

**IN THE SUPREME COURT OF JUDICATURE**  
**COURT OF APPEAL (CIVIL DIVISION)**  
**ON APPEAL FROM THE HIGH COURT**  
**CHANCERY DIVISION (Mr Justice Laddie)**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 1 April 2003

**Before :**

**LORD JUSTICE SCHIEMANN**  
**LORD JUSTICE BROOKE**  
and  
**LORD JUSTICE JONATHAN PARKER**

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**Between :**

**Irvine & Ors**

**Claimants**  
**Appellants**

**- and -**

**TalkSport Ltd**

**Defendant**  
**Respondent**

**Mr Michael Briggs QC and Miss Lindsay Lane (instructed by Messrs Fladgate Fielder) for the**  
**Claimant/Appellants**  
**Mr Murray Rosen QC and Mr Stephen Tudway (instructed by Messrs Rosenblatt) for the Respondent**

Hearing dates : 12 and 13 March 2003

**JUDGMENT : APPROVED BY THE COURT FOR  
HANDING DOWN (SUBJECT TO EDITORIAL  
CORRECTIONS)**

**Lord Justice Jonathan Parker:**

***INTRODUCTION***

1. Before the court are an appeal and a cross-appeal in a passing off action brought by Mr Eddie Irvine, the well-known racing driver, and certain of his management companies, against TalkSport Ltd (“TSL”). Since nothing turns for present purposes on the inclusion of the management companies as claimants, I shall proceed as if Mr Irvine were the only claimant.
2. By his order dated 27 March 2002 Laddie J ordered TSL to pay to Mr Irvine damages for passing off which he assessed in the sum of £2,000, with interest. The judge granted permission to TSL to appeal on the issue of liability and to Mr Irvine to appeal against the assessment of damages. Each has done so.

***THE FACTUAL BACKGROUND***

3. Prior to 2000 TSL (under its then name Talk Radio UK Ltd) operated a commercial news and talk-back radio station known as Talk Radio. In 1998 or early 1999 it was decided that the station should change its ‘on-air’ character from news coverage and talk-back to sports coverage. This in turn involved ‘rebranding’ the station by changing its name from ‘Talk Radio’ to ‘TalkSport’ (and by changing TSL’s name to its present name). These changes were made in about February 2000.
4. In the meantime, during 1999 TSL acquired the rights to cover a number of prominent sporting events, including the FIA Formula One Grand Prix World Championship (“the Championship”). The 1999 Championship consisted of sixteen Grand Prix races, each held in a different country. The British Grand Prix (the eighth race in the sequence) took place at Silverstone on 11 July 1999.
5. Like all commercial radio stations, Talk Radio relied heavily for its financial success on the generation of advertising revenue. In early 1999, to support the change to sports coverage and to generate interest among potential advertisers, TSL embarked on a promotional campaign, under the guidance of a specialist marketing company called SMP Ltd (“SMP”). The campaign consisted of sending boxed packs to just under 1000 recipients who were thought to be likely, directly or indirectly, to place advertisements on the station. Three boxed packs were produced: one related to cricket (TSL having acquired the rights to cover the England cricket team’s winter tour of South Africa); one was of a more general nature; the third, with which the present action is concerned, related to Formula One (“the Formula One pack”).
6. The Formula One pack, which was designed to coincide with the British Grand Prix, consisted of a box bearing, on the outside, a photographic image of a Formula One racing car. The driver of the car is not expressly identified (nor, for that matter, is he identifiable – at least to the uninitiated). The evidence is that he is in fact Mr Damon Hill. Inset at the top righthand and the bottom lefthand corners of the main image are photographic images of Mr Michael Schumacher, another well-known Formula One driver. At the top of the main image are the words “ALL THE SMELLS ...”, and at the foot are the words “... ALL THE NOISE”. Running upwards along the righthand edge of the main image is a request to return the package to an unidentified PO Box if undelivered.
7. The box contained a pair of boxer shorts and a leaflet or brochure. Across the rear of the boxer shorts is a representation of a skid mark such as would be made by a racing car braking sharply. On the front of the boxer shorts is the station’s logo, consisting of the words “talk radio” together with the radio frequency of the station. The leaflet or brochure consists of a single sheet of paper folded across the middle, so as to form four pages.

8. On the front page of the leaflet, under the title “GRAND PRIX”, there is a photographic image of Mr Irvine dressed in the racing gear of the Ferrari team (which Mr Irvine had joined in 1996) and apparently holding up to his left ear a small radio on which the station’s logo clearly appears. Mr Irvine is shown with his right hand raised to his right ear, as if to block out background noise from revving racing car engines, thus giving the impression that he is listening intently to the radio, and hence (given the logo) to Talk Radio. Immediately underneath the photographic image appears, once again, the station’s logo and, alongside the logo, the words “... we’ve got it covered!”. Across the top of the inside of the leaflet when it is opened out (that is to say running across the top of the two inside pages of the leaflet) are the words “Pole position again”, flanked to the left by the logo and to the right by another photographic image of a Formula One racing car. The text beneath informs the reader that Talk Radio had obtained the coverage of all the sixteen races which comprised the 1999 Championship. In relation to advertising, the text of the leaflet includes the following:

“Talk Radio offers the most cost-effective advertising opportunities in live exclusive sport and offers you tailor-made solutions for promotional campaigns. .... Talk Radio’s advertising breaks are clutter free and limited to 7 minutes per hour, nationally. .... Talk Radio gives you the opportunity to associate with the Grand Prix Championship through an EXCLUSIVE advertising opportunity around Talk’s comprehensive coverage. .... Talk Radio gives you the opportunity to reach loyal and captive Grand Prix fans. .... Talk Radio gives you the opportunity to reach an intelligent, responsive audience and add value to your brands with distinct programming. .... In essence, a comprehensive radio station where listeners are 19% more likely than the average adult to notice your advertisements on the radio.”

9. The inside of the leaflet also contains an analysis of “Talk Radio’s Grand Prix advertising opportunities”.
10. On the back of the leaflet is an offer, expressed to be in addition to what is described as “an unbeatable advertising opportunity”, of a free prize draw for anyone who contacts Talk Radio’s sales team. The text concludes with the following:

“To find out more information about putting your advertising in pole position, contact Tim Bleakley.”

11. Mr Bleakley was TSL’s sales director.
12. On the back of the leaflet is a photographic image of Mr Michael Schumacher and two other Formula One drivers (one of which is Mr Irvine) on the podium after a race. Mr Schumacher and Mr Irvine are both in the racing gear of the Ferrari team. Mr Schumacher is in the centre, as the winner; Mr Irvine is to his right, as the runner-up.
13. Following his move to Ferrari in 1996, Mr Irvine proceeded to build up a substantial worldwide reputation as a Formula One driver. This was accompanied by an increasing demand for his ‘endorsement’ of particular products or services: that is to say, the use of his image in connection with a product or service so as to indicate his association with and commendation of that product or service. From 1996 onwards he entered into a number of lucrative endorsement deals, to which I shall have to refer in more detail later in this judgment.
14. Mr Irvine’s 1999 season was particularly successful, and in the course of it he was the subject of a substantial amount of media coverage. He won the first race in the Championship (in Australia) and after fifteen of the sixteen races he was in the lead in the drivers’ world championship, although his final position was runner-up. In the United Kingdom in particular he had achieved celebrity status. As the judge put it, he was ‘hot property’.

