

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re Application of

ALASKA AIRLINES, INC.

Petitioner, for an Order Pursuant to
28 U.S.C. § 1782 to Conduct
Discovery for Use in a Foreign
Proceeding

No. _____

**EX PARTE APPLICATION FOR AN ORDER TO CONDUCT
DISCOVERY FOR USE IN A FOREIGN PROCEEDING**

Applicant Alaska Airlines, Inc. (“Alaska”), pursuant to 28 U.S.C. § 1782, respectfully requests an order authorizing Alaska to obtain discovery from Delta Airlines, Inc. for use in litigation pending before the High Court of Justice in London, England. In support of this Application, Alaska submits, among other documents, a Memorandum of Law, the Declarations of John C. Quinn and Susana Cao Miranda, and Proposed Deposition and Documents Subpoenas. The Proposed Deposition Subpoena and Documents Subpoena are attached hereto as Exhibit A to the Quinn Declaration.

Dated: July 9, 2025

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CERTIFICATE OF COMPLIANCE AND SERVICE

By his signature below, and as required by Local Rule 7.1.D, counsel for Defendant certifies that this document has been prepared with one of the font and point selections approved by the Court in Local Rule 5.1.B, namely, Times New Roman (14 point), and has been filed through the Court's CM/ECF portal.

Dated: July 9, 2025.

/s/ Aaron M. Danzig
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**MEMORANDUM OF LAW IN SUPPORT OF *EX PARTE*
APPLICATION FOR AN ORDER TO CONDUCT
DISCOVERY FOR USE IN A FOREIGN PROCEEDING**

Dated: July 9, 2025

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Alaska Airlines, Inc. (“Alaska”) respectfully submits this application under 28 U.S.C. § 1782 (the “Application”) for an order: (a) granting Alaska leave to serve a subpoena (the “Subpoena”) on Delta Air Lines, Inc. (“Delta”); (b) directing Delta to produce the materials described in the Subpoena within thirty days of service; and (c) directing Delta to provide corporate testimony on a mutually agreeable date within a reasonable time after Delta completes its production of documents.

PRELIMINARY STATEMENT

This application arises in the context of a decade-long trans-Atlantic scheme that harms competition, flouts regulatory directives, and necessitates discovery of critical evidence uniquely in Delta’s possession.

Alaska is in ongoing litigation with Virgin Group in the United Kingdom because Virgin Group is demanding more than two hundred million dollars from Alaska for the exclusive right (as determined by the English Court of Appeal) to use the Virgin trademark in the United States. But at the same time Virgin Group is enabling—indeed facilitating—the sale of domestic U.S. flights on Delta planes through the Virgin Atlantic website. So while Alaska is forced to pay for the right to use the brand, Virgin Group is using it to *harm* Alaska and benefit Alaska’s key competitor, Delta. Evidence about that infringement—conducted by and through Delta—is at the center of the foreign breach of contract litigation between Alaska and Virgin Group. Section 1782 was designed precisely for circumstances like these.

The dispute between Virgin Group and Alaska stems from Alaska's parent company's acquisition of Virgin America in 2016. As part of that deal, Alaska inherited an exclusive right to use the Virgin America brand under a Trademark License Agreement (the "TMLA") between Virgin America and certain Virgin-affiliated companies (together, "Virgin Group"). The TMLA gave Virgin America, in the first instance, and Alaska, as the successor-in-interest, the exclusive license to use the Virgin and Virgin America marks in connection with airline operations over certain routes in the United States, as well as in Canada, Mexico, and the Caribbean.

The TMLA had been the subject of intense scrutiny and negotiation when Virgin Group first established a U.S. airline, Virgin America, in 2005. At that time, the U.S. Department of Transportation ("DOT") conditioned Virgin America's existence as a U.S. airline on the inclusion of a "no use, no royalty" provision in the TMLA. That is, DOT made clear that Virgin America needed to have the right to stop paying royalties if it stopped using the marks; otherwise, it would be too beholden to foreign interests. When Alaska then acquired Virgin America in 2016 and stepped into its shoes, it inherited the same deal.

In 2019, after Alaska invested considerable resources, effort, and money transitioning loyal Virgin America customers to the Alaska family, Alaska retired the Virgin America brand. At that point, Alaska stopped paying the ten million dollar minimum royalty to Virgin Group, on the understanding that if there was no use of

the Virgin brand, no royalty payments would need to be made. That understanding was based in significant part on the historical correspondence with DOT about that very issue. Virgin Group disagreed and commenced legal proceedings against Alaska, arguing that the right which was licensed to Alaska under the TMLA was the exclusive right to use the Virgin brand in relation to the licensed activities, including, crucially, the right to exclude others from using it (the “Minimum Royalty Litigation”). In light of that, Virgin argued that the minimum royalty was still payable by Alaska, even if it did not use the Virgin brand. As a result, Virgin Group contended, Alaska would owe ten million dollars per year until 2039, even though it was undisputed that Alaska was not using the Virgin America brand. Ultimately, the UK court agreed with Virgin Group’s interpretation of the TMLA and found, in February 2023, that Alaska was required to pay the minimum royalty even when it did not use the Virgin brand because what it was paying for was the right to exclusivity.

Worse still, during the course of the Minimum Royalty Litigation, Alaska learned that another Virgin affiliate (this one focused on trans-Atlantic flights and aptly named Virgin Atlantic) together with Delta—which owns 49% of Virgin Atlantic and is also a joint venture partner with Virgin Atlantic—were infringing the exclusive rights for which Virgin Group was demanding the minimum royalty. Specifically, they were selling tickets on domestic Delta flights through the Virgin

Atlantic website. Step back and the scheme comes into focus: Alaska is being forced to pay ten million dollars a year so that its *competitors* can use the Virgin brand *to compete with Alaska*. And the critical evidence at the crux of the scheme—the acts of infringement, the harm they cause to Alaska, the unjust benefits they shower on Virgin Group and its partners—is right here in Atlanta. Indeed, the infringing flights are run on Delta’s planes, and Delta, as both 49% owner of Virgin Atlantic and as its joint venture partner, is reaping the rewards.

In the English Proceedings in support of which this application is made (the “Breach Litigation”), Alaska contends that this material infringement repudiated (or in the alternative, Virgin Group renounced) the TMLA, resulting in termination, and thus extinguished whatever minimum royalties Virgin Group continues to demand, notwithstanding its own representations to DOT. By this application, Alaska seeks documents and corporate testimony from Delta. There can be no question that Delta possesses key information relevant to the Breach Litigation, including when the infringement began, the role of various Virgin Group companies in it, the scale of the infringement, the economic consequences it caused for both sides, and more. Because Delta is a U.S. company, Alaska respectfully seeks this Court’s assistance in obtaining that evidence pursuant to 28 U.S.C. § 1782.

