mark Office. The support they needed was the ability to show the Office that they benefited from a coexistence agreement with the defendants. On 9 June 2015, Daniel Haddad, son of Eli, acting as representative of the claimants, sent an email to Wesley Ru of the eighth defendant, copied to Eli Haddad:

> "Hi Wes,
>
> Let's not complicate things and I don't want you to spend money unnecessarily.
>
> My only request is that you sign the consent letter for Mexico in accordance with the coexistence agreement that you brought to our attention back in 2013. If you don't want to sign we will assume otherwise.
>
> Please let's just keep this simple.
>
> Daniel"

37. A consent letter was provided by the eighth defendant. It stated that the eighth defendant recognised the right of the first claimant to use and register in Mexico the mark BEVERLY HILLS POLO CLUB and a mark in the form of the Beverly Hills Logo. It also said:

> "Lifestyle Equities, C.V. (through its predecessor entity), and <u>SBPC are parties to a worldwide coexistence agreement dated October 6, 1997, and</u>

pursuant to that agreement SBPC consents to this registration."

(original underlining)

39. The letter had been drafted by the claimants except for the words underlined, which were added by the eighth defendant.

40. There was a suggestion that the claimants left those words in the consent letter because of a shortage of time. I doubt it. The claimants could have deleted the added words if they thought that they did not correctly state their position. They were left in and were part of the representation made to the Mexican Trade Mark Office.

41. Moreover, even by their own drafting, the claimants told the Mexican Office that the coexistence agreement on which they were relying was attached to the letter. The letter contained these words:

> "Attached to this letter is the coexistence agreement executed between SBPC and Lifestyle Equities CV."

42. The agreement attached was the 1997 Agreement. Thus the claimants stated expressly that it was an agreement between SBPC and the first claimant. In my view, by June 2015 the claimants had by the exchange of correspondence with the eighth defendant become party to the 1997 Agreement. They did so in order to benefit from the terms of the 1997 Agreement and to rely on those terms before the Mexican Office.

43. I turn to the next point of dispute. I must identify the law which determines whether the claimants are bound by the arbitration provision in the 1997 Agreement. The claimants say that the relevant laws are English and European Union law. The defendants say that pursuant to clause 9 of the 1997 Agreement it

is Californian law.

44. In support of the claimants' case in favour of English and EU law, Mr St Quintin took me to chapter 24 of *Dicey, Morris & Collins on the Conflict of Laws* 15th edition. He relied on Rule 135:

> "RULE 135—(1) As a general rule,
>
> (a) the mutual obligations of assignor and assignee under a voluntary assignment of a right against another person ("the debtor") are governed by the law which applies to the contract between the assignor and assignee; and
>
> (b) the law governing the right to which the assignment relates determines its assignability, the relationship between the assignee and the debtor, the conditions under which the assignment can be invoked against the debtor and any question whether the debtor's obligations have been discharged.
>
> (2) But in other cases (semble), the validity and effect of an assignment of an intangible may be governed by the law with which the right assigned has its most significant connection."

45. Mr St Quintin focused on clause (2) and in particular the possibility that the effect of an assignment of an intangible may be governed by the law with which the right assigned has its most significant connection. Mr St Quintin took "effect" to have a broad meaning so that, in the context of the present case, it includes the construction of the arbitration provision contained in the 1997 Agreement.

46. In support of his broad meaning, Mr St Quintin relied on two passages in the commentary under Rule 135. The commentary begins encouragingly with this observation:

> "The choice of law rules which govern the assignment and transfer of

> intangible property are not easy to state with certainty."

47. It continues and includes the first passage relied on by Mr St Quintin, in paragraph 24-051:

> "Other types of intangible property may have their ownership recorded on a register, with the consequence that conformity with the law of the place where the register is maintained may be decisive in resolving any question of transfer, or of competing transfers, of rights."

48. This is about the law governing the question whether a purported assignment of an intangible has been effective and, if so, on what date. I do not see that it is relevant to the present dispute.

49. The second passage relied on was in paragraph 24-069, which is headed "Assignment of Intellectual Property Rights". The passage relied on is:

> "In other words, the assignability of the right itself must inevitably be governed by the law under which the intellectual property right was itself created."

50. This concerns the law which governs whether an IP right may be assigned.

51. I do not see that either passage assists the claimants' argument. Clause (2) is discussed in paragraphs 24-064 to 24-074, which paragraphs are largely concerned with intangibles other than IP. The relatively short section on the assignment of intellectual property rights, paragraph 24-069, from which the second passage quoted above was taken, does not seem to me to assist the claimants.

52. Mr St Quintin also referred to clause (1)(b). That subclause concerns the law which governs the various matters set out within it. They do not stretch to the effect of an arbitration agreement contained in a contract which is not a contract for

an assignment of IP rights on a non-signatory to the contract.

53. Ms Lane submitted that the relevant rule in *Dicey* is Rule 64:

> "RULE 64—(1) The material validity, scope and interpretation of an arbitration agreement are governed by its applicable law, namely:
>
> (a) the law expressly or impliedly chosen by the parties; or,
>
> (b) in the absence of such choice, the law which is most closely connected with the arbitration agreement, which will in general be the law of the seat of the arbitration.
>
> (2) In general, arbitral proceedings are governed by the law of the seat of the arbitration.
>
> (3) The substance of the dispute is governed by either:
>
> (a) the law chosen by the parties; or
>
> (b) if the parties so agree, such other considerations as are agreed by the parties or determined by the tribunal; or
>
> (c) if there is no such choice or agreement, the law determined by the conflict of laws rules which the arbitral tribunal considers applicable."