15. The cause of the present dispute is the image of Mr Irvine which appears on the front of the leaflet which formed part of the Formula One pack. It is common ground that the image is not a genuine photographic image, in that TSL, having (perfectly properly and without any breach of copyright) purchased from a photographic agency a photograph of Mr Irvine listening to a mobile telephone, altered the photograph by substituting the radio for the mobile telephone. It is that 'doctored' image which appears on the front of the leaflet. It is also common ground that at the time Mr Irvine knew nothing of the Formula One pack or its contents, and in particular that he had not agreed to the use of the image in the leaflet or to give any kind of endorsement of Talk Radio.
16. In the action, which was commenced on 22 December 2000, Mr Irvine alleges that by 1999 he had built up a valuable goodwill and reputation in his name and image; that the image on the front of the leaflet was calculated to deceive, and would lead a substantial number of members of the public in the United Kingdom to believe (contrary to the fact) that he had endorsed Talk Radio; that in the premises TSL had passed off its radio station as having been endorsed by him; and that as a result he had suffered loss and damage.
17. By its Defence, TSL admits distributing the leaflet, but denies liability for passing off. Paragraph 7 of the Defence pleads as follows:

“The distribution of the leaflets complained of was not calculated to deceive or cause confusion .... The leaflets complained of contain photographs of a number of Formula One racing drivers. The leaflets are not such as to lead any recipient to believe that either the claimant (or any of the other racing drivers depicted in the leaflets) endorsed .... the defendant's business, or that there was some other commercial arrangement with the defendant.”
18. The judge delivered two judgments. In his first judgment, delivered on 13 March 2002, he found in favour of Mr Irvine on the issue of liability. In so doing, he concluded (contrary to the allegation in paragraph 7 of TSL's Defence) that the image on the front of the leaflet falsely represented that Mr Irvine had endorsed Talk Radio. TSL's cross-appeal on liability is limited to a challenge to that conclusion. Hence the only issue on the cross-appeal is whether the image on the front of the leaflet falsely represented that Mr Irvine had endorsed Talk Radio. I shall refer to that issue hereafter as “the representation issue”.
19. In his second judgment, delivered on 25 March 2002 following an adjourned hearing (“the assessment hearing”), the judge assessed the damages at £2,000. By his appeal, Mr Irvine contends that the judge erred in principle in assessing the damages, and that the correct amount of damages is £25,000.

#### ***THE EVIDENCE ON THE REPRESENTATION ISSUE***

20. Mr Irvine's evidence was that he regarded the image on the front of the leaflet as showing, contrary to the fact, that he had endorsed Talk Radio.
21. To the same effect was the evidence of Mr Ian Phillips, who was called as a witness on Mr Irvine's behalf. Mr Phillips is the director of business affairs of Jordan Grand Prix Ltd (“Jordan”) and was a recipient of the Formula One package. At that time (mid-1999) he was Jordan's commercial manager. As such, he was responsible for monitoring and approving the promotional activities of drivers on Jordan's team (known as “Benson & Hedges Jordan Honda”). In paragraph 2 of his first witness statement, Mr Phillips said that when he saw the leaflet (which he refers to as a flyer) he considered that the front page of it was:

“... a fairly clear use of Eddie Irvine’s rights in his name, fame and message. I thought the flyer was authorised by Eddie Irvine and I sent it to his manager Enrico Zanarini to verify.”

22. At the conclusion of his first witness statement, Mr Phillips said:

“If I was acting for Eddie Irvine I would probably have asked for not less than £50,000 for the use of this image in 1999.”

23. Cross-examined by Mr Michael Hicks (for TSL), Mr Phillips said that on seeing the leaflet he had telephoned Mr Zanarini to congratulate him on having done a deal. He continued:

“It was quite clearly a personal endorsement and I quite fancied getting a personalised Talk Radio myself .... I thought obviously as part of the deal he would have a few free radios to give away, that’s normally what you do with these things. It was so obviously a tampered or set-up photograph that I presumed that it just had to be a deal which had been done by Irvine or by Zanarini for Irvine. .... I congratulated Mr Zanarini on having done a deal and he told me he knew nothing about it which is why I sent it to him.”

24. Later in his oral evidence under cross-examination, Mr Phillips described the image on the front of the leaflet as:

“... a blatant use of Eddie Irvine’s image with a doctored photograph.”

25. Mr Zanarini was also called to give evidence, but his recollection of events was not clear, and in the event the judge did not regard his evidence as being of assistance.

26. Mr Bleakley addressed the representation issue in his witness statement, as follows:

“27. I consider it important to state that both [TSL] and I did not intend to deceive or cause confusion to anyone. Nor do we believe that we did so. The manipulated image was designed to amuse the target audience, who would have instantly realised from the photograph and its context that it had been manipulated. We do not consider that the brochure was likely to lead members of the public to believe that Mr Irvine was endorsing, recommending or approving Talk Radio or that he was otherwise involved in some commercial arrangement with Talk Radio or concerning advertising opportunities available on Talk Radio ....

28. The first reason why both [TSL] and I consider [Mr Irvine’s] allegations to be unfounded is that the type of people who received the [Formula One pack] (i.e. Brand Managers, Marketing Directors, Media Buyers, Media Planners and Advertisers) often receive and are hardened to this type of marketing literature. Such individuals receive many different brochures and mail-shots from many different sources, some of which will include images of sportsmen, and they would not assume that a sportsman who is featured in such promotional literature is endorsing or otherwise associated with the entity who is distributing the brochure or running the promotion concerned.”

27. Mr Bleakley went on to give examples of instances where photographs of celebrities have been used for promotional purposes (albeit that none of his examples involves any element of endorsement).

28. Mr Bleakley's second reason for saying that Mr Irvine's allegations are unfounded was that had TSL reached an agreement with Mr Irvine for his endorsement of Talk Radio, that fact would have been highlighted in the leaflet. His third reason was that the content of the leaflet itself strongly suggests that there is no endorsement of Talk Radio. He referred in this connection to the other photographs which appear on the leaflet. His fourth reason was that the box which contained the leaflet itself bore photographic images of Mr Michael Schumacher and Mr Damon Hill. He also relied on the humorous character of Formula One pack, and of the other two promotional packs (which the majority of the recipients of the Formula One pack would also have received).

29. In paragraph 42 of his witness statement Mr Bleakley said this:

“Sports stars frequently appear on the cover of sports magazines and in newspapers. These pictures often appear without the star in question giving his or her authorisation. This is usually because the magazine or newspaper is covering a particular event [which] the star is participating in, publishing an article about the star or one on his or her sport generally. There is nothing wrong with this. Essentially, that is all Talk Radio did. It used an image of [Mr Irvine], not to suggest any endorsement or association, but because [Mr Irvine] is associated with Grand Prix racing – the subject matter the brochure dealt with.”

30. Under cross-examination, Mr Bleakley said this:

“This is trade promotion, so it's going to a very, very small select group of people. Believe me, Eddie Irvine being part of Talk Sport's content would be big news – not trade news, this would be national news. .... We are dealing with a sophisticated audience and I would suggest that most of my clientele would know whether or not Eddie Irvine was likely to have had a radio with Talk Radio in that exact position that happened to coincide with a trade promotion for Formula 1. .... We are talking about an audience that would definitely make a distinction about something designed to catch their eye and inform them about what we were doing, as opposed to a specific contractual signature we had got in order to leverage our position to them because of an association; yes, definitely.”

### ***THE FIRST JUDGMENT***

31. In his first judgment, Laddie J, after setting out the relevant facts, turned first to a submission made by Mr Hicks that the cause of action in passing off does not cover a case where the claimant is represented as having 'endorsed' a particular product or service unless it can also be shown that the claimant and the defendant shared a common field of activity or that the 'endorsement' will, at least in the short term, result in some financial loss to the claimant.

32. Having conducted what is, if I may respectfully say so, an impressive analysis of the historical development of the tort of passing off, the judge rejected Mr Hicks' submission, concluding (in paragraph 38 of his judgment) that it is not necessary for a claimant who has been falsely represented as endorsing a particular product or service to establish these additional facts in order to recover substantial damages in passing off. The judge continued:

“Of course there is still a need to demonstrate a misrepresentation because it is that misrepresentation which enables the defendant to make use or take advantage of the claimant's reputation.”

33. In paragraph 46 of his judgment, the judge said this:

“It follows from the views expressed above that there is nothing which prevents an action for passing off succeeding in a false endorsement case. However, in order to succeed, the burden on the claimant includes a need to prove at least two, interrelated, facts. First, that at the time of the acts complained of he had a significant reputation or goodwill. Second, that the actions of the defendant gave rise to a false message which would be understood by a not insignificant section of his market that his goods have been endorsed, recommended or are approved of by the claimant. I shall return to those two issues.”