Section 1782 was enacted to facilitate discovery in the United States for use in foreign litigation. The statutory requirements are plainly met: Alaska is an

“interested person,” seeking document production and deposition testimony from a business in this District, “for use” in a foreign proceeding. And the discretionary “*Intel*” factors that courts consider on Section 1782 applications all weigh in favor of granting the application and permitting the discovery too: Delta is a nonparty in the ongoing Breach Litigation in the United Kingdom, UK courts consistently approve the use of Section 1782 evidence, Alaska is not seeking to circumvent foreign discovery restrictions, and Alaska’s requests are tailored and reasonable. *See Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241, 264 (2004).

BACKGROUND

A. The Launch of Virgin America

In 2004, and to great fanfare, Virgin Group announced plans to form a U.S. airline—Virgin America. Miranda Decl. Ex. 10 ¶ 3. As part of that process, the newly formed Virgin America entered into a trademark license agreement with Virgin Group, which granted Virgin America the exclusive right to use certain Virgin trademarks for flights originating and terminating within the United States, Canada, Mexico, and the Caribbean. *Id.* ¶ 5.

In 2005, Virgin America applied to DOT for certification to operate a U.S. airline. Federal law requires that U.S. airlines be “owned” and under the “actual control” of U.S. citizens. 49 U.S.C. § 40102(a)(15), § 41102(a). In an effort to conform to that requirement, Virgin America proposed that U.S. investors would

control 75% of the airline, and Virgin Group entities (including two British Virgin executives) would control the remaining 25%.¹ But that was not enough. On December 27, 2006, DOT issued a negative show cause order in connection with Virgin America Inc.'s application for a certificate of public convenience and necessity, tentatively finding that Virgin America Inc. was neither owned nor controlled by U.S. citizens.² Specifically, DOT found that the TMLA, as then written, would “essentially prevent Virgin America from acting as an independent air carrier” and would “significantly restrict Virgin America’s commercial-decision making authority.”³

To demonstrate greater independence, Virgin America and Virgin Group proposed a revision to the TMLA that gave Virgin America more autonomy, but still required that it pay royalties regardless of whether it used the Virgin brand.⁴ DOT rejected that proposal too because it still provided Virgin Group with too much control, and thus did not satisfy the stringent test for citizenship. DOT insisted that,

¹ *Virgin America Secures Funding*, L.A. Times (Dec. 9, 2005), <https://www.latimes.com/archives/la-xpm-2005-dec-09-fi-virgin9-story.html>; *see also* 49 U.S.C. § 40102(a)(15).

² *See* DOT, Order 2006-12-23, Application of Virgin America, Inc. for a Certificate of Public Convenience and Necessity Under 49 U.S.C. § 41102 to Engage in Interstate Scheduled Air Transportation of Persons, Property, and Mail, 2006 WL 4504811 (D.O.T.) (Dec. 27, 2006).

³ *Id.* at *16.

⁴ *See* DOT, Order 2007-3-16, Application of Virgin America Inc. for a Certificate of Public Convenience and Necessity Under 49 U.S.C. § 41102 to Engage in Interstate Scheduled Air Transportation, 2007 WL 1280291 (D.O.T.), at *37 (Mar. 20, 2007) (quoting the proposed provision).

to operate in the United States, Virgin America needed to be able to stop paying royalties altogether if it stopped using the Virgin marks:

Payment of “royalties” on revenues not derived from the use of the brand name would undermine the applicant’s independence; therefore, we propose to condition the applicant’s certificate on an amendment to the license that allows such activities to occur without royalty obligation.⁵

Following DOT’s guidance, in April 2007 Virgin Group and Virgin America signed a revised TMLA, which appeared to give Virgin America the right to operate without using the Virgin marks and without paying royalties. Miranda Decl. Ex. 3 Clause 3.7. As Virgin America explained unambiguously in its DOT filing: “if [Virgin America] decides not to use the Name or Mark, the Company will not have to pay royalties.” Miranda Decl. Ex. 10 ¶ 17 (“[T]he Company is not required to pay any royalties on any operations inside or outside of the territories, which do not involve the use of the Virgin Mark or Name.”). On May 18, 2007, DOT issued a final order granting Virgin America a certificate of public convenience and necessity, permitting it to operate as a U.S. airline. *Id.* ¶ 18.

B. The Partnership between Delta and Virgin Atlantic

Around the same time that Virgin America was entering the U.S. market, legacy carrier Delta was seeking to expand its trans-Atlantic presence. In

⁵ *Id.* at *38. Delta also voiced concerns, agreeing with DOT that Virgin America was not a U.S. citizen under the proposed TMLA because Virgin America still had “intractable and pervasive foreign citizen ownership and control issues.” *Id.* at *14.

December 2012, Delta struck a deal with Virgin Group's trans-Atlantic affiliate, Virgin Atlantic, under which Delta would acquire a 49% stake in Virgin Atlantic (Virgin Group owned the other 51%).⁶ The two airlines formed a joint venture that included an agreement to provide reciprocal frequent flyer benefits.⁷

Several months later, Virgin Atlantic and Delta filed a DOT application for antitrust immunity.⁸ And in June 2013, DOT (and the European Commission) approved Delta's acquisition of the 49% stake in Virgin Atlantic.⁹ That same year, Delta announced that—in partnership with Virgin Atlantic—it would begin operating flights from Seattle-Tacoma International Airport to London Heathrow Airport.¹⁰ And in April 2014, Delta announced that it was establishing its West Coast

⁶ *Delta and Virgin Atlantic to Form Strategic Alliance*, Delta (Dec. 11, 2012), <https://ir.delta.com/news/news-details/2012/Delta-and-Virgin-Atlantic-To-Form-Strategic-Alliance/default.aspx>.

⁷ *Id.*

⁸ DOT Aviation Antitrust Immunity Cases, U.S. Dep't of Transp. (Mar. 27, 2024), https://www.transportation.gov/office-policy/aviation-policy/dot-aviation-antitrust-immunity-cases#Delta_Virgin_Atlantic. DOT granted the application in September 2013. *Id.*

⁹ Gwyn Topham, *Delta cleared to complete purchase of 49% stake in Virgin Atlantic*, The Guardian (June 24, 2013), <https://www.theguardian.com/business/2013/jun/24/delta-completes-purchase-virgin-atlantic-stake>.