54. Rule 64 appears more relevant. The issue in hand is whether the effect of the arbitration provision in the 1997 Agreement is such that it binds the claimants. That, it seems to me, falls under the heading of "interpretation" of the arbitration agreement. That being so, the effect of the arbitration agreement, including the effect of the arbitration provision, is governed by the law chosen by the parties, namely Californian law without reference to its conflicts of law provisions.

55. Before turning to Californian law, I will consider an argument raised by the claimants in the event that English and EU law governed the effect of

the arbitration agreement, since some time was spent on this issue.

56. The claimants' argument turns, in the English context, on the provisions of section 25 of the Trade Marks Act 1994. That section provides in relevant part:

> “Registration of transactions affecting registered trade mark.
>
> (1) On application being made to the registrar by—
>
> (a) a person claiming to be entitled to an interest in or under a registered trade mark by virtue of a registrable transaction, or
>
> (b) any other person claiming to be affected by such a transaction, the prescribed particulars of the transaction shall be entered in the register.
>
> (2) The following are registrable transactions—
>
> (a) an assignment of a registered trade mark or any right in it;
>
> (b) the grant of a licence under a registered trade mark;
>
> …
>
> (3) Until an application has been made for registration of the prescribed particulars of a registrable transaction—
>
> (a) the transaction is ineffective as against a person acquiring a conflicting interest in or under the registered trade mark in ignorance of it, and
>
> (b) a person claiming to be a licensee by virtue of the transaction does not have the protection of section 30 or 31 (rights and remedies of licensee in relation to infringement).”

57. The claimants say that the defendants' defence in the present proceedings rests on BHPC Marketing having granted a licence to the eighth defendant by the terms of the 1997 Agreement. It further rests on the claimants now being bound by that

licence. The 1997 Agreement was a licence which was registerable within the meaning of section 25. It was not registered. As a consequence, the 1997 Agreement is ineffective against the claimants, who are persons who acquired a conflicting interest in ignorance of the 1997 Agreement. Therefore the arbitration agreement is ineffective.

58. There are two problems with this argument, as I see it. First, in my view the 1997 Agreement is not a licence. Neither of the signatories consented to the use of its own trade marks by the other. Both agreed, rather, that they would not object to the other signatory's use of that other signatory's logo or to that other signatory filing further trade marks for its logo. To my mind, that is not best characterised as a licence; it is an agreement not to start proceedings, a coexistence agreement. Coexistence agreements were referred to in the Californian authorities I will discuss in a moment, sometimes called coexist agreements. I think there is a good reason why the California courts have not described them as licences. In my view, section 25 does not apply to the 1997 Agreement.

59. The second difficulty is that the arbitration agreement contained within the 1997 Agreement must be regarded as distinct.

60. Paragraph 16-011 of Dicey begins:

> "Law governing arbitration agreement. It is 'part of the very alphabet of arbitration law' that an arbitration agreement, even if (as is usually the case) it is contained in an arbitration clause within the body of a larger contract, forms a separate and distinct agreement."

61. There is a footnote after the words in quotation marks: "part of the very alphabet of arbitration law", which cites the judgment of Lord Steyn in *Lesotho Highlands Development Authority v Impregilo SpA* [2005] UKHL 43 at [21].

62. There is another footnote at the end of the passage I have quoted which begins: "This is a general principle of international commercial arbitration." There follow references to a string of English cases, some of the highest authority, and to several cases in other jurisdictions, including one in the United States Supreme Court.

63. The point is that even if section 25 had the effect of making the 1997 Agreement ineffective, the arbitration agreement is distinct and remains unaffected.

64. Mr St Quintin had a similar argument by reference to Articles 22 and 23 of the Community Trade Marks Regulation (EC) 40/94, in force at the time of the 1997 Agreement, and equivalent Articles in successor Regulations. The answer is the same as in relation to section 25 of the 1994 Act.

65. I turn next to the central point of debate, namely the effect of the arbitration agreement under Californian law. In particular, its effect with regard to the claimants.

66. In support of their application for a stay, the SBPC defendants filed a witness statement of Paul Llewellyn, who gives evidence as an expert on the law of California. Mr Llewellyn formerly practised as a barrister at 5 Essex Court. He then left for California and in 2001 passed the California Bar exam. For the past 19 years he has practised as a litigator, exclusively in California. He describes his practice as consisting of "complex business litigation, trials and arbitration".

67. In response, the claimants filed a witness statement of Lukas Sosnicki. Mr Sosnicki graduated from Northwestern University School of Law in 2005. He

was in private practice in New York and Denver until 2010 and then held positions as an in-house litigator in Los Angeles until 2013. In that year he returned to private practice, this time in California. Mr Sosnicki has represented many clients in arbitration proceedings and has routinely researched Californian law on arbitration.

68. I will attempt a brief summary of Mr Llewellyn's evidence in his first witness statement on the effect of the arbitration provision in clause 7 of the 1997 Agreement. I leave out his citations of authority.