34. In paragraphs 47 to 56 of his judgment, the judge addressed the question whether in 1999 Mr Irvine had a substantial reputation or goodwill. In paragraph 56 he expressed his conclusion thus:

“In my view it is proved that Mr Irvine was, in 1999, an extremely ‘hot property’ in the field of motor racing and was well known by name and appearance to a significant part of the public in this country. In my view he would have been even more well known among, or would be well known to an even greater proportion of those who are concerned to seek endorsement of their goods from sports personalities.”

35. The judge went on, in paragraph 57 of his judgment, to observe that the above conclusion was consistent with the actions of TSL in altering the photograph of Mr Irvine in the manner described earlier. He continued:

“Indeed, I think that the suggestion that the addressees of the brochure would not have recognised the picture as being of Mr Irvine is not only contrary to common sense, it is also contrary to [TSL’s] own evidence. .... If the photograph was really anonymous, TSL could have used a photograph of anyone dressed up as a racing driver. Furthermore, Mr Bleakley said in his witness statement that the manipulated image was ‘designed to amuse the target audience, who would have instantly realised from the photograph and its context that it had been manipulated’. .... it is difficult to see how the target audience could have been ‘amused’ if they did not know whose picture was being used.”

36. TSL does not seek to challenge that part of the judge’s decision.

37. The judge then turned to the representation issue, which he formulated as follows: Whether the actions of TSL had created “a false message which would be understood by a not insignificant section of its market to mean that its radio programme or station had been endorsed, recommended or approved of by Mr Irvine”. In paragraph 59 of his judgment the judge reformulated the issue as being: “whether, on a balance of probabilities, a significant proportion of those to whom this brochure was sent would think that Mr Irvine had endorsed or recommended Talk Radio”.

38. The judge began his consideration of the representation issue by reviewing the evidence of Mr Phillips.

39. In paragraph 61 of his judgment, the judge referred to Mr Phillips’ evidence under cross-examination (quoted earlier) and in particular to his reference to the image on the front of the leaflet as “so obviously a tampered or set-up photograph that I presumed that it just had to be a deal which had been done by Irvine ...”. Despite being pressed by Mr Hicks, Mr Phillips did not accept that on seeing the image he must have concluded that it did not constitute a genuine endorsement by Mr Irvine. As the judge put it (in paragraph 62 of his judgment):

“Although he was pressed on this issue, his evidence remained unshaken.”

40. As to Mr Zanarini’s evidence, as noted earlier, the judge did not consider that his evidence on this issue was of any material assistance.
41. The judge then addressed a submission by Mr Hicks that Mr Phillips was, in effect, partisan, in that he knew Mr Irvine well and had a vested interest in his success in the action since he was employed in organising sponsorship, endorsement and merchandising deals for other Formula One drivers. Mr Hicks had also submitted that Mr Phillips was not to be regarded as a typical recipient of the Formula One pack.
42. As to the first of those submissions, the judge said this (in paragraph 65 of the judgment):

“As far as the first of these points is concerned, it would, perhaps, have been better had Mr Hicks put it to Mr Phillips that he was partisan. Nevertheless I think Mr Hicks’ point has merit. It is clear that a favourable outcome of this action as far as Mr Irvine is concerned would benefit Mr Phillips. I also accept that Mr Phillips would have been closer to the individuals and the sport than most of the recipients of the brochure. I am by no means convinced that the latter point makes him more likely to be confused than others. I would have thought his exposure to this market and (as Mr Hicks suggested to him in cross-examination) his knowledge that there are many ‘rogues’ about, might have made him less likely to be confused.”

43. The judge continued, in paragraphs 66, 67 and 68 of the judgment:

“66. With these considerations as a background, I have considered carefully Mr Phillips’ evidence. As will be seen from the extract from his cross examination set out above, Mr Phillips told me that he not only thought that Mr Zanarini had procured an endorsement deal with the defendant but that, as a result, Mr Zanarini would be likely to have some free radios, and Mr Phillips was hoping to get one of these. If Mr Hicks is right and Mr Phillips realised at all time that this was not authorised by or on behalf of Mr Irvine, it must mean that Mr Phillips’ evidence on this issue was thoroughly misleading. There was nothing about Mr Phillips’ evidence which led me to believe that he was being untruthful or was putting self interest in front of honesty. I accept that he did think that Mr Irvine had endorsed the brochure.

67. In coming to that conclusion, I do not think that Mr Phillips was being either hypersensitive or unreasonable. The brochure was put out at just the time when media interest in the British F1 Grand Prix, and in the most prominent British competitor, Mr Irvine, would be at its highest. As noted above, the defendant described this promotion as being “time critical” to coincide with the British Grand Prix at Silverstone in early July 1999. The brochure showed Mr Irvine listening to Talk Radio. It was in a brochure which was designed to encourage the recipients to think of placing advertisements on Talk Radio’s programmes. For that purpose it was beneficial to convince the recipients that Talk Radio would be likely to attract a large audience. It seems to me that letting people know, or suggesting to them, that Talk Radio enjoyed the endorsement of Mr Irvine would significantly help Talk Radio to deliver that message.

68. What is at issue here is the likely effect of the brochure on those to whom it was sent. If it is likely to have the effect of conveying to a significant number of the recipients that Mr Irvine was endorsing Talk Radio, then it does not matter whether or not that was the defendant’s intention. Nevertheless, what the defendant intended



to achieve by the promotion can give some indication of what it was likely to achieve. After all, the promotion was designed by experts who probably had a good idea of the impact the promotion would make.”

44. The judge went on to comment that there was no evidence as to why a decision had been taken (presumably by SMP) to use a doctored photograph of Mr Irvine on a brochure designed to coincide with the British Grand Prix. He accepted (in paragraph 72) that Mr Bleakley had no intention to mislead the target audience, but he concluded that it was:

“... legitimate to conclude that part at least of the intention was to convey the message to the audience that Talk Radio was so good that it was endorsed and listened to by Mr Irvine. Mr Irvine’s support of Talk Radio would make it more attractive to potential listeners with the result that more would listen to its programmes and that would make Talk Radio an attractive medium in which to place advertisements.”

45. The judge concluded (in paragraph 73) that a not insignificant number of recipients of the brochure would have made the same assumption as Mr Phillips had made: that is to say, that Mr Irvine had endorsed Talk Radio. The judge then turned to a further submission made by Mr Hicks, to the effect that the fact that the photograph was (as he submitted) obviously doctored meant that it was less likely that anyone would believe that Mr Irvine had endorsed Talk Radio. As to that, the judge said:

“Even if it were true that the photograph was obviously doctored, I do not see how that could make any significant difference to the impact the brochure would have on its recipients. Furthermore, I am unable to accept that the doctored was obvious. On the contrary, when I first saw the brochure it did not occur to me that the photograph was doctored. The replacement of the mobile phone has been done so skilfully that, even now, it does not look like a doctored picture to me.”

46. The judge turned next to a submission made by Mr Hicks to the effect that the limited distribution of the Formula One pack (the exact number of recipients was 981) meant that Mr Irvine had failed to prove that he had suffered substantial damage. As to that, the judge said (in paragraph 74):

“It is possible that the damage already done to Mr Irvine may be negligible in direct money terms, but the potential long term damage is considerable.”

47. The judge stated his conclusion on the issue of liability in paragraph 75 of his judgment, in the following terms:

“For reasons given above, Mr Irvine has a property right in his goodwill which he can protect from unlicensed appropriation consisting of a false claim or suggestion of endorsement of a third party’s goods or business.”

#### ***THE ASSESSMENT HEARING***

48. Having handed down his judgment on the issue of liability, the judge reserved the assessment of damages to himself. He fixed 25 March 2002 as the date of the assessment hearing and gave directions for the filing of evidence and the exchange of skeleton arguments.