¹⁰ *Delta Airlines and Virgin Atlantic Airways announce new summer schedule*, Delta (Nov. 11, 2013), <https://ir.delta.com/news/news-details/2013/Delta-Air-Lines-and-Virgin-Atlantic-Airways-announce-new-summer-schedule/default.aspx>. Delta also began operating flights from Seattle-Tacoma International Airport to Tokyo and Shanghai in 2013. See Edward Russell, *A history of Delta in Seattle, Alaska Airlines' hometown*, The Points Guy (Feb. 13, 2020), <https://thepointsguy.com/news/history-of-delta-air-lines-seattle-alaska-hometown/>.

hub in Seattle.¹¹ These moves were aimed at and contributed to an intense rivalry with Alaska, well-known as “Seattle’s Hometown Airline.”¹²

C. The Virgin America IPO

As Delta’s transatlantic business and new Seattle hub expanded, so too did Virgin America’s domestic U.S. business. In July 2014, Virgin America presented plans for an Initial Public Offering (“IPO”) to DOT. Miranda Decl. Ex. 10 ¶ 32. In connection with that plan, the parties amended the TMLA, including an extension to 2039. The TMLA was also amended to include a “Minimum Royalty” obligation, the purpose of which—Virgin America said—was to establish a floor for Virgin America’s payments so long as they were using the marks. *Id.* ¶ 37. That obligation would kick in “if Virgin America’s royalty payment from licensing fees would otherwise be less than that minimum payment.” *Id.* In considering the proposal, DOT stated that the amendment to the TMLA did not disrupt the “no use, no royalty” right

¹¹ Russell, *supra* note 10.

¹² *Alaska Airlines history*, Alaska Airlines (last accessed July 3, 2025), https://www.alaskaair.com/content/about-us/history?srsId=AfmBOopb80A3M3MyMLBn7PGT9Zqqm6prvrUI87vIVXNRn_G0R5Q1cgJl.

it had required when Virgin America first applied for a certificate to operate a U.S. airline:

[T]he amended TMLA will continue to permit Virgin America the ability to operate independent of the “Virgin” names and marks without the obligation to pay royalties.

Id.

In October 2014, content with these amendments, DOT issued a letter finding that Virgin America would remain a U.S. citizen after its IPO. With that approval, the IPO took place on November 14, 2014. *Id.* ¶¶ 37–38. Five days later, Virgin Group and Virgin America executed the 2014 TMLA. Miranda Decl. Ex. 3 at 1. As in the 2007 version, the 2014 TMLA afforded Virgin America the exclusive right to use the Virgin mark on U.S. domestic flights (as well as certain other flights). Miranda Decl. Ex. 3 Clauses 3.2–3.3. The 2014 TMLA also retained the language from the 2007 agreement which Virgin America contended made clear that royalties would not be payable on revenues derived without use of the Virgin marks. *Id.* Clause 3.7.

D. Alaska’s Purchase of Virgin America

On December 14, 2016, Alaska acquired Virgin America for \$2.6 billion in cash—closer to \$4 billion including the assumption of debt and aircraft lease obligations. Miranda Decl. Ex. 10 ¶ 42.¹³ That hefty purchase price represented an

¹³ See also Brian Murphy & Renae Merle, *Alaska Air buys Virgin America in \$4 billion deal*, Wash. Post (Apr. 4, 2016),

approximately 86 percent premium above Virgin America's then stock price, in recognition of the significant structural and network benefits that were expected to result—including providing Alaska, a growing airline with deep community roots and a commitment to quality and customer service, with access to Virgin's strong brand and loyal customer base.¹⁴

In approving the merger, the U.S. Department of Justice cited the pro-competitive nature of the transaction, recognizing that “[s]maller airlines, such as Alaska and Virgin [America], provide a critical competitive check on the larger carriers” (such as Delta) and the merger “offers hope that a strengthened Alaska can be an ever stronger competitor than before.”¹⁵ And Alaska likewise touted the benefits of integrating the two brands, noting on an earnings call that “the loyalty growth that’s coming along with all of this” was “extremely positive.”¹⁶

<https://www.washingtonpost.com/news/business/wp/2016/04/04/alaska-air-buys-virgin-america-in-4-billion-deal/>.

¹⁴ See Jeffrey Dastin, *Alaska Air to buy Virgin America for \$2.6 billion*, Reuters (Apr. 4, 2016), <https://www.reuters.com/article/world/alaska-air-to-buy-virgin-america-for-26-billion-idUSKCN0X10VE/>.

¹⁵ Press Release, U.S. Department of Justice, Office of Public Affairs, Justice Department Requires Alaska Airlines to Significantly Scale Back Codeshare Agreement with American Airlines in Order to Proceed with Virgin America Acquisition (Dec. 6, 2016), <https://www.justice.gov/opa/pr/justice-department-requires-alaska-airlines-significantly-scale-back-codeshare-agreement>.

¹⁶ Thomson Reuters, Preliminary Transcript: Q1 2017 Alaska Air Group Inc. Earnings Call, at 13 (Apr. 26, 2017), https://news.alaskaair.com/wp-content/uploads/2024/08/Transcript_ALK-US_20170426_5253378.pdf.

Following the acquisition, in late 2016, Alaska announced that it and Virgin America were, together, the fifth-largest airline in the U.S.,¹⁷ though the combined airline was still dwarfed in size by established industry titan Delta. Indeed, while Alaska and Virgin America's combined fleet amounted to 286 aircrafts, Delta had a fleet of over 800.¹⁸

Less than a week after Alaska and Virgin America finalized the merger, Delta announced it would be terminating its longstanding partnership with Alaska, eliminating access to Delta's dominant domestic and international network for Alaska's customers. Next, Delta aggressively pursued Alaska's loyalty program members.¹⁹ And Delta blanketed Alaska's routes in and out of Seattle, seemingly in an (unsuccessful) attempt to put Alaska out of business.²⁰ For example, Delta

¹⁷ Alaska Air Group, Inc., *Alaska Air Group closes acquisition of Virgin America, becomes the 5th largest U.S. airline*, PR Newswire (Dec. 14, 2016), <https://www.prnewswire.com/news-releases/alaska-air-group-closes-acquisition-of-virgin-america-becomes-the-5th-largest-us-airline-300378009.html>.

¹⁸ Compare *id.*, with *Delta Air Lines Announces December Quarter and Fully Year 2016 Profit*, Delta (Jan. 12, 2017), <https://ir.delta.com/news/news-details/2017/Delta-Air-Lines-Announces-December-Quarter-and-Full-Year-2016-Profit/default.aspx>. Delta's fleet still vastly outnumbers Alaska's. Compare Corporate Stats and Facts, *No One Better Connects the World*, Delta News Hub (last accessed July 3, 2025), <https://news.delta.com/corporate-stats-and-facts> (stating Delta has over 890 aircrafts), with *Fleet and Capacity*, Alaska Air Cargo (last accessed July 3, 2025), <https://www.alaskacargo.com/fleet-and-capacity> (stating Alaska has over 330 aircrafts).