69. Mr Llewellyn's first proposition is that the eighth defendant can enforce the arbitration provision in the 1997 Agreement as a signatory. The third and fourth defendants can also enforce the provision under their status as third party beneficiaries pursuant to clause 12 of the 1997 Agreement.

70. The second proposition is that issues relating to the assignment of a trade mark are governed by federal law, i.e. the Lanham Act. Also, in accordance with the cases cited by Mr Llewellyn, an assignee of a trade mark acquires the burdens and limitations that were incumbent on the assignor. These include the terms of any existing agreements burdening the trade mark.

71. Thirdly, courts have found that coexistence agreements, i.e. where each party agrees to the other's use of the other's trade marks worldwide, constitute agreements burdening the trade marks.

72. Fourthly, an assignee's lack of knowledge of a pre-existing agreement burdening the trade marks is irrelevant to whether the agreement binds the assignee.

73. Applying those principles to the present case, Mr Llewellyn states his opinion that the effect of the 1997 Agreement under Californian law is that the agreement as

a whole binds the claimants as assignees of the trade marks. The arbitration provision within clause 7 of the 1997 Agreement is broadly worded and covers the present dispute. Accordingly, the claimants are bound by the arbitration provision.

74. In response, Mr Sosnicki does not challenge the first of Mr Llewellyn's propositions but he has reservations regarding the others. Mr Sosnicki appears to accept that under Californian law an obligation may pass with an asset as a burden attached to the asset, such that it becomes an obligation of the assignee of the asset. However, he has two qualifications. The first is that Mr Llewellyn has analysed why Californian or US federal law applies to the question of whether a burden can attach to a non-US trade mark.

75. The second is that if a burden can be attached to a non-US trade mark, Mr Llewellyn has not shown that this is the case where the burden in question is the obligation to submit to arbitration. I will take these in turn.

76. With regard to the first, Mr Sosnicki said:

> "16. With respect to Mr Llewellyn's first argument, his initial statement does not include any analysis of why Californian or US law applies to what burdens can attach to and then follow a trademark. He instead assumes Californian and US federal law (namely the Lanham Act) must apply to an assignment to a non-US entity of non-US marks.
>
> 17. My understanding, which I have set out above, is that the Claimants are not assignees of any US trademarks. No US trademarks are relied on in these proceedings, and the proceedings do not concern the parties' use of any trademarks in the USA.
>
> 18. Paragraph 29 of Mr Llewellyn's statement then applies his opinion about the

application of Californian law and the federal Lanham Act to the trademarks in issue. But Mr. Llewellyn once again does not acknowledge that the trademarks are non-US trademarks assigned to non-US entities and not used anywhere in the USA.

19. I am told by the Claimants' solicitors that the Claimants' position is that under relevant EU and UK law, if they took assignment of an EU or UK registered trademark without knowing of the 1997 Agreement, then they are not bound by it. Mr Llewellyn's statement does not analyze whether EU or UK law may apply to this dispute because the trademarks themselves are EU and UK trademarks.

20. Mr Llewellyn's statement also does not consider whether the Lanham Act would apply in this case even if applying it would potentially create a conflict with foreign (namely EU and UK) law. See *Ubiquiti Networks, Inc. v. Kozumi USA Corp.*, 2012 WL 2343670, at *7 (N.D. Cal. June 20, 2012) [1-12] (declining to apply Lanham Act where "adjudication [in the United States] of the Argentinean UBIQUITI NETWORKS and Ubiquiti logo trademarks could conflict with Argentina's trademark law and affect commerce in Argentina more than it would affect the commerce of the United States, where no Ubiquiti products are sold….")."

77. Mr Llewellyn responded in a second witness statement. He said:

"9. At §§ 15 – 20 of his statement, Mr Sosnicki posits that my initial witness statement assumes that California law (and its deference to U.S. federal trademark law) applies to the dispute between the parties. He claims my position is incorrect because such marks are registered in jurisdictions outside of the United States.

10. However, I do not believe that California law applies to the dispute in question based on the jurisdiction in which the BHPC Marks are currently registered. Rather, I believe California law applies to the dispute in question as a matter of contract. This is because the question is whether the contractual obligation to arbitrate in the 1997 Agreement binds the Claimants and that is a question of construction of the 1997 Agreement.

11. Because that 1997 Agreement is governed by California law [PL1/1-17 § 9], the question, then, is how California law would be applied to a dispute between Claimants—assignees of the BHPC Marks—on the one hand, and Respondents, on the other hand.

12. The 1997 Agreement relates to "BHPC's Marks" as defined in the second recital. This (together with Exhibits 1 and 2) makes clear that BHPC's Marks are not limited to US trademarks but cover all marks for BHPC and for BEVERLY HILLS POLO CLUB and design. As explained in my first witness statement, at the time the 1997 Agreement was entered into, these marks included UK Trade Mark 1259226 and EU Trade Marks 364257 and 532895 (which were applications at the time but subsequently registered). All of these marks are relied upon in the UK proceedings.