49. The evidence filed on the assessment hearing on behalf of Mr Irvine consisted of a second witness statement by Mr Irvine himself, a second witness statement by Mr Phillips, a witness statement by Mr John Byfield (as an expert witness), and a witness statement by Mr John Buckley of Messrs Fladgate Fielder, Mr Irvine's solicitors, exhibiting an exchange of e-mails with a Mr Julian Jakobi (as an additional expert witness).
50. The evidence filed on the assessment hearing on behalf of TSL consisted of a witness statement by Mr Keith Sadler, the Finance Director of The Wireless Group plc, TSL's parent company. Also relevant to the assessment of damages is a section of Mr Bleakley's witness statement, to which I shall refer in due course.
51. No direction for cross-examination was sought or made. Consequently, the written evidence before the judge on the assessment hearing was unchallenged.
52. In his second witness statement, Mr Irvine sets out, in tabular form, the various publicity deals to which a general reference had been made in his first witness statement.
53. The table shows that in 1999 Mr Irvine entered into five publicity agreements. One of those five agreements – with The Express – permitted the newspaper to use Mr Irvine's name and/or image in connection with articles published during the Grand Prix season, but did not involve any element of endorsement. The other four agreements entered into by Mr Irvine in 1999 were, respectively, with Oakley UK Ltd ("the Oakley agreement"), Tommy Hilfiger USA Inc ("the Hilfiger agreement"), Bieffe Helmets srl ("the Bieffe agreement") and Calzaturificio Valleverde Spa ("the Valleverde agreement"). These were all endorsement agreements.
54. The Oakley agreement, which was dated 10 February 1999, provided for an endorsement of sunglasses marketed by Oakley. It was an open endorsement, in the sense that Mr Irvine agreed without restriction to allow Oakley to publish or otherwise use his name, photographs or other reproductions of him in the advertising or promotion of the product. The agreement was limited to expire at the end of 1999. Mr Irvine's fee for this endorsement was US\$40,000 (some £25,200), plus £10,000 worth of free product which Mr Irvine was free to deal with as he wished: a total value of some £35,000.
55. The Hilfiger agreement was for an endorsement relating to clothing. It provided for images of Mr Irvine to be used in advertising the product and for him to make personal appearances. The agreement was limited to expire at the end of 1999. Mr Irvine's fee was US\$150,000 (some £94,500) plus US\$50,000 (some £31,500) of free product: a total value of some £125,000.
56. The Bieffe agreement was for an endorsement of racing helmets. It was for one year only. It required Mr Irvine to supply an image for promotional purposes, and to wear the product. Mr Irvine's fee for the endorsement was US\$35,000 (some £22,050) plus free product worth US\$100,000 (some £63,000): a total value of some £85,000.
57. The Valleverde agreement was for an endorsement of footwear. It provided for an image of Mr Irvine to be used for print advertising, a personal appearance at a promotion, and an appearance in a television commercial in Italy. Mr Irvine's fee for this endorsement was US\$120,000 (some £75,600) plus free product worth US\$3,000 (some £1,890): a total value of some £78,000.
58. The table also includes an endorsement agreement which Mr Irvine made with Gillette in 1998, to which the judge referred in his judgment on damages. The agreement with Gillette was for what is described a 'below the line', as opposed to an 'above the line', endorsement. The difference between these two types of endorsement is, essentially, that in an 'above the line' deal the endorsee has control over the use to be made of the endorsement (e.g. he can use it for the purposes of his own promotional campaign),

whereas in a 'below the line' deal he has no such control, the relevant material being simply made available to the media to make such use of it as they see fit. Hence the price bracket for a 'below the line' endorsement is significantly lower than the price bracket for an 'above the line' endorsement. The Gillette agreement itself illustrates this. Mr Irvine's fee for a 'below the line' endorsement was US\$15,000, but if Gillette were to use the endorsement for 'above the line' publicity or promotional purposes, an additional fee of US\$45,000 would be chargeable.

59. In paragraph 4 of his witness statement, Mr Irvine says that control of the use of his identity in giving endorsements enables him to enhance his image as a racing driver, and that in consequence he charges less for endorsing a fashionable product than an unfashionable one. He places Talk Radio in the latter category.

60. In paragraph 5 of his witness statement, Mr Irvine says this:

“... although I am relatively keen to endorse products, there is and was in 1999 a price below which I would not consider endorsing a product. This is because I would not want it to be known that my endorsement fee was a low figure. Word would soon get around and it could devalue my image and market rate. Also once my image has been used even a single time for a certain type of product it would be very difficult to do a deal again involving that type of product during at least that year or sometimes longer depending on the type of product or campaign. It is difficult to state what this figure was in 1999 but I would think it was in the region of US\$40,000 to \$50,000 (£25,200 to £31,500) for the use of my image for advertising.”

61. Mr Irvine goes on to say that his fee for 'below the line' endorsements would be less than for 'above the line' endorsements, and that he would not describe the agreement with The Express, or a similar agreement with the Daily Mail in 1998, as being endorsements at all.

62. In paragraph 6 of his witness statement Mr Irvine says:

“Taking these factors into account, I would probably have asked for \$50,000 to do the Talk Radio brochure being my minimum figure plus a reflection on the non-fashionable image of Talk Radio.”

63. Mr Byfield, the first of Mr Irvine's expert witnesses on the assessment of damages, is the director and chairman of a sports management company specialising in Formula One, his main speciality being driver management (he manages Mr Jenson Button, a Formula One driver who at the time drove for the Renault team). He is also a solicitor. In his witness statement he states that he has been shown a copy of the judge's judgment on liability. He also confirms that he understands that the Formula One pack was sent to 981 potential advertisers.

64. In paragraphs 4 and 5 of his witness statement he says this:

“4. I have been asked what I think would be a reasonable licence fee for the use of Eddie Irvine's image on the front of the Talk Radio brochure for a single campaign to promote the radio's Formula 1 programme in 1999 to just under 1000 potential UK advertisers. I

have not been shown any evidence of what the claimant or his advisers or witnesses think might be a reasonable fee nor have I discussed any such figure with them before coming to my own independent conclusion.

5. I believe that a reasonable fee for the use of Eddie Irvine's image on the front of the Talk Radio brochure in 1999 would be US\$50,000. In the context of Formula 1 endorsements this is a low figure. Primarily this is because the campaign by Talk Radio was limited to potential advertisers on their radio station. Against that, however, I think it is right to take account of the fact that Eddie Irvine was at the time a British driver on a campaign to be world champion with Ferrari, the most popular Formula 1 team on the grid. I also arrive at this figure because it is likely to be what would be paid to Jenson Button for a similar deal if done today."

65. Mr Jakobi is managing director of CSS Stellar Group, which provides client management and marketing services in the field of sports and entertainment. CSS Stellar Group has been sponsorship consultant to the Williams Formula 1 Team for the past seventeen years. Mr Jakobi also has considerable personal experience of looking after the business affairs of many prominent people in the field of sport, including the late Mr Ayrton Senna. Mr Jakobi was sent a copy of the leaflet by Mr Buckley, and told that it was sent to 981 potential advertisers in the United Kingdom as part of TSL's Formula 1 programme. Asked what would be his estimate, based on his experience of Formula 1, of a reasonable fee for the use of Eddie Irvine's image, Mr Jakobi's answer is £50,000.
66. Mr Phillips' second witness statement begins by addressing the concerns expressed by the judge in paragraph 65 of his judgment on liability (quoted earlier) as to Mr Phillips' impartiality and objectivity. In this connection Mr Phillips states that he has given evidence on many occasions, and that his credibility as a witness is extremely important to him. In paragraph 3 of his witness statement, Mr Phillips turns to the question of the fee which Mr Irvine would have charged for his endorsement of Talk Radio, saying this:

"Keeping to the forefront of my mind my duty to give honest impartial evidence as best I can, I repeat the evidence in .... my first witness statement that if I was acting for Eddie Irvine at around the time of the British Grand Prix in 1999, I would have asked for a sum in the region of £50,000 for the use of his image on the Talk Radio flyer. Whilst I did not know at the time of my first witness statement that the brochure was sent to just under 1,000 people, in fact this does not radically change my view of the sum I would have asked for. This is because first, the fee would be for the use of Eddie Irvine's image on a commercial brochure directed to major decision makers at some very large companies. Secondly, a fee would be agreed based on the proposed campaign, that is a campaign directed at potential advertisers on the radio and not based on a specific number of recipients. Thirdly, a fee would be based on Eddie Irvine's market position at the time. In the summer of 1999 Eddie Irvine was at the peak of his career driving for Ferrari and having a realistic chance of becoming World Champion. This would simply be the market rate subject to a minimum figure below which a sportsman in Eddie Irvine's position would not agree to the use of his image as it would

not be worth their while from the point of view of devaluing his worth.”