¹⁹ See JT Genter, *Delta and Alaska Airlines Are Breaking up Next Year*, The Points Guy (Dec. 19, 2016), <https://thepointsguy.com/news/delta-alaska-breakup/>.

²⁰ See Christine Burroni, *Alaska Airlines Exec on Competition with Delta, Possibility of Mileage Plan Change, and More*, Travel + Leisure (Jan. 8, 2025), <https://www.travelandleisure.com/alaska-airlines-hawaiian-merger-lounges-credit-card-8770916> (noting that 55% of passenger seats out of Seattle are on Alaska flights); SEA Airport Basics, *About Seattle-Tacoma International Airport*, Port of Seattle (last accessed May 26, 2025), <https://www.portseattle.org/page/sea-airport-basics> (noting that 52.4% of passengers out of Seattle fly Alaska and 24.1% fly Delta).

expanded its “Delta Shuttle” service, introducing peak-day flights from Seattle-Tacoma International Airport to Los Angeles International Airport and San Francisco International Airport.²¹ These moves only escalated the rivalry between Alaska and Delta.²²

E. Alaska’s Integration of Virgin America

In 2017, Alaska announced its plan to merge Alaska and Virgin America into a single airline. As part of that merger, Alaska would stop using the Virgin America brand and consolidate marketing and operations under the Alaska name.²³

Alaska continued to operate both brands for the next two years, as it expended considerable time and resources to transition brand-loyal Virgin customers to the Alaska family. By May 30, 2019, Alaska ceased using the Virgin marks entirely. Miranda Decl. Ex. 10 ¶ 45. Alaska informed Virgin Group at that stage that since it

²¹ Delta Air Lines, *Delta Shuttle Takes Off From Seattle*, PR Newswire (May 9, 2016), <https://www.prnewswire.com/news-releases/delta-shuttle-takes-off-from-seattle-300264752.html>.

²² See, e.g., Alex Fitzpatrick, *Delta and Alaska Are at War Over Seattle*, Time (Nov. 19, 2015), <https://time.com/4119983/alaska-airlines-delta-seattle/>; Edward Russell, *Delta Air Lines drops 2 Alaska cities as turf battles persist with Alaska Airlines*, The Points Guy (Jan. 17, 2025), <https://thepointsguy.com/news/delta-routes-alaska-battle/>.

²³ Alaska Airlines, *Alaska and Virgin America: Creating an airline people love*, Alaska Airlines News Hub (Mar. 22, 2017), <https://news.alaskaair.com/alaska-airlines/creating-an-airline-people-love/>.

was not using the marks, it would stop paying royalties for their use. Miranda Decl. Ex. 9 ¶ 37(3).

Virgin Group then sued Alaska in the United Kingdom for unpaid royalties, taking the position that, even though Alaska had argued that DOT had conditioned Virgin America's very existence on the explicit "no use, no royalty" right, Alaska had to pay the minimum royalty whether or not it used the marks Miranda Decl. Ex. 10 ¶ 78. The UK court ruled for Virgin Group, *id.* ¶ 161, holding that the right to the exclusive use of the Virgin brand, which included the right to exclude others from using the Virgin brand, was a valuable right for which the minimum royalty was attributable. The UK appellate court upheld the decision. Miranda Decl. Ex. 6 ¶ 3.

F. The Breach Litigation

In June 2022, Alaska discovered that, even as Virgin Group was trying to force Alaska to pay an annual royalty of ten million dollars for supposedly exclusive rights to the Virgin marks in the United States, Virgin Group's affiliates were infringing those very same rights. Specifically, Alaska learned that Virgin Atlantic was selling Delta-operated standalone domestic U.S. flights to "Flying Club" loyalty program members on its website. Miranda Decl. Ex. 9 ¶¶ 6–8; *see also* Miranda Decl. Ex. 5 ¶ 9. Members could purchase tickets on these domestic flights operated by Delta using Flying Club points earned by flying with Virgin Atlantic and certain partners, including Delta. Flying Club members could also transfer points earned

from non-airline loyalty programs, including Virgin Group’s own Virgin Red loyalty program, and then use the transferred points to buy tickets on Delta planes. Flying Club members could also purchase points with cash and then use those points to buy the domestic Delta flights. In fact, for a while, Virgin Atlantic’s own website asked customers: “Did you know you can fly from Boston to New York JFK for 7,500 Virgin Points with our partner Delta?”²⁴

At the same time, Delta has continued to increase its presence in Alaska’s hometown market, Seattle. Indeed, between 2014 and 2024, Delta’s operations at Seattle shot up from under 19,000 flights per year to more than 54,000 flights per year.²⁵

It would be bad enough to force Alaska to pay ten million dollars per year to Virgin Group for exclusive rights to marks it is not using. At least then, one could say, Alaska gets the benefit of ensuring that its competitors do not use the Virgin marks in the domestic United States to compete with Alaska. Indeed, Virgin Group made exactly that argument in trying to defend its minimum royalty position in the English Courts (notwithstanding its prior representations and assurances to DOT).

²⁴ *Delta Air Lines: Spend Your Virgin Points with Delta Airlines*, Virgin Atlantic (archived Jan. 11, 2024), <https://web.archive.org/web/20240111190324/https://flywith.virginatlantic.com/gb/en/partner-airlines/skyteam/delta/delta-air-lines-spend-points.html>.

²⁵ *Compare* Reports: SEA-TAC International Airport Total Landings by Airline, Port of Seattle (Dec. 2014), <https://www.portseattle.org/page/airport-statistics>, *with* Reports: SEA-TAC International Airport Total Landings by Airline, Port of Seattle (Dec. 2024), <https://www.portseattle.org/page/airport-statistics>.

But for Virgin Group and its affiliates to use those very same marks, in breach of the exclusivity agreement, to woo customers onto flights operated by Delta, Alaska's primary, aggressive, three-times-the-size, hometown competitor, is plainly unfair, unjust, and contrary to any plausible reading of the TMLA and applicable law.

Accordingly, in 2022, shortly after discovering the breach, Alaska sued Virgin Group in the United Kingdom, asserting that Virgin Group's conduct materially breached and interfered with Alaska's exclusive rights to use the Virgin marks, and thus terminated the TMLA. Miranda Decl. Ex. 9 ¶¶ 6, 8. Virgin Group filed a "strike out" application, arguing that even if there were a breach, the TMLA was not terminated on account of it. Miranda Decl. Ex. 5 ¶¶ 5–8, 10. Alaska disagrees, and a hearing is scheduled for September 16, 2025. Miranda Decl. ¶ 25. Whether or not the UK court denies the application (as Alaska believes it ought to), the case will go to trial as the evidential issues in relation to the scale and nature of the Delta Use will remain in issue. Miranda Decl. ¶¶ 26, 42. That ongoing litigation, soon to be in an evidentiary phase, gives rise to this Application.