13. And, as I explained in my first witness statement, under California law, the assignee of a trademark steps into the shoes of the assignor, and therefore takes the burdens of any agreements relating to the trademark. See, e.g., *Mag Instrument Inc. v. Vinsy Tech. Ltd*., No. EDCV13359ABCOPX, 2014 WL 12567835, at *1 (C.D. Cal. June 25, 2014). [PL2/18-21]

14. Mr. Sosnicki provides no authority supporting his claim that a California court or arbitrator would reach a different conclusion merely because the trademarks in question were registered in jurisdictions outside of the United States. In fact, the 1997 Agreement expressly contemplates that the contractual signatories and their successors and assigns could register the BHPC and SBPC images at issue in the contract "in any or all countries in the world, for use in connection with any good and services." [PL1/1-7 §§ 1-2]. Beyond this, the "Agreement may be used as evidence worldwide . . . to show consent to the use of the parties' respective above-described marks . . . ." [PL1/1-17 § 4]. In other words, the 1997 Agreement explicitly contemplates that the BHPC and SBPC images described therein would be registered in other jurisdictions and that its terms, which are governed by Californian law, would continue to apply.

15. Mr. Sosnicki makes reference to the possibility of a conflict between California law and "UK" and/or EU trademark law. However, he does not explain how or why such a conflict would exist here."

78. I have the impression that Mr Llewellyn rowed back somewhat in his second witness statement from any reliance on the Lanham Act. The point he makes, as I understand him, is that the question of whether any burden attaches to trade marks which are the subject of the 1997 Agreement and, if so, which burdens, requires the application of the Californian law of contract to the 1997 Agreement.

79. Mr Llewellyn repeated his view, expressed as a matter of contract law, that an assignee of those trade marks would take the burdens attached to the trade marks by the 1997 Agreement. He said that Californian law does not discriminate in this

regard between US and non-US trade marks.

80. Mr Sosnicki focused on Mr Llewellyn's reference to the Lanham Act and refers to an authority, *Ubiquiti Networks Inc v Kozumi USA Corporation* 2012 WL 234670 in support of his view that the Lanham Act would not be applied where there would be a conflict with foreign trade mark law. I was shown a copy of *Ubiquiti*. It is a judgment of the United States District Court, Northern District California. The defendant, Kozumi, was a former distributor of products supplied by the plaintiff, Ubiquiti. Both were US corporations. The distributorship agreement was terminated but Kozumi continued to buy Ubiquiti products from authorised distributors for redistribution in Argentina. It was alleged that Kozumi subsequently also sold fake Ubiquiti products. The owner of Kozumi, Mr Hsu, acquired from a third party Argentinian trade marks in the form of the words UBIQUITI NETWORKS and of Ubiquiti's logo.

81. In April 2012 Ubiquiti filed an action in Argentina seeking, among other things, nullification of Mr Hsu's Argentinian trade marks and an injunction to restrain the use of Ubiquiti's trade marks in that country.

82. In May 2012 Ubiquiti filed an ex parte application before the Californian court seeking a temporary restraining order against Kozumi based on claims of trade mark infringement under the Lanham Act. The judge referred to several authorities in which US courts had held that it was inequitable to enjoin a US resident from selling products in foreign countries in which it held a valid trade mark. The existence of a conflict with a foreign trade mark registration weighs against extra-territorial application of the Lanham Act. The judge continued, in the passage relied on by Mr Sosnicki:

> "Here, too, the adjudication in this country of the Argentinean UBIQUITI NETWORKS and Ubiquiti logo trademarks could conflict with Argentina's trademark law and affect commerce in Argentina more than it would affect the commerce of the United States, where no Ubiquiti products are sold by Kozumi."

83. *Ubiquiti* does not seem to me to be a case which is really on point. It supports the proposition that as a matter of US federal law the Lanham Act should not be applied extra-territorially in circumstances where it would create a conflict with a foreign trade mark registration, but it is not clear to me what equivalent conflict is contemplated in the present case by Mr Sosnicki. Nor is it clear to me that the Lanham Act has direct relevance.

84. *Ubiquiti* deals neither with the question whether the effect of an arbitration agreement in a contract governed by Californian law would be approached as a matter of construction, as Mr Llewellyn says it would, nor, if so, how such a provision would be construed in the circumstances of the present case.

85. I accept Mr Llewellyn's evidence on this point. The Californian law of contract would be applied to the 1997 Agreement to determine the effect of the arbitration provision. I also accept his evidence that under Californian law it makes no difference to the effect of the 1997 Agreement, including the effect of the arbitration provision, whether the trade marks protected by the Agreement are US or non-US trade marks.

86. The next substantive point raised by Mr Sosnicki is whether the burden attached to a trade mark can be an obligation to arbitrate. He said:

> "21. Mr. Llewellyn's analysis and conclusions might also consider whether

an obligation to arbitrate is a burden on use that can attach to a trademark, as Mr Llewellyn opines.

22. Mr. Llewellyn argues, as I understand it, that the Claimants are bound to arbitrate under the 1997 Agreement because they took assignment of certain trademarks. I note that the Claimants never expressly agreed to arbitrate claims relating to the trademarks in issue. They could not have done so, as the Claimants did not even exist at the time other parties entered into the 1997 Agreement.

23. I would further note that the Claimants never assumed the 1997 Agreement. The Claimants never agreed to be bound by the 1997 Agreement's terms through any express assumption of the contract itself.

24. At most, as I understand it, the Claimants took assignment of certain marks referenced in the 1997 Agreement. But while Mr Llewellyn asserts that assignees may step into the shoes of the assignor as relates to burdens on a mark's use, he does not analyse whether that specifically applies to a contractual obligation to arbitrate claims.