67. Mr Sadler’s witness statement does not directly address the question what would be a reasonable fee for the endorsement; rather, his evidence is directed to the nature of TSL’s business, and in particular, the cost to TSL of producing and distributing the Formula One pack. He states that the total cost of so doing was some £11,400, of which the most expensive item was the boxer shorts (which cost £3,431). In paragraph 14 of his witness statement, Mr Sadler says this:

“Giving consideration to the nature of the promotion, the likely incremental advertising sales that would be generated by it and the sums spent on producing this mailer, if we had been required to pay for the use of the image of [Mr Irvine] then we would have had to cut one of the other promotional aspects of the promotion to keep the overall spend within the usual spending parameters. Those spending parameters would perhaps have permitted a few additional hundred pounds (but no more than, say, a maximum of £0.50p per flyer). Bearing in mind the need to achieve cut through [a reference to the need to attract the attention of the recipient to the content of the material before it is discarded], it is difficult even with hindsight to see what element of the mailer could have been sacrificed.”

68. I turn finally, so far as the evidence on the assessment hearing is concerned, to the section of Mr Bleakley’s first witness statement which is headed “The Distribution List” (a reference to the list of individuals to whom the Formula One pack was sent). In paragraph 22 of his witness statement Mr Bleakley states that the list was generated by a piece of proprietary software used by TSL to provide lists of potential advertisers. In paragraph 23 he says this:

“I have recently reviewed the Distribution List and I would estimate that roughly 20% of the individuals listed in it are representatives of entities or companies which we considered might be willing to place advertisements directly with Talk Radio during our coverage of the 1999 [Championship]. The remaining 80% or so of the individuals listed in the Distribution List represented that part of our existing client base who were advertising and/or promotion agencies and that we considered might be interested in knowing that we had advertising opportunities available during our Grand Prix coverage. We hoped that they would let their own clients know about the advertising opportunities that were available.”

## ***THE SECOND JUDGMENT***

69. The judge began his second judgment, which he delivered extempore, by considering what is the correct measure of damage in the instant case. In paragraph 7 of the approved transcription of his judgment he concluded that the correct approach is that of “a reasonable endorsement fee”. Both sides accept that conclusion of the judge, although (as will appear) they have differing ideas of what is meant by that expression.

70. The judge then addressed the question what would be a reasonable endorsement fee in the context of the instant case. In paragraphs 9 and 10 of his judgment he said this:

“9. It should be borne in mind that when the Court assess a reasonable royalty, or its equivalent of a reasonable endorsement fee, what the Court has to try and do, as unreal as it may appear, is to work out the fee which would have been arrived at as between a willing endorser and a willing endorsee. That is to say, it must be assumed contrary to the fact that the Defendant had sought the Claimants’ agreement to the endorsement and that they had sat down and had negotiated an arm’s length but amicable deal between them.

10. In doing that, it seems to me that the Court has got to assume that each side would have had regard to the legitimate interest of the other side; that is to say the Defendant would have had regard to the Claimants’ legitimate commercial interests and the Claimants would have regard to the Defendant’s legitimate interests. The purpose is to arrive at a figure which, so far as possible, met both of their requirements. That is important in this case because it is quite apparent that there is more or less no fee which Mr Irvine would have charged which the Defendants would have agreed to pay because they take the not unreasonable stance that anything of any significance could have been avoided by them using a different photograph on the front of their brochure. This, however, is not a factor which can be taken into account in trying to work out what a reasonable fee would have been.

71. In paragraph 11 of his judgment, the judge turned to the position of Mr Irvine, saying this:

“Similarly, Mr Irvine being, by 1999, at the peak of his career and used to signing very large endorsement deals for large scale products being sold on to the general public, would not have been interested in anything small, as this promotion clearly was. Indeed, Miss Lane makes it clear in her submissions, and it is supported by Mr Irvine’s evidence served on this application, that Mr Irvine (to use her words) wouldn’t have got out of bed for less than £25,000. That is to say, he would not have entered into any endorsement deal for less than that sum. I am not sure in fact that it is true that Mr Irvine would have refused to do an endorsement deal for less than £25,000, for reasons I will touch upon in a moment, but it appears that in the relevant year of 1999 he did not in fact sign any endorsement deals of less than £25,000. Once again, that is not a factor which can be taken into account. The fact that Mr Irvine only signed large endorsement deals, as I will explain below, does not mean that on an assessment of a reasonable fee for a very small endorsement deal the court should assume that only a large fee would be acceptable. When the court tries to assess what a reasonable fee would be it must proceed on the basis of what the parties would have done had they been willing to enter into a reasonable arrangement for the acts which have been held to breach the Claimants’ rights. Neither side has a power of veto.

72. The judge then turned to the evidence as to the nature of the particular promotion, as being relevant to the fixing of a reasonable endorsement fee. In paragraph 14 of his judgment he concluded that it was:

“... in all senses a small promotion, expected to have, and planned on the basis that it would have, only a comparatively small impact, small readership, amongst the less than 1,000 to whom it was sent.”

73. On the other hand, the judge observed, it was clearly thought to be of benefit to TSL to have what looked like an endorsement by Mr Irvine.

74. Referring to Mr Sadler’s evidence as to the financial position of TSL and to the cost of producing and distributing the Formula One pack, the judge concluded (in paragraph 16) that TSL’s financial position was irrelevant, since there was in his view no question of a reasonable endorsement fee being assessed on the basis that the defendant had no money and therefore could not pay.

75. The judge then turned to the expert evidence adduced on behalf of Mr Irvine (including the evidence of Mr Phillips), saying this (in paragraphs 17 and 18):

“17. On the other hand, Miss Lane [appearing for Mr Irvine] asks for a sum in the region of £50,000. She has, to support this, four pieces of evidence which show a pleasing uniformity in the figures which are suggested. There are two witnesses produced by the Claimants, one Mr Buckley and the other Mr Phillips, both of whom independently say that the reasonable fee would be £50,000. There are two other witness statements, one from Mr Byfield and one from Mr Irvine, both of which say \$50,000.

18. Quite how these significant figures came to be arrived at by the witnesses other than Mr Irvine is not explained. It is by no means clear that any of them really were aware of the limited nature of the promotion or, more significantly, Mr Irvine’s past track record in securing endorsement deals. The fees that, say, might be achieved by Mr Michael Schumacher for endorsing Rolex watches on a very large scale gives no indication of what might be the appropriate fee here and none of the three witnesses other than Mr Irvine explain how they come to their estimates of the fees they would ask for.”

76. The judge next considered Mr Irvine’s evidence as to the various publicity deals into which he had entered, as shown in the table to which I referred earlier. After considering the Oakley agreement, the Hilfiger agreement and the Bieffe agreement, the judge turned to the Gillette agreement and to the two agreements with newspapers (with The Daily Mail in 1998 and with The Express in 1999) saying this (in paragraphs 24 to 28 inclusive of his judgment):

“24. There are three other uses of Mr Irvine’s name or picture which I should refer to, which are of some significance. First, there was a promotion or endorsement undertaken by Gillette in respect of a new man’s wet razor called the “Mach 3”. In 1998 Mr Irvine entered into an agreement with Gillette under which he was to be paid \$15,000 for what is referred to as under-the-line publicity and \$45,000 for above-the-line publicity; that is to say, the smaller sum was to be used

for subliminal support using Mr Irvine's picture and name, but \$45,000 was to be paid for open endorsement of the Gillette product. Once again, I do not have figures for the anticipated sales of Gillette razors which were to be supported by that endorsement, although I think I can take judicial notice of the fact that Gillette products sell on a vast scale.