G. This Application

Delta is the 49% owner of Virgin Atlantic, the joint venture partner to Virgin Atlantic, and the operator of the U.S. flights that Virgin Atlantic sold using the Virgin marks, in breach of the TMLA. Accordingly, Delta is in possession of evidence that goes to the heart of the Breach Litigation—documents and

communications, for example, that show when the infringing sales first started, what efforts were made to shield them behind members-club login screens, how they harmed Alaska and benefited Virgin Atlantic and Delta, whether the Virgin-brand-loyal customers who bought those flights now continue to buy flights on Delta planes, and the extent to which, when the sales were made, Virgin Atlantic and Delta knew about the exclusive rights granted to Alaska under the TMLA, and decided to use the marks, sell the flights, and pocket the cash anyway. All of those questions speak to Virgin Group’s breach of the TMLA, the materiality of that breach, and the ultimate damage to Alaska—all issues at the core of the Breach Litigation.

ARGUMENT

Section 1782 authorizes district courts to facilitate discovery for use in foreign proceedings in circumstances just like these, where targeted requests can elicit relevant evidence from a U.S. non-party that will aid the ongoing proceedings. *See* 28 U.S.C. § 1782.

The statute itself imposes four express requirements: (1) the discovery target resides or is found within the district; (2) the request seeks testimonial or documentary evidence; (3) the discovery is “for use” before a foreign tribunal; and (4) the applicant is an “interested person.” *In re Clerici*, 481 F.3d 1324, 1331–32 (11th Cir. 2007) (quoting 28 U.S.C. § 1782(a)). For the reasons set forth in Section I below, Alaska easily satisfies each here.

When the statutory requirements are met, the court considers four discretionary “*Intel*” factors: (1) whether the person or entity from whom discovery is sought is a “nonparticipant in the matter arising abroad”; (2) “the nature of the foreign tribunal, the character of the proceedings underway abroad, and the receptivity of the foreign government or the court or agency abroad to U.S. federal-court judicial assistance”; (3) whether the request “conceals an attempt to circumvent foreign proof-gathering restrictions or other policies of a foreign country or the United States”; and (4) whether the request is “unduly intrusive or burdensome.” *Intel*, 542 U.S. at 264–65. For the reasons set forth in Section II, each of these factors weighs in favor of granting Alaska’s application.

I. ALASKA’S APPLICATION SATISFIES 28 U.S.C. § 1782’S STATUTORY REQUIREMENTS.

The four statutory requirements derived from the text of Section 1782 are readily satisfied here.

First, Delta “reside[s] or is found” in the Northern District of Georgia because Delta’s principal place of business—the world’s largest airline hub²⁶—is here. *See* Quinn Decl. Ex. B. It is well-settled that this requirement is satisfied in those circumstances. *Gonzalez v. Verfruco Foods, Inc.*, No. 21-12922, 2023 WL 1794391, at *1, 4 (11th Cir. Feb 7. 2023); *In re Application of Travessia Securitizadora de*

²⁶ *Delta at ATL: Bigger and Bolder at the World’s Largest Airline Hub in Summer 2025*, Delta News Hub (Oct. 4, 2024), <https://news.delta.com/delta-atl-bigger-and-bolder-worlds-largest-airline-hub-summer-2025>.

Créditos Financeiros X S.A., No. 23 Misc. 67, 2023 WL 12066604, at *2 (N.D. Ga. Aug. 2, 2023); *In re Application of Compañía Anónima de Seguros la Occidental*, No. 15 Civ. 0012, 2015 WL 12862922, at *3 (N.D. Ga. May 13, 2015).

Second, Alaska seeks “evidence in the form of document production and deposition testimony.” *See Application of Consorcio Ecuatoriano de Telecomunicaciones S.A. v. JAS Forwarding (USA), Inc.*, 747 F.3d 1262, 1269 (11th Cir. 2014). Indeed, Alaska’s proposed subpoena seeks both from Delta. Quinn Decl. Ex. A.

Third, Alaska seeks discovery “for use in a proceeding in a foreign or international tribunal”—the Breach Litigation. 28 U.S.C. §1782(a). Indeed, evidence concerning the timing, scope, and impact of Virgin Atlantic’s sale of flights operated by Alaska’s chief competitor, Delta, go to the heart of that dispute, Miranda Decl. ¶ 42, but as a matter of law, even if all they did was provide “context,” that would be sufficient. *See Weber v. Finker*, 554 F.3d 1379, 1385 (11th Cir. 2009).

Fourth, as the plaintiff in the Breach Litigation, Alaska is an “interested person” under Section 1782. Indeed, there is “[n]o doubt [that] litigants are included among, and may be the most common example of, the interested persons who may invoke § 1782.” *Intel*, 542 U.S. at 256 (cleaned up); *see also In re Application of Travessia Securitizadora de Créditos Financeiros X S.A.*, 2023 WL 12066604, at *2

(“[Petitioner] is a litigant in the Brazil proceedings and, as such, it qualifies as an interested person.”).

II. EACH DISCRETIONARY *INTEL* FACTOR SUPPORTS ALASKA’S APPLICATION.

Beyond the statutory text, the four discretionary *Intel* factors also weigh in favor of granting the Application.

First, Section 1782 discovery is appropriate when the target is not a party to the foreign proceeding and is beyond the jurisdiction and control of the foreign court. *Intel*, 542 U.S. at 264; *Clerici*, 481 F.3d at 1334–35. Here, Delta is not a party to the Breach Litigation, is incorporated in Delaware, and maintains its principal place of business in Georgia. Miranda Decl. ¶ 21; Quinn Decl. Ex. B. At the same time, Delta participated in, played a unique role with respect to, and benefited economically from the infringing conduct. In these circumstances, this Application is the right tool for obtaining the unique and relevant evidence in Delta’s possession. Miranda Decl. ¶¶ 31–39.

Second, a Section 1782 application is more likely to be granted where the foreign tribunal will be receptive to the resulting evidence. This factor too plainly weighs in favor of granting Alaska’s application—the Supreme Court in *Intel* noted that UK courts welcome Section 1782 evidence. *See Intel*, 542 U.S. at 262 (citing *S.C. Ins. Co. v. Assurantie Maatschappij “De Zeven Provinciën” N.V.* [1987] AC 24 (HL) 42); *see also* Miranda Decl. ¶¶ 37–39. Accordingly, U.S. courts routinely

grant Section 1782 applications in support of UK proceedings and there is no reason for this Court to break ranks. *See, e.g., In re Man Grp. Ltd.*, No. 24 Misc. 559, 2025 WL 294277, at *1 (S.D.N.Y. Jan. 24, 2025) (granting Section 1782 application for UK proceeding); *In re England/Bahamas*, No. 20 Misc. 61696, 2021 WL 3270074, at *6 n.13 (S.D. Fla. July 30, 2021) (“Case law suggests that . . . England . . . [is] receptive to § 1782 discovery, including deposition testimony”); *In re Novoship (UK) Ltd.*, No. 20 Misc. 60876, 2020 WL 3286308, at *3 (S.D. Fla. June 18, 2020) (“§ 1782 is routinely used to obtain evidence for proceedings in” the United Kingdom).