25. There are several principles of Californian law that apply to this question. First, under Californian law, when determining whether a valid contract to arbitrate exists, courts apply ordinary state law principles that govern contract formation, see *Ferguson v. Countrywide Credit Indus., Inc.*, 298 F.3d 778, 782 (9th Cir. 2002) [13-23]. Parties are not required to arbitrate their disagreements unless they have agreed to do so. *AT&T Techs., Inc. v. Commc'ns Workers of Am.*, 475 U.S. 643, 648 (1986) [24-31]. Absent a "clear agreement" to arbitrate, California courts will not infer that the right to

a jury trial has been waived, see *Avery v. Integrated Healthcare Holdings, Inc.*, 159 Cal.Rptr.3d 444, 451 (2013) [32-42].

26. As applies here, Mr Llewellyn's statement does not consider how taking assignment of a trademark demonstrates the Claimants' "clear agreement" to waive their normal right to a trial. Mr. Llewellyn offers no evidence or argument to show that the Claimants were aware of or consented to any arbitration provision when they took assignment of the trademarks.

27. Second, because consent to arbitrate requires a "clear agreement" under Californian law, Mr Llewellyn's statement might have considered whether an obligation to arbitrate can ever be a burden that attaches to and follows a trademark. The authorities that Mr. Llewellyn references in his statement relate to agreements that limit a party's use of the mark. The cases did not involve a party's efforts to require another party to arbitrate claims, and thereby waive the right to a jury trial:

a. *Mag Instrument Inc. v. Vinsy Tech. Ltd.*, 2014 WL 12567835 (C.D. Cal. June 25, 2014) [43-46] involved a settlement agreement that restricted the subject mark's use to "computer peripherals and computer related goods and services". Neither party in the case sought to enforce any arbitration provision against the other.

b. In *Russell Rd. Food & Beverage, LLC v. Spencer*, 2014 WL 1809697 (D. Nev. May 6, 2014) [47-51], while the parties were litigating over a coexistence agreement that permitted the plaintiff to use and register a certain specified mark, neither party was attempting to bind the other to an arbitration provision.

28. Mr Llewellyn's statement does not analyse how existing authority concerning a trademark's use applies to an agreement to arbitrate, and whether this authority supports his conclusion that an obligation to arbitrate is one that can attach to and follow a trademark."

86. Mr Llewellyn responded in this way:

"16. At §§ 21 – 28 of his statement, Mr Sosnicki asserts that an obligation to arbitrate this dispute cannot bind Claimants as nonsignatories to the 1997 Agreement.

17. As explained above, under California law, an assignee of a trademark steps into the shoes of the assignor with respect to contractual obligations of the assignor. Mr Sosnicki nevertheless asserts that there is an exception to this rule, and that a trademark assignee is not bound by the contractual obligation to arbitrate claims relating to the trademark's use because it is not a signatory to the contract in question.

18. Mr. Sosnicki fails to provide any authority for his assertion. Rather, he cites the broad principle that parties generally must agree to be bound by arbitration.

19. Yet Mr Sosnicki ignores that, under California law, arbitration clauses are frequently applied to entities, such as assignees and third-party beneficiaries, that did not sign the contract containing the arbitration clause in question. See, e.g., *Starlight Consumer Elecs. (USA), Inc. v. Petters Consumer Brands, LLC*, No. 07CV2102, 2008 WL 11508647, at *2 (S.D. Cal. Jan. 23, 2008) ("Under the ordinary contract principles which bind an intended third party beneficiary, an agent, or an assignee, a non-party may be bound by an

agreement to arbitrate.") [PL3/ 1 - 4].

20. Beyond being assignees of certain of the BHPC Marks, Claimants are also third-party beneficiaries of the 1997 Agreement. "The test for determining whether a contract was made for the benefit of a third person is whether an intent to benefit a third person appears from the terms of the contract." *MoistTech Corp. v. Sensortech Sys., Inc.*, No. CV 15-4952 PA (JPRX), 2015 WL 12778416, at *4 (C.D. Cal. Sept. 14, 2015) [PL3/ 5 - 10]. An entity is a third-party beneficiary when, based on the contractual language, it "can avail [it]self of the benefits of the Agreement" and that "the Agreement can be enforced against" it. *Figuerola Peruvians, L.L.C. v. N. Am. Peruvian Horse Ass'n,* No. CV0904511MMMRZX, 2009 WL 10673941, at *9 (C.D. Cal. Dec. 18, 2009) [PL3/ 11 - 20].

21. Here, the 1997 Agreement provides that it shall be "binding and inure" on, among other categories, "assigns." [PL2/1-17 § 12]. Furthermore, assigns are also "entitled to enforce the provisions of" the 1997 Agreement. [PL2/1-17 § 12]. Thus, as assigns, Claimants were both intended to be bound by, and have the ability to enforce, the 1997 Agreement. Accordingly, the arbitration provision is a burden that flows to Claimants as third-party beneficiaries of the 1997 Agreement. *MoistTech Corp.*, 2015 WL 12778416, at *4 ("Under California law, nonsignatories to an agreement may be compelled to arbitrate where the nonsignatory is a third party beneficiary of the contract containing the arbitration agreement.") [PL3/ 3 - 5]."