25. On the other hand, some indication of what was in mind can be gathered from the following documents. First of all, there is a memorandum of 31st August 1998 to Mr Zanarini, that is Mr Irvine's agent, which refers to the fees which I have just mentioned, and also goes on to state as follows:

"For our purposes we will require Eddie Irvine is available for up to three interviews, one daily newspaper, one weekend newspaper or magazine, one radio/television interview. Eddie will also be required to hold the product in some of the photos. If asked by the media, Eddie will be expected to say that he has used the product and will not mention any competing brand. There will be one or two female models included in some of the photos for variety."

26. Attached to that memorandum is a document headed "Target Media", which indicates the circulations which were in contemplation in the newspapers and magazines and radio stations which Gillette anticipated using for this endorsement. For example, *The Irish Independent* had a circulation of 160,000; *The Star* 860,660, *The Examiner* 55,000, *The Sun* 72,000, *The Evening Herald* 110,000. As far as weekly newspapers were concerned, those in contemplation were the *Independent Weekender* with a circulation of 162,000, *Sunday Business Post* at 45,000, *Ireland on Sunday* 67,000 and *Sunday World* with a circulation of 330,000. There were also other radio stations and weekly newspapers, circulation figures for which are not given.

27. The second and third promotions involved *The Daily Mail* and the *The Express*. These contracts were not strictly endorsements in the same sense. In each case, Mr Irvine was to be paid to put his name to articles (in fact written by others) which would be published during the motor racing season. As far as *The Daily Mail* was concerned, 10 articles were to be published under his name and using his photograph in 1998 for a total of £10,000; that is £1,000 per article. In 1999 *The Express* contracted to have 18 articles, once again using Mr Irvine's name, and perhaps his photograph, for a total sum of £22,000.

28. These examples of real contracts entered into by Mr Irvine gives a feel for the spread of fees which Mr Irvine managed to secure for what were very substantial endorsements."

77. The judge concluded his judgment as follows:

"29. Mr Irvine makes it clear that he would not have been interested in advertising or giving endorsements to Talk Radio. I am sure that this



was a very small endorsement and I accept Miss Lane's categorisation that Mr Irvine would not have been bothered to get out of bed for this one. This was much too small to interest the likes of Mr Irvine at the time when he was at the peak of his career.

30. Likewise, it seems to me very likely that the other witnesses who have given substantial figures of what they think would have been a reasonable fee to ask for are no doubt used to asking for very large sums for very large campaigns supporting sales of products, for example, in the hundreds of thousands, if not millions of pounds. None of that, in my view, throws any real light on what the figure would have been for what, in my view, is such a small and limited campaign.

31. I think that Mr Hicks goes too far when he says that 50p per brochure was enough. As I said, this was a time-critical promotion. I think the suggestion which is inherent in Miss Lane's submissions, that a reasonable company in the Defendant's position would have been prepared to spend by agreement £50 per brochure is quite unrealistic and I do not accept it. In my view, erring, as it appears to me, on the generous side, I would have thought a reasonable figure is £2,000 and I will so order.

#### ***TSL'S CROSS-APPEAL ON THE REPRESENTATION ISSUE***

78. For TSL, Mr Murray Rosen QC (leading Mr Stephen Tudway) submits that the judge erred in accepting the evidence of Mr Phillips as to the likelihood of confusion among a significant number of the recipients of the Formula One pack. He submits (relying on Mr Bleakley's written and oral evidence, referred to earlier) that the likely effect of the photograph was not such as to induce its intended recipients to believe that Mr Irvine had endorsed Talk Radio. He reminds us that Mr Phillips, in cross-examination, accepted that the photograph had obviously been tampered with. That fact, coupled with the generally 'spoof' nature of the Formula One pack (and, for that matter, of the other two promotional packs), is, he submits, demonstrative of his point. Mr Rosen submits that the image on the front of the leaflet was manifestly intended as a joke – albeit a joke which in the event went sadly wrong – and that the recipients of it would have so regarded it.
79. He submits that the judge was in error in substituting his own subjective view that it was not obvious that the photographic image on the front of the leaflet had been 'doctored' for an objective determination of the view which a typical recipient of the leaflet would probably have formed on that question. (In this connection it is to be noted that, somewhat surprisingly, there was no direct evidence before the judge as to the reactions of recipients of the Formula One pack. It appears that such evidence was sought to be adduced on behalf of Mr Irvine but was excluded on the ground that it had been served too late.)

#### ***Conclusions***

80. I cannot accept Mr Rosen's submissions.

81. To my eye, the image on the front of the leaflet is the clearest representation that Mr Irvine has endorsed Talk Radio. The fact that the whole Formula One pack may have been intended as a joke, and may well have been perceived as such by recipients of it, seems to me to be nothing to the point. In particular, the humorous nature (if that it be) of the image on the front of the leaflet does not seem to me to affect the question whether the impression which the image gives is that Mr Irvine has endorsed Talk Radio. The fact that the idea of Mr Irvine listening to Talk Radio whilst dressed in Ferrari racing gear amid the hubbub of a Grand Prix may strike one as somewhat surreal does not throw any light on the question whether or not he had agreed to be so depicted. Nor, for that matter, does the fact (whether apparent or not) that the image is not a genuine photographic image.
82. I find it difficult to conceive of a clearer way of conveying, by way of a quasi-photographic image, the message that a celebrity has endorsed a particular radio station than by depicting the celebrity listening intently to a radio bearing the station's logo.
83. In any event, the judge was fully entitled to accept Mr Phillips' clear evidence on this point, which the judge described as "unshaken" under cross-examination. Mr Phillips' credibility was entirely a matter for the judge.
84. In my judgment, therefore, there is no substance in TSL's appeal on liability. I would dismiss it.

#### ***MR IRVINE'S APPEAL ON DAMAGES***

##### ***The arguments on behalf of Mr Irvine***

85. For Mr Irvine, Mr Michael Briggs QC (leading Miss Lane) submits that, having (correctly) concluded that the appropriate measure of damage was a reasonable royalty, the judge erred in failing to adopt the approach laid down by the House of Lords in *General Tire and Rubber Company v. Firestone Tyre and Rubber Company Ltd* [1976] RPC 197. He relies in particular on the passage in the speech of Lord Wilberforce in that case where Lord Wilberforce identifies what he describes (at page 212 line 25) as "some of the main groups of reported cases which exemplify the approaches of courts to typical situations". The relevant group of cases for the purposes of the instant case, Mr Briggs submits, is the group of cases where inventions are exploited through the granting of licences for royalty payments. He submits that the approach which the courts adopt in determining what is a reasonable royalty payment in such cases should be adopted in determining what is a reasonable endorsement fee in the instant case. Applying that approach, he submits, that judge in the instant case should have asked himself what TSL would have had to pay in order to obtain what in the event it wrongfully appropriated, that is to say an intellectual property right in the form of Mr Irvine's endorsement of its product: in other words, what would have been the price which TSL could reasonably have been charged for permission to do the infringing act.
86. Instead of asking himself that question, Mr Briggs submits, the judge set himself the task of determining the fee which TSL would have agreed to pay Mr Irvine on the assumption that (as he put it in paragraph 10 of his second judgment) "each side would have had regard to the legitimate interest of the other side". Mr Briggs submits that the judge erred in principle when (later in paragraph 10) he said: "The purpose is to arrive at a figure which, so far as possible, met [the requirements of both of them]".
87. Had the judge adopted the correct approach, Mr Briggs submits, he must have found that, on the basis of the evidence of Mr Irvine's that in 1999 his minimum fee for an endorsement of Talk Radio would have been in the region of £25,000, and of the expert evidence of Mr Byfield, Mr Jakobi and Mr Phillips, the correct figure for damages cannot be less than £25,000.
88. Mr Briggs submits that, given that Mr Irvine's evidence was unchallenged, there was no basis on which the judge could cast doubt on its veracity (as he appears to do in paragraph 11 of his second judgment). Moreover, he points out that Mr Irvine's evidence that he would not have agreed to endorse Talk Radio

for less than £25,000 is supported not only by the evidence of Mr Phillips but also by the evidence of the endorsement deals into which Mr Irvine actually entered in 1999, where the fees charged in every case exceeded £25,000.