Third, an application under Section 1782 may be denied where it “conceals an attempt to circumvent foreign proof-gathering restrictions or other policies of a foreign country or the United States.” *Intel*, 542 U.S. at 265. This is a high bar. This factor does not impose an exhaustion requirement, or even express a preference for party discovery first and foreign non-party discovery second. Indeed, the Eleventh Circuit has been clear that, “even when the requested documents may be available in the foreign jurisdiction, there is no requirement to first seek discovery from the non-US tribunal or exhaust other options before applying to a district court for § 1782 discovery.” *In re Application of Bracha Found.*, 663 F. App’x 755, 765 (11th Cir. 2016). Instead, if an application is to be denied based on this third discretionary factor, courts in the Eleventh Circuit look for some “ruse” or “chicanery.” *Glock v.*

Glock, Inc., 797 F.3d 1002, 1009 (11th Cir. 2015); *see also El Poder del Consumidor v. Coca-Cola Co.*, No. 24 Civ. 03665, 2024 WL 5089428, at *6 (N.D. Ga. Oct. 30, 2024), *report and recommendation adopted*, 2025 WL 548273 (Feb. 19, 2025). Nothing of the sort could be argued here—Alaska propounds targeted requests in good faith seeking key evidence, from a key non-party that participated in and benefited from the infringing conduct, that is plainly material to the ongoing Breach Litigation. Miranda Decl. ¶¶ 41–42.

Fourth, a Section 1782 application may be denied if it is “unduly intrusive or burdensome.” *Intel*, 542 U.S. at 265. The Eleventh Circuit has made clear that this too is a high bar: because Section 1782 expressly “directs judges to provide discovery assistance pursuant to the Federal Rules of Civil Procedure,” *Weber v. Finker*, 554 F.3d 1379, 1384 (11th Cir. 2009), “the § 1782(a) applicant may seek discovery of any nonprivileged matter that is relevant to any party’s claim or defense,” *In re O’Keeffe*, 660 F. App’x 871, 873 (11th Cir. 2016). As a result, to deny an application on this basis, courts would need to see an “improper ‘fishing expedition’ based entirely on speculation.” *In re O’Keeffe*, 660 F. App’x at 873. Here, by contrast, Alaska’s requests are “sufficiently limited in scope and narrowly tailored.” *In re Sociedad Militar Seguro de Vida*, 985 F. Supp. 2d 1375, 1380 (N.D. Ga. 2013). Indeed, each of the requests is aimed at a category of evidence directly linked to the fact questions at issue in the Breach Litigation. Miranda Decl. ¶¶ 41–

42. Thus, the document requests in the Subpoena seek agreements and related communications between Delta and various Virgin entities concerning revenue-sharing and marketing of the infringing flights (Ex. A Sched. B Requests 1–4, 6–7); the value of the Virgin brand in the United States (Request 5); the scope, scale, and revenue associated with the infringing flights (Requests 8–11); and the extent to which the sale of those flights knowingly infringed Alaska’s rights under the TMLA (Request 12). To the extent Delta objects to a portion of some request, or seeks confidentiality protection or use restrictions pursuant to a protective order, all of that is appropriately handled, at least in the first instance, through the meet-and-confer process. *See In re Application of Travessia Securitizadora de Créditos Financeiros X.S.A.*, 2023 WL 12066604, at *1, 3 (granting request for “documents and deposition testimony” and noting that the target may, at a later date, “object to any component of the discovery encompassed within the subpoena”); *see also In re Sociedad Militar Seguro de Vida*, 985 F. Supp. 2d 1375 at 1381.

In sum, all the discretionary factors weigh in favor of granting Alaska’s application, which seeks relevant and important evidence, from a non-party participant in infringing conduct, in order to prove the material breach that harmed Alaska and helped its competitors, and to put an end to Virgin Group’s scheme to defy U.S. regulators and run away from its own contractual agreements.

CONCLUSION

For the foregoing reasons, Alaska's Application should be granted.

Dated: July 9, 2025

/s/ Aaron M. Danzig

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**Pro Hac Vice forthcoming*

CERTIFICATE OF COMPLIANCE

Pursuant to Civil Local Rule 7.1(d), I hereby certify that this brief complies with the typeface requirements of Civil Local Rule 5.1(B) because it has been prepared using Microsoft Word in a 14-point Times New Roman font.

Dated: July 9, 2025

/s/ Aaron M. Danzig

Aaron M. Danzig
Arnall Golden Gregory LLP

*Counsel for Petitioner Alaska Airlines,
Inc.*

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re Application of

ALASKA AIRLINES, INC.

Petitioner, for an Order Pursuant to
28 U.S.C. § 1782 to Conduct
Discovery for Use in a Foreign
Proceeding

No. _____

**DECLARATION OF JOHN C. QUINN IN SUPPORT OF THE
APPLICATION FOR AN ORDER TO CONDUCT
DISCOVERY FOR USE IN A FOREIGN PROCEEDING**

I, John C. Quinn, hereby declare under penalty of perjury, pursuant to 28 U.S.C. § 1746, that the following is true and correct:

1. I am an attorney licensed to practice law in the State of New York. I am a partner at the law firm Hecker Fink LLP, which is counsel to Alaska Airlines, Inc. (“Petitioner”). I make this declaration in support of Petitioner’s Application for an Order Pursuant to 28 U.S.C. § 1782 (the “Application”).

2. Petitioner brings this Application under 28 U.S.C. § 1782 to obtain limited discovery from Delta Airlines, Inc. (“Delta”) for use in a breach of contract proceeding (“Breach Litigation”) pending before the High Court of Justice, Business and Property Courts of England and Wales, King’s Bench Division, Commercial Court.

3. Attached hereto as **Exhibit A** is a true and correct copy of the proposed subpoena that Petitioner seeks to serve on Delta in connection with the Breach Litigation.

4. Attached hereto as **Exhibit B** is a true and correct copy of Delta's Form 8-K, dated March 10, 2025 and indicating that Delta's principal executive offices are located in Atlanta, Georgia.

Dated: July 9, 2025
New York, New York

By: 
John C. Quinn

EXHIBIT A

UNITED STATES DISTRICT COURT

for the

Northern District of Georgia

In re Application of Alaska Airlines, Inc.

