

World Trademark Review Daily

Difficulties arising from sale of assets to different parties highlighted
United Kingdom - McDermott Will & Emery UK LLP

Other transactions
Confusion
Passing off

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In *Nanjing Automobile (Group) Corporation v MG Sports & Racing Europe Ltd* ([2010] EWHC 270 (Ch), February 19 2010), the Chancery Division of the High Court of England and Wales has decided in favour of Nanjing Automobile (Group) Corporation in its claim for trademark infringement and passing off.

In July 2005 Nanjing entered into an agreement with [MG Rover](#) and, through its administrator, acquired most of MG Rover's assets and trademarks, including a large number of Community and UK trademarks consisting of the letters 'MG' accompanied by an octagonal logo. It was agreed that very substantial goodwill and reputation subsisted in the marks in question.

In 2007 MG Sports and the second defendant, William James Riley (its majority shareholder and managing director), made and sold cars depicting the marks MG and MG X POWER. Nanjing sued for trademark infringement and passing off, seeking injunctive relief and orders that MG Sports cease the use of the letters 'MG' in its company name and domain names.

MG Sports' defence was that it was entitled to use the mark pursuant to an agreement dated June 27 2007, under which it acquired certain assets from MG Rover, including the MG X POWER-branded business. MG Sports claimed that the UK and Community MG X POWER marks had not been assigned to Nanjing under the 2005 agreement, but had been assigned to MG Sports under the 2007 agreement. MG Sports counterclaimed for revocation of 32 MG registrations in Nanjing's name.

The court held in favour of Nanjing and granted an injunction restraining MG Sports from passing off and trademark infringement. The court's view may be summarized as follows:

- On the proper construction, the 2005 agreement transferred the right to the MG X POWER marks to Nanjing.
- The 2005 agreement has a very wide definition of 'intellectual property' and, therefore, all of MG Rover's marks passed to Nanjing in 2005.
- Since Nanjing was the rightful owner of the MG marks, MG Sports could not have acquired them in 2007 from MG Rover, which did not own them.
- Riley was jointly liable with his company, as his conduct in relation to MG Sport's activities "went far beyond his purely constitutional role in the governance of the company".
- The revocation actions failed, and MG Sports was ordered to change its name and to transfer to Nanjing any domain names comprising the MG mark.
- As MG Sports was never the registered proprietor of either the MG or the MG X POWER mark, it could not avail itself of the defence of 'use of one's own trademark' under Section 11(1) of the [Trademarks Act 1994](#).

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