89. In any event, he submits, the judge's approach to the evidence of endorsement fees actually charged was both contradictory and wrong, in that not only did he take little account of the endorsement deals entered into by Mr Irvine in 1999 (i.e. the Oakley agreement, the Hilfiger agreement, the Bieffe agreement and the Valleverde agreement), but he appears to have given significant weight to three other deals (i.e. the Gillette deal and the publicity deals with The Daily Mail and The Express) which were not comparable with endorsement deals.
90. As to the expert evidence of Mr Byfield and Mr Jakobi, Mr Briggs submits that the judge effectively rejected it on grounds which were manifestly spurious. He submits that the uncontradicted evidence of Mr Byfield, Mr Jakobi and Mr Phillips was all consistent with a reasonable endorsement fee in the region of US\$50,000 to £50,000.
91. Mr Briggs submits that the judge gave too much weight to the fact that the Formula One pack was only sent to 981 individuals as a factor reducing the damages. He points out that the recipients were those who were thought to be likely, directly or indirectly, to generate advertising revenue for the station. He also reminds us of Mr Irvine's evidence that an endorser cannot in practice endorse more than one product or service in any one particular field.
92. Mr Rosen submits that, applying the principles explained by Lord Wilberforce in *General Tire*, the judge was right to consider what fee would have been charged by Mr Irvine in a hypothetical fair bargain between Mr Irvine and TSL. He further submits that the use which TSL made of Mr Irvine's goodwill, as described by Mr Bleakley and Mr Sadler in their witness statements, was a specific and limited use in that it was used in a one-off promotion distributed to less than 1000 recipients: in other words it was, as the judge described it (in paragraph 11 of the second judgment), "a very small endorsement deal". He submits that the fee which would have been charged by Mr Irvine in the hypothetical fair bargain between him and TSL should reflect that fact. Thus, he submits, the hypothetical fair bargain would have been one in which Mr Irvine's image was licensed for use in promotional material with a very limited distribution, without any explanation or rider beyond the use of the image itself. The fee for that use would have been proportional to the limited extent of the promotion, not only because the distribution was on a small scale but also because Mr Irvine's endorsement would not be available to the general public, thereby leaving his capacity to endorse other products to the general public substantially unaffected.
93. Mr Rosen also submits that the nature of the 'target audience' (i.e. the typical recipient of the Formula One pack) is a relevant consideration in arriving at a hypothetical endorsement fee. As to that, he submits that the judge correctly described the recipients of the Formula One pack (in paragraph 13 of the second judgment) as "a group which consisted of fairly hard-nosed advertising personnel". A further factor to be taken into account, he submits, is the inevitable propensity for recipients of material such as the Formula One pack to discard it without reading it.
94. As to Mr Briggs' criticism of the judge's attempt to arrive at a figure which would meet the requirements of both parties, Mr Rosen submits that the judge was doing no more than searching for the level of fee which would have been agreed between them as part of the hypothetical fair bargain.
95. As to the evidence, Mr Rosen supports the judge's treatment of the evidence of other publicity deals into which Mr Irvine entered in 1998 and 1999. He submits that each of those deals involved a far greater use of Mr Irvine's goodwill than the Formula One pack. As to the expert evidence, he submits that the fact that such evidence was unchallenged (in the sense that no expert evidence to the contrary was adduced by TSL) does not mean that the judge was bound to accept it at face value. He submits that Mr

Byfield's evidence did not condescend to detail as to the reasons why he concluded that the appropriate figure would be US\$50,000. As to Mr Jakobi's evidence, he submits it was brief to the point of being laconic, that the basis of his opinion was unclear, and that he did not provide any underlying analysis. Given these shortcomings in the expert evidence, he submits, the judge was fully entitled to weigh such evidence against his own assessment of what would have been a reasonable endorsement fee in the context of a hypothetical fair bargain between Mr Irvine and TSL. As to the evidence of Mr Phillips, he points out that in cross-examination Mr Phillips admitted that he had "no idea" how many individuals were sent the Formula One pack; nor did he have any idea what the advertising rates on a commercial radio station might be.

96. Mr Rosen submits that what happened in the instant case was no more than a joke on a small scale, which went badly wrong; accordingly it should not be categorised as a serious misuse of Mr Irvine's goodwill, and the award of damages should reflect that.

### **Conclusions**

97. In *General Tire*, Lord Wilberforce refers to three groups of cases as exemplifying the approaches of the courts to typical situations arising in the context of infringement of a patent. The first group consists of cases where the infringer makes a profit from exploiting the invention, thereby diverting sales from the owner of the patent to the infringer. In such cases the measure of damages will normally be the profit which the owner of the patent would have made if the sales had been made by him. The second group consists of cases where patents are exploited by through the granting of licences in consideration of royalty payments. In such cases, Lord Wilberforce says (at *ibid.* p.212 line 40):

"... if an infringer uses the invention without a licence, the measure of damages he must pay will be the sums which he would have paid by way of royalty if instead of acting illegally, he had acted legally."

98. Lord Wilberforce continues:

"The problem .... is to establish the amount of such royalty. The solution to this problem is essentially and exclusively one of evidence, and as the facts capable of being adduced in evidence are necessarily individual, from case to case, the danger is obvious in referring to a particular case and transferring its conclusions to other situations."

99. Lord Wilberforce goes on to cite a passage from the judgment of Sargent J in *A.G. [etc] v. London Aluminium Co Ltd (No 2)* (1923) 40 RPC 107, where Sargent J said:

"... what has to be ascertained is that which the infringer would have had to pay if, instead of infringing the patent, he had come to be licensed under the patent. I do not mean by that that the successful patentee can ascribe any fancy sum which he says he might have charged, but in those cases where he has dealt with his property merely by way of licence, and there have been licences at certain definite rates, there prima facie, apart from any reason to the contrary, the price or royalty which has been arrived at by means of a free bargain between the patentee and the person desiring to use the patented article has been taken as being the price or royalty that presumably would have had to be paid by the infringer. In doing that, it seems to me that the court is certainly not treating the infringer unduly harshly; he should at least, in my judgment, have to pay as much as he would in all probability have had to pay had he to deal with the patentee by way of free bargain in the way in which the other persons who took licences did in fact pay."

100. Lord Wilberforce continues:

“These are very useful guidelines, but the principle of them must not be misapplied. Before a ‘going rate’ of royalty can be taken as the basis on which an infringer should be held liable, it must be shown that the circumstances in which the going rate was paid are the same or at least comparable with those in which the patentee and the infringer are assumed to strike their bargain.”

101. The third group of cases to which Lord Wilberforce refers in *General Tire* consists of cases where it is not possible to prove either the amount of profit which the owner of the patent has lost by reason of the infringement (with the consequence that the case does not fall within the first group), or that there is a ‘going rate’ of royalty (with the consequence that the case does not fall within the second group). As to this third group, Lord Wilberforce says (at *ibid.* p.213 line 49):

“In such cases it is for the plaintiff to adduce evidence which will guide the court. The evidence may consist of the practice, as regards royalty, in the relevant trade or analogous trades; perhaps of expert opinion expressed in publications or in the witness box; possibly of the profitability of the invention; and any other factor on which the judge can decide the measure of loss. Since evidence of this kind is in its nature general and also probably hypothetical, it is unlikely to be of relevance, or if relevant, of weight, in the face of the more concrete and direct type of evidence referred to [in connection with the second group of cases]. But there is no rule of law which prevents the court, even where it has evidence of licensing practice, from taking these more general considerations into account. The ultimate process is one of judicial estimation of the available indications.”