87. It does not seem to be in dispute between the experts that, as Mr Sosnicki said, absent a clear agreement to arbitrate, California courts will not infer that the right to

a jury trial has been waived. The point at issue is whether taking assignment of a trade mark protected by a contract containing an arbitration clause can qualify as a clear agreement to arbitrate on the part of the assignee.

88. Mr Sosnicki's point is that while *Mag Instrument* and *Russell Road* establish that taking an assignment of a trade mark can mean acquiring a burden attached to the trade mark in the form of a limitation on the trade mark's use, they are not authority for the proposition that the burden could be an obligation to arbitrate.

89. Mr Llewellyn's response is that Mr Sosnicki has not explained why the general proposition on the burdens passing to the assignee of a trademark, established by *Mag Instrument* and *Russell Road*, should be narrowly interpreted to exclude the obligation to arbitrate. In argument, I was taken to both cases in more detail.

90. *Russell Road Food & Beverage LLC v Spencer* 829 F.3d 1152 (2016) is a judgment of the United States Court of Appeals, Ninth Circuit. In this action, the assignee of rights under a trade mark coexistence agreement sought a declaratory judgment that its trade mark did not infringe a competitor's trade mark. The court said:

> "When a trademark is assigned, 'the assignee steps into the shoes of the assignor.' *ICEE Distribs., Inc. v. J&J Snack Foods Corp., 325 F.3d 586, 593 (5th Cir. 2003)* (citation omitted); see also *Carnival Brand Seafood Co. v. Carnival Brands, Inc*., 187 F.3d 1307, 1310 (11th Cir. 1999); *Premier Dental Prods. Co. v. Darby Dental Supply Co*., 794 F.2d 850, 853 (3d Cir. 1986). The assignee therefore 'acquires not only all the rights and priorities of the assignor, but also any burdens and limitations on use that were incumbent on the assignor.' *ICEE,* 325 F.3d at 593 (quoting J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 18:15 (4th ed. 2002));

see also *Sun–Maid Raisin Growers of Cal. v. Cal. Packing Corp.*, 273 F.2d 282, 284 (9th Cir. 1959) ('The assignment of the trademark did not in and of itself cause all rights under the contract and injunction to vanish magically as in a puff of smoke.'); *Waukesha Hygeia Mineral Springs Co. v. Hygeia Sparkling Distilled Water Co.*, 63 F. 438, 442 (7th Cir. 1894) ('No larger claim can be maintained than was possessed by the source of title, and the right is subject to the same equities, abandonment, or estoppel which could be asserted against the vendor.')."

91. *Mag Instrument Inc v Vinsi Technology Limited* (2014) WL 12567835 is a judgment of the United States District Court, Central District of California. The plaintiff, Mag Instrument, sought partial summary judgment against the defendant Vinsi. There had been a dispute between Mag Instrument and an entity called Mag Technology over the mark MAG. A settlement agreement was concluded. Under its terms, Mag Instrument withdrew its opposition to a trade mark application by Mag Technology. Mag Technology undertook to limit its use of the mark MAG and to limit the trade marks it would seek to register in ways specified in the agreement.

92. Subsequently, Mag Technology assigned to Vinsi the ownership of the trade marks which were the subject of the agreement. The court said:

"Second, Defendant's 'innocent purchaser' argument is irrelevant because, as a trademark assignee, Defendant steps into the shoes of its assignor and assumes all relevant rights and obligations under an existing Settlement Agreement. See, e.g., *Premier Dental Prods. Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986) ("following a proper assignment [of a

> trademark], the assignee steps into the shoes of the assignor"). In doing so, the assignee assumes the rights and obligations of the assignor, including those that flow from the terms of any existing agreements burdening the trademark. See McCarthy on Trademarks and Unfair Competition § 18:15 (4th Ed. 2014) ("An assignee, by following the footsteps of an assignor, acquires not only all the favorable rights and priorities of the assignor, but also any burdens and limitations on use that were incumbent on the assignor."). As explained in Plaintiff's motion, this is the case even if Defendant claims it acquired its marks from MAG Technology without any knowledge of the 1996 Agreement."

93. I accept Mr Llewellyn's evidence that these two cases establish the general proposition that a burden attaching to a trade mark which is the subject of a settlement or coexistence agreement passes with its assignment to become an obligation binding the assignee. I also accept that it makes no difference whether or not the assignee knows about the burden.

94. It is true that in neither *Russell Road* nor in *Mag Instrument* was the burden an obligation to arbitrate. But I think it was incumbent on Mr Sosnicki to explain why such an obligation would be an exception to the general rule, particularly since he did not cite any authority which states as much. He provided no such explanation.

95. I therefore, on balance, prefer Mr Llewellyn's evidence and accept that the general rule applies where the burden is an obligation to arbitrate.

96. It follows that in my view, on the balance of probability, the effect of the 1997 Agreement under Californian law and, in particular, the effect of its arbitration provision, is that the arbitration provision binds the claimants.

97. The defendants had a fallback argument in the event that I did not accept their primary argument. In his first witness statement, Mr Llewellyn said that there is a second independent basis on which the claimants are bound by the arbitration provision in the 1997 Agreement. It is that even if, on a correct construction of an agreement which contains an arbitration clause that clause does not bind an assignee of a trade mark which is the subject of the agreement, the assignee may make itself bound by the operation of the equitable doctrine of estoppel as it is applied in California. That will happen where the assignee has knowingly exploited the agreement. The assignee is not entitled to embrace the contract and then reject portions of the contract, such as the arbitration clause, which it finds unhelpful. Mr Llewellyn cited four authorities in support of this proposition.