Plaintiff

v.

Defendant

Civil Action No.

SUBPOENA TO TESTIFY AT A DEPOSITION IN A CIVIL ACTION

To: Delta Air Lines, Inc.

(Name of person to whom this subpoena is directed)

☒ **Testimony:** YOU ARE COMMANDED to appear at the time, date, and place set forth below to testify at a deposition to be taken in this civil action. If you are an organization, you must promptly confer in good faith with the party serving this subpoena about the following matters, or those set forth in an attachment, and you must designate one or more officers, directors, or managing agents, or designate other persons who consent to testify on your behalf about these matters: See Schedule A

Place:

Date and Time:

09/15/2025 9:00 am

The deposition will be recorded by this method: Stenographer

☒ **Production:** You, or your representatives, must also bring with you to the deposition the following documents, electronically stored information, or objects, and must permit inspection, copying, testing, or sampling of the material: See Schedule B

The following provisions of Fed. R. Civ. P. 45 are attached – Rule 45(c), relating to the place of compliance; Rule 45(d), relating to your protection as a person subject to a subpoena; and Rule 45(e) and (g), relating to your duty to respond to this subpoena and the potential consequences of not doing so.

Date: _____
CLERK OF COURT

OR

Signature of Clerk or Deputy Clerk_____
Attorney's signature

The name, address, e-mail address, and telephone number of the attorney representing (name of party) _____
Alaska Airlines, Inc.

_____, who issues or requests this subpoena, are:
John Quinn, Hecker Fink LLP, 350 Fifth Avenue, 63rd Floor, New York, New York 10118, (212) 763-0883,
jqinn@heckerfink.com

Notice to the person who issues or requests this subpoena

If this subpoena commands the production of documents, electronically stored information, or tangible things before trial, a notice and a copy of the subpoena must be served on each party in this case before it is served on the person to whom it is directed. Fed. R. Civ. P. 45(a)(4).

Civil Action No. _____

PROOF OF SERVICE*(This section should not be filed with the court unless required by Fed. R. Civ. P. 45.)*

I received this subpoena for *(name of individual and title, if any)* _____
 on *(date)* _____ .

☐ I served the subpoena by delivering a copy to the named individual as follows: _____

 _____ on *(date)* _____ ; or

☐ I returned the subpoena unexecuted because: _____
 _____ .

Unless the subpoena was issued on behalf of the United States, or one of its officers or agents, I have also
 tendered to the witness the fees for one day's attendance, and the mileage allowed by law, in the amount of
 \$ _____ .

My fees are \$ _____ for travel and \$ _____ for services, for a total of \$ _____ 0.00 .

I declare under penalty of perjury that this information is true.

Date: _____

Server's signature

Printed name and title

Server's address

Additional information regarding attempted service, etc.:

Federal Rule of Civil Procedure 45 (c), (d), (e), and (g) (Effective 12/1/13)**(c) Place of Compliance.**

(1) For a Trial, Hearing, or Deposition. A subpoena may command a person to attend a trial, hearing, or deposition only as follows:

- (A) within 100 miles of where the person resides, is employed, or regularly transacts business in person; or
- (B) within the state where the person resides, is employed, or regularly transacts business in person, if the person
 - (i) is a party or a party's officer; or
 - (ii) is commanded to attend a trial and would not incur substantial expense.

(2) For Other Discovery. A subpoena may command:

- (A) production of documents, electronically stored information, or tangible things at a place within 100 miles of where the person resides, is employed, or regularly transacts business in person; and
- (B) inspection of premises at the premises to be inspected.

(d) Protecting a Person Subject to a Subpoena; Enforcement.

(1) Avoiding Undue Burden or Expense; Sanctions. A party or attorney responsible for issuing and serving a subpoena must take reasonable steps to avoid imposing undue burden or expense on a person subject to the subpoena. The court for the district where compliance is required must enforce this duty and impose an appropriate sanction—which may include lost earnings and reasonable attorney's fees—on a party or attorney who fails to comply.

(2) Command to Produce Materials or Permit Inspection.

(A) *Appearance Not Required.* A person commanded to produce documents, electronically stored information, or tangible things, or to permit the inspection of premises, need not appear in person at the place of production or inspection unless also commanded to appear for a deposition, hearing, or trial.

(B) *Objections.* A person commanded to produce documents or tangible things or to permit inspection may serve on the party or attorney designated in the subpoena a written objection to inspecting, copying, testing, or sampling any or all of the materials or to inspecting the premises—or to producing electronically stored information in the form or forms requested. The objection must be served before the earlier of the time specified for compliance or 14 days after the subpoena is served. If an objection is made, the following rules apply:

- (i) At any time, on notice to the commanded person, the serving party may move the court for the district where compliance is required for an order compelling production or inspection.
- (ii) These acts may be required only as directed in the order, and the order must protect a person who is neither a party nor a party's officer from significant expense resulting from compliance.

(3) Quashing or Modifying a Subpoena.

(A) *When Required.* On timely motion, the court for the district where compliance is required must quash or modify a subpoena that:

- (i) fails to allow a reasonable time to comply;
- (ii) requires a person to comply beyond the geographical limits specified in Rule 45(c);
- (iii) requires disclosure of privileged or other protected matter, if no exception or waiver applies; or
- (iv) subjects a person to undue burden.

(B) *When Permitted.* To protect a person subject to or affected by a subpoena, the court for the district where compliance is required may, on motion, quash or modify the subpoena if it requires:

(i) disclosing a trade secret or other confidential research, development, or commercial information; or

(ii) disclosing an unretained expert's opinion or information that does not describe specific occurrences in dispute and results from the expert's study that was not requested by a party.

(C) *Specifying Conditions as an Alternative.* In the circumstances described in Rule 45(d)(3)(B), the court may, instead of quashing or modifying a subpoena, order appearance or production under specified conditions if the serving party:

- (i) shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship; and
- (ii) ensures that the subpoenaed person will be reasonably compensated.

(e) Duties in Responding to a Subpoena.

(1) Producing Documents or Electronically Stored Information. These procedures apply to producing documents or electronically stored information:

(A) *Documents.* A person responding to a subpoena to produce documents must produce them as they are kept in the ordinary course of business or must organize and label them to correspond to the categories in the demand.

(B) *Form for Producing Electronically Stored Information Not Specified.* If a subpoena does not specify a form for producing electronically stored information, the person responding must produce it in a form or forms in which it is ordinarily maintained or in a reasonably usable form or forms.

(C) *Electronically Stored Information Produced in Only One Form.* The person responding need not produce the same electronically stored information in more than one form.

(D) *Inaccessible Electronically Stored Information.* The person responding need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the person responding must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

(2) Claiming Privilege or Protection.