102. Lord Wilberforce goes on to cite the well-known passage from the judgment of Fletcher Moulton LJ in *Meters Ltd v. Metropolitan Gas Meters Ltd* (1911) 28 RPC 157 at 164-5 as expressing “the true principle” governing cases within the third group. In that passage, Fletcher Moulton LJ said this:

“There is one case in which I think the manner of assessing damages in the case of sales of infringing articles has almost become a rule of law, and that is where the patentee grants permission to make the infringing article at a fixed price – in other words, where he grants a licence at a certain figure. Every one of the infringing articles might then have been rendered a non-infringing article by applying for and getting that permission. The court then takes the number of infringing articles, and multiplies that by the sum that would have had to be paid in order to make the manufacture of that article lawful, and that is the measure of the damage that has been done by the infringement. The existence of such a rule shows that the courts consider that every single one of the infringements was a wrong, and that it is fair – where the facts of the case allow the court to get at the damages in that way – to allow pecuniary damages in respect of every one of them. I am inclined to think that the court might in some cases, where there did not exist a quoted figure for a licence, estimate the damages in a way closely analogous to this. It is the duty of the defendant to respect the monopoly rights of the plaintiff. The reward to a patentee for his invention is that he shall have the exclusive right to use the invention, and if you want to use it your duty is to obtain his permission. I am inclined to think that it would be right for the court to consider what would have been the price which – although no price was actually quoted – could reasonably have been charged for that permission, and estimate the damage in that way. Indeed, I think that in many cases that would be the safest and best way to arrive at a sound conclusion as to the proper figure. But I am not going to say a word which will tie down future judges and prevent them from exercising their judgment, as best they can in all the circumstances of the case, so as to arrive at that which the plaintiff has lost by reason of the defendant doing certain acts wrongfully instead of either abstaining from doing them, or getting permission to do them rightfully.”

103. Lord Wilberforce continues:

“A proper application of this passage, taken in its entirety, requires the judge assessing damages to take into account any licences actually granted and the rates of royalty fixed by them, to estimate their relevance and comparability, to apply them so far as he can to the bargain hypothetically to be made between the patentee and the infringer, and to the extent to which they do not provide a figure on which the damage can be measured, to consider any other evidence, according to its relevance and weight, upon which he can fix a rate of royalty which would have been agreed.”

104. In the instant case, the judge was in my judgment plainly correct to conclude (in paragraph 7 of the second judgment) that the principles identified by Lord Wilberforce in *General Tire* are applicable to the issue as to what would be a reasonable fee for Mr Irvine’s endorsement of Talk Radio. The question, therefore, is whether, applying those principles to the evidence before him, he was also entitled to conclude that a reasonable endorsement fee would have been £2,000.

105. The assessment of damage in a case such this is very much a matter for the judge, requiring as it does a “judicial estimation of the available indications” (see Lord Wilberforce in *General Tire* at p.213, quoted in paragraph 101 above). On the other hand, in a case where the assessment which the judge has made is clearly wrong, this court has a duty to intervene in order to put it right. In my judgment the instant case is such a case.

106. It is clear from Lord Wilberforce’s speech in *General Tire* that a reasonable endorsement fee in the context of the instant case must represent the fee which, on a balance of probabilities, TSL *would have had to pay* in order to obtain lawfully that which it in fact obtained unlawfully (see in particular the passage from the judgment of Fletcher Moulton J in the *Aluminium* case, quoted by Lord Wilberforce). It is not the fee which TSL *could have afforded* to pay: hence the judge was correct to conclude (in paragraph 16 of the second judgment) that TSL’s financial situation is irrelevant.

107. Central to TSL’s submissions on damages, both before the judge and in this court, is the proposition that the fee which TSL would have had to pay for Mr Irvine’s endorsement of Talk Radio in the Formula One pack would have reflected the fact that the promotion in question was a one-off promotion, and one which was limited in scale. It is apparent from paragraphs 10 and 30 of the second judgment that the judge accepted this proposition. Thus, in paragraph 10 he described the purpose of the investigation as being “to arrive at a figure which, so far as possible, met both of their requirements”; and in paragraph 30 he effectively discarded the unchallenged expert evidence on the basis that it threw no real light on “what the figure would have been for what, in my view, is such a small and limited campaign”.

108. But whether the small and limited nature of the campaign would, on the balance of probabilities, have affected the fee which TSL would have had to pay is, as Lord Wilberforce made clear in *General Tire*, a matter of evidence.

109. I turn, then, to the evidence, and to the judge’s treatment of it.

110. The unchallenged evidence of Mr Irvine in his second witness statement was that in 1999 his minimum fee for an endorsement of Talk Radio would have been “in the region of US\$40,000 to US\$50,000 (£25,200 to £31,500)”. That evidence was supported by his evidence as to the endorsement fees which he in fact negotiated in 1999, none of which was worth less than £25,000. However, in paragraph 11 of the second judgment the judge rejected that evidence, expressing doubt as to the truth of it. The judge also said that the fact that Mr Irvine had not signed any endorsement deals in 1999 for less than £25,000 was “not a factor which can be taken into account”.

111. I can, for my part, see no basis for doubting the truth of Mr Irvine's unchallenged assertion that he would not have signed an endorsement deal with TSL for less than £25,000. Moreover, the evidence as to the endorsement deals which Mr Irvine in fact signed in 1999 is, in my judgment, plainly a factor to be taken into account. As already noted, the judge took the view that since the deals were, as he described them, large endorsement deals, they threw no light on the question whether Mr Irvine would have been willing to enter into a smaller endorsement deal for a smaller fee, and that accordingly they should be ignored for present purposes. In my judgment that was a wrong approach to the evidence. The fact that at the material time Mr Irvine only entered into large endorsement deals for large fees is, in my judgment, plainly relevant for present purposes, not only because it is consistent with Mr Irvine's evidence as to the minimum fee he would have charged, but also because it supports Mr Irvine's evidence that he would not have been interested in the type of deal which TSL had to offer. Indeed, in paragraph 29 of the second judgment the judge appears to accept that Mr Irvine "would not have bothered to get out of bed" to give an endorsement of Talk Radio. Further, Mr Irvine's evidence was supported by the evidence of Mr Phillips, to which the judge made only passing references.
112. The judge was also, in my judgment, unjustifiably dismissive of the expert evidence of Mr Byfield and Mr Jakobi. As noted earlier, there was no request on behalf of TSL to cross-examine them: their evidence was unchallenged, as were their credentials. The judge's rejection of their evidence on the basis that it did not throw any real light on the fee which Mr Irvine would have charged for endorsing "such a small and limited campaign" seems to me to reveal a misunderstanding of the evidence. Mr Byfield had seen a copy of the first judgment, and was thus aware, in giving his evidence, of the nature of the campaign. His figure of US\$50,000 was expressed to be a low figure, primarily "because the campaign by Talk Radio was limited to potential advertisers on their radio station". In other words, it was related specifically to the campaign in question. Similarly, Mr Jakobi was specifically informed by Mr Buckley that the Formula One pack "was sent to 981 potential UK advertisers for the radio's Formula 1 programme".
113. The judge was also in error, in my judgment, in his treatment of the various deals which were included in the table contained in Mr Irvine's second witness statement. The Gillette agreement was for 'below the line' endorsement, and is not therefore a true comparable; and the deals with The Daily Mail and The Express were, as the judge recognised (in paragraph 27 of the second judgment) "not strictly endorsements in the same sense" – i.e. comparable with an endorsement of Talk Radio.
114. In my judgment, the unchallenged evidence leads ineluctably to the conclusion that TSL would in all probability have had to pay at least £25,000 in order to enable it to do lawfully that which it did unlawfully, that is to say represent by means of the image appearing on the front of the leaflet that Mr Irvine had endorsed Talk Radio.
115. By contrast, the judge's conclusion (in the final paragraph of the second judgment) that "a reasonable company in [TSL's] position would have been prepared to spend" £2 per leaflet on obtaining Mr Irvine's endorsement, giving a total figure of £2,000, seems to me to yield a result which bears no relation at all to the evidence before him as to what TSL would have had to pay.
116. I would accordingly allow the appeal and vary the award of damages in paragraph 1 of the judge's order by substituting a figure of £25,000 for the judge's figure of £2,000.

**Lord Justice Brooke :**

117. I agree.

**Lord Justice Schiemann :**

118. I also agree.