98. Mr Sosnicki said:

> "30. Under Californian law, "[e]quitable estoppel 'precludes a party from claiming the benefits of a contract while simultaneously attempting to avoid the burdens that contract imposes.'" *Mundi v. Union Sec. Life Ins. Co.,* 555 F.3d 1042, 1045 (9th Cir. 2009)[52- 56]. The doctrine applies to a litigant's claims that "are dependent upon or inextricably intertwined with the obligations imposed by the contract containing the arbitration clause" *JSM Tuscany, LLC v. Superior Court*, 193 Cal.App.4th 1222, 1240 (2011)[57- 69].
>
> 31. Typically, the doctrine applies to preclude a litigant from pursuing claims that depend on a contract's existence while at the same time disclaiming portions of the contract (including an arbitration provision) that the litigant finds unfavorable. In other words, a litigant cannot rely on a contract and disclaim it at the same time. In each of the three cases that Mr

Llewellyn references on this point in his statement (*Tamsco, Allied Professionals Ins. Co., and Boucher*), that was exactly the case: the plaintiffs pursued claims relating to the defendants' performance under agreements that contained arbitration provisions but argued the arbitration provisions did not bind them.

32. Mr Llewellyn's statement does not acknowledge that, in this case, the Claimants are not bringing a breach of contract claim against Defendants under the 1997 Agreement. The Claimants are not attempting to enforce provisions of the 1997 Agreement against Defendants but attempting to avoid the 1997 Agreement's arbitration provision in the same proceeding and at the same time. The Claimants' claims against SBPC do not depend whatsoever on the 1997 Agreement's existence.

33. Courts in California have previously held that equitable estoppel does not apply where the plaintiff's claim does not depend on the contract containing the arbitration provision. See *Namsinak v. Uber Technologies, Inc*., 971 F.3d 1088, 1095 (9th Cir. 2020)[70-74] (equitable estoppel is inapplicable where a plaintiff's allegations reveal no claim of any violation of any duty, obligation, term or condition imposed by the contract). Californian courts have also held that a defendant's reliance on a contract as a defense to a claim does not justify applying equitable estoppel as against the plaintiff. See *Amergence Supply Chain Management, Inc. v. Changhong Trading Ltd.*, 2016 WL 8234652, at *8 (C.D. Cal. Apr. 21, 2016) [75-82]. Mr Llewellyn's statement does not include any analysis of how these principles apply to, or may change, his conclusions."

99. Mr Llewellyn's reply included this:

"22. At §§ 29 – 33 of his statement, Mr Sosnicki opines, as I understand it, that the doctrine of equitable estoppel only applies to bind a nonsignatory to an arbitration provision when a nonsignatory relies upon the contract containing the arbitration provision to assert claims in court against the signatory.

23. While Mr. Sosnicki is correct that this is one scenario whereby a nonsignatory can be bound to arbitrate claims, he is incorrect to the extent he asserts that it is the only circumstance in which equitable estoppel applies to require nonsignatories to arbitrate claims. He has cited no authority in support of such a claim.

24. In fact, under California law, a "party may be estopped from asserting that the lack of his signature on a written contract precludes enforcement of the contract's arbitration clause . . . when it receives a 'direct benefit' from a contract containing an arbitration clause." *Boucher v. All. Title Co*., 127 Cal. App. 4th 262, 269 (2005) (emphasis added) [PL2/114-120].

25. Multiple cases have applied this principle to estop nonsignatories from refusing comply with an arbitration provision. See, e.g., *NORCAL Mut. Ins. Co. v. Newton*, 84 Cal. App. 4th 64, 82 (2000) (Compelling arbitration of nonsignatory because "[t]o allow [the nonsignatory] to rely upon the insurance policy to obtain representation but disavow the applicability of the arbitration provision to her would be to allow her to pick and choose the portions of the policy she wished to accept" and noting "[n]o person can be permitted to adopt that part of an entire transaction which is beneficial to him/her, and then reject its burdens") [PL3/ 21 - 32]; *Hofer v. Emley*, No. 19-

CV-02205-JSC, 2019 WL 4575389, at *6 (N.D. Cal. Sept. 20, 2019) (nonsignatory was bound to arbitration clause when he "knowingly received benefits flowing directly from the Agreement") [PL3/ 33 - 55].

…

28. The *Namisnak v. Uber Techs., Inc.*, 971 F.3d 1088, 1091 (9th Cir. 2020), decision Mr. Sosnicki cites dealt with a factual situation not present here. In *Namisnak*, the party seeking to compel arbitration did so based on the claims the nonsignatory asserted in court. In contrast, as explained above, Defendants' estoppel point relies on the fact that Claimants explicitly sought, and received, direct benefits under the 1997 Agreement, not the nature of Claimants' claims before this Court."

100. Mr Sosnicki said that "typically" the equitable doctrine referred to by Mr Llewellyn applies where a party seeks to enforce a contract while disclaiming portions of it, such as an arbitration clause. Mr Sosnicki then goes further in his paragraph 33 and says that the doctrine does not apply where the plaintiff's claim does not depend on the contract containing the arbitration provision.