(A) *Information Withheld.* A person withholding subpoenaed information under a claim that it is privileged or subject to protection as trial-preparation material must:

- (i) expressly make the claim; and
- (ii) describe the nature of the withheld documents, communications, or tangible things in a manner that, without revealing information itself privileged or protected, will enable the parties to assess the claim.

(B) *Information Produced.* If information produced in response to a subpoena is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information under seal to the court for the district where compliance is required for a determination of the claim. The person who produced the information must preserve the information until the claim is resolved.

(g) Contempt.

The court for the district where compliance is required—and also, after a motion is transferred, the issuing court—may hold in contempt a person who, having been served, fails without adequate excuse to obey the subpoena or an order related to it.

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re Application of

ALASKA AIRLINES, INC.

Petitioner, for an Order Pursuant to
28 U.S.C. § 1782 to Conduct Discovery for
Use in a Foreign Proceeding

No. _____

PLEASE TAKE NOTICE that pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, Petitioner, by and through its undersigned counsel, will take the deposition upon oral examination of Delta Airlines, Inc. (“Delta”) at an agreed upon date, and continuing from day to day until completed. The deposition will take place before a Notary Public or other person authorized by law to administer oaths. The deposition will be recorded by stenographic means and will be videotaped. The deposition will be taken for the purposes of discovery and all other purposes permitted by the Federal Rules of Civil Procedure and the Local Rules of the United States District Court for the Northern District of Georgia.

NOTICE IS FURTHER GIVEN that, pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, Delta shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf with respect to the matters designated in Schedule “A” hereto.

Dated: July 9, 2025

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**Pro Hac Vice forthcoming*

SCHEDULE A

DEFINITIONS

In accordance with Federal Rule of Civil Procedure 30(b)(6), Petitioner designates the matters identified below for examination. In construing these topics, the following instructions and definitions shall apply.

1. Unless otherwise defined herein, the words and phrases used in these topics for deposition shall have the meanings ascribed to them under the Federal Rules of Civil Procedure, or if not defined therein, shall have their ordinary and plain meaning. In addition, the terms defined below shall have the meanings set forth below whenever used in any Deposition Topic.

2. “Agreement” means a contract, arrangement, or understanding, formal or informal, oral or written, between two or more persons or entities.

3. “Communication” is used in the broadest sense permissible under Federal Rule of Civil Procedure 34(a)(1)(A) and means any and all Documents that involve the transmittal of information (in the form of facts, ideas inquiries, or otherwise).

4. “Concerning” means relating to, referring to, describing, evidencing, or constituting.

5. “Document” is synonymous in meaning and equal in scope to the usage of the term “Documents or electronically stored information” in Federal Rule of Civil Procedure 34(a)(1)(A). A draft or non-identical copy is a separate Document within the meaning of this term. For the avoidance of doubt, Documents include, without limitation, drafts (revisions or finals), original or preliminary notes, and summaries of other Documents, memorialized Communications of any type, and computer files, Including with all attachments and/or other matters affixed thereto, Including, without limitation, email, word processing or presentation software files, PDF software files, materials edited on collaborative Document-sharing platforms like Google Drive, materials

generated through messaging or social media platforms, including text messages, SMS messages, instant messages, Bloomberg messages, iMessages, Blackberry messages, Skype messages, Slack messages, Microsoft Teams messages, Tweets, LinkedIn messages, Snapchats, Instagram messages, Facebook status updates, posts, or messages, TikToks or TikTok messages, Tumblrs, Vines, Vlogs, WhatsApp messages, or any other message board, chat, or social media message or post. A draft of a non-identical copy is a separate Document within the meaning of this term. Documents may constitute, Include, or Concern Communications.

6. “Includes” and “Including” mean “Includes but is not limited to” and “Including but not limited to,” respectively.

7. “Relating” or “Related” means affecting, Concerning, constituting, dealing with, describing, discussing, embodying, evidencing, identifying, involving, providing a basis for, reflecting, regarding, respecting, stating, or in any manner whatsoever pertaining, in whole or in part, to that subject.

8. “You,” “Yours,” or “Your” refer to Delta Air Lines, Inc. and includes any persons or entities acting for You or on Your behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, attorneys, and other persons from whom You have the legal right, authority, or ability to obtain upon demand Documents in their possession.

9. “Alaska Airlines” means Alaska Airlines, Inc. and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors (including predecessors in interest), assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

10. “Virgin Atlantic” means the airline currently branded “Virgin Atlantic” and currently operated by Virgin Atlantic Airways Limited and any successor to such business, and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

11. “Virgin” means Virgin Group Holdings Limited, and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

12. “Virgin Group” means Virgin, each company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding, and all or any of them, and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

13. “United States Domestic Flight” means a flight for which all points of arrival and departure are within the United States of America (including Puerto Rico), Canada, Mexico or a flight for which one point of arrival or departure is in the United States of America (including Puerto Rico), Canada, Mexico and the other point of arrival or departure is in the Caribbean Islands or Bermuda, and, for either type of flight, is at any time sold as a standalone flight.

14. A “standalone flight” means a flight without any connecting legs.

15. “Operated by” or “Operating” means physically flying and/or operating the airplane and providing the in-flight services.

16. “Sold” by means offered for purchase on a Virgin Atlantic, Virgin, or Virgin Group website or other platform and Includes purchasing with Virgin Atlantic, Virgin, or Virgin Group loyalty points.

17. The “2007 TMLA” refers to Exhibit 3 to the Miranda Declaration.

18. The “2014 TMLA” refers to Exhibit 2 to the Miranda Declaration.

19. “Point-exchange program” means an agreement between Delta and Virgin Atlantic, Virgin, or Virgin Group that allows a consumer to use points from one airline’s loyalty program to purchase flights operated by another airline or to use points in Virgin Group’s loyalty program to purchase flights operated by an airline.

20. “Loyalty program” is a program which allows a consumer to earn and redeem points by purchasing products and services from a specific company.

DEPOSITION TOPICS

1. All licensing, branding, point-exchange, codeshare, interline, or revenue-sharing agreements between You and Virgin, Virgin Group, or Virgin Atlantic, that in any way relate to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic. For the avoidance of doubt, this Topic includes, but is not limited to, Your agreements with Virgin, Virgin Group, or Virgin Atlantic, regardless of whether such agreements also include other parties, and also includes all such agreements which directly or indirectly may have incentivized Virgin Atlantic to direct customers towards United States Domestic Flights operated by Delta, including but not limited to agreements related to the SkyTeam airline alliance.

2. To the extent not covered by Topic 1, all agreements between You and Virgin, Virgin Group, or Virgin Atlantic, that relate to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic, including any agreements, formal or informal, related

to the marketing of