101. Mr Sosnicki's authority in support of this exception to the general doctrine of estoppel is *Namisnak v Uber Technologies Inc* 971 F.3d 1088 (2020), a judgment of the United States Court of Appeals, Ninth Circuit. The claimants were users of electric wheelchairs. They brought an action against Uber, the car ride company, alleging that the lack of an option to call for a wheelchair-accessible vehicle violated the US Americans with Disability Act. Uber sought to compel arbitration. The court said:

"Uber also argues that the district court erred in denying its motion to compel arbitration, a decision we review de novo. *Bushley v. Credit Suisse First Boston*, 360 F.3d 1149, 1152 (9th Cir. 2004). Uber's only argument in favor of reversal is that Plaintiffs should be equitably estopped from avoiding arbitration. We disagree.

Generally, parties who have not assented to an arbitration agreement cannot be compelled to arbitrate under its terms. *E.E.O.C. v. Waffle House, Inc.*, 534 U.S. 279, 293, 122 S.Ct. 754, 151 L.Ed.2d 755 (2002). But under California law, which applies here, nonsignatories to an agreement with an arbitration clause can be compelled to arbitrate for a variety of reasons. One such reason, and the one Uber *1095 seeks to apply here, exists when a nonsignatory should be equitably estopped from arguing that he cannot be bound by an arbitration clause. That exception applies when there are "claims that are dependent upon or inextricably intertwined with the obligations imposed by the contract containing the arbitration clause." *JSM Tuscany, LLC v. Superior Court*, 193 Cal.App.4th 1222, 123 Cal. Rptr. 3d 429, 445 (2011).

Uber argues that Plaintiffs' standing theory—that they may sue without downloading the Uber App and assenting to its Terms and Conditions because downloading the Uber App would be futile—is inextricably intertwined with the Terms and Conditions. That is so, according to Uber, because Plaintiffs' standing theory only works if they are assumed to be like another party who downloaded the Uber App and faced discrimination. But equitable estoppel is "inapplicable violation of any duty, obligation, term or condition" imposed by the contract. *In re Henson,* 869 F.3d 1052, 1060 (9th Cir. 2017) (applying California law) (citations and internal quotations omitted). That is because equitable estoppel exists for situations in which a nonsignatory is “relying on an agreement for one purpose while disavowing the arbitration clause of the agreement.” *Goldman v. KPMG, LLP*, 173 Cal.App.4th 209, 92 Cal. Rptr. 3d 534, 551 (2009). So where “allegations reveal no claim of any violation of any duty, obligation, term or condition imposed by the operating agreements” and there is no “claim founded in or even tangentially related to any duty, obligation, term or condition imposed by the operating agreements ... the claims are fully viable without reference to the terms of those agreements” and equitable estoppel does not apply. *Id*”

102. As I read that passage, equitable estoppel was not applicable because the plaintiff's allegations neither rested on a breach of the contract in issue, nor were they even tangentially related to any duty obligation, term or condition imposed by the contract.

103. The exception to general rule on equitable estoppel in this context seems to me to be more restricted than Mr Sosnicki suggests. There is also the unusual factual background to the *Namisnak* case which Mr Llewellyn highlights. There had never been any contract between Uber and any relevant party. The arbitration clause relied on by Uber was contained in the terms imposed on users of the Uber app. The plaintiffs had never downloaded the app. Uber was forced to argue that the plaintiffs were estopped from avoiding Uber's arbitration agreement because they had consciously avoided downloading the app. It was that argument which was rejected by the Court of Appeals.

104. However, as I understand the court's judgment, it indicates that an estoppel will not arise if the claimant's claim is not sufficiently linked to the contract containing the

arbitration clause on which the defendant relies. It was not in dispute between the experts that, as Mr Sosnicki said in his paragraph 30, the equitable doctrine applies only where the plaintiff's claims are dependent upon or are inextricably intertwined with the obligations imposed by the contract containing the arbitration clause.

105. I was shown several cases in which the term "dependent upon or inextricably intertwined with" was applied in this context. It was referred to in *Namisnak* itself in the passage I have quoted. None of these cases provides a suggested criterion by which this term, especially "inextricably intertwined" can be tested. I was told that the parties are not aware of any academic learning which has reviewed the relevant cases and has provided such a criterion.

106. I earlier set out the facts relating to the application by the claimants to the Mexican Trade Mark Office. The claimants represented to the Office that they were parties to the 1997 Agreement, which I have found to have been the case. The question is whether the claimants' claims of trade mark infringement and passing off in the present case are dependent upon or inextricably intertwined with the obligations imposed by the 1997 Agreement.

107. I think, on the balance of probability, that they are. Those claims are likely to depend on the protection afforded to the first claimant's trade marks and the claimants' goodwill by the 1997 Agreement.

108. For the foregoing reasons, I will stay the present action pursuant to section 9 of the Arbitration Act 1996 pending the outcome of any arbitration.

109. As explained earlier, the application was advanced by Ms Lane on behalf of the SBPC Defendants. Mr Lenon showed me a letter dated 23 November 2020 from the claimants' solicitors to the fifth, sixth and seventh defendants. It agrees

with an earlier suggestion, apparently made by those defendants, that if the application for a stay by the SBPC Defendants were to be successful, the claim against those defendants should be stayed too. I was told by Mr Lenon that it is agreed that this applies to all of the MCR and Regency Defendants. I will therefore stay the proceedings as against all the defendants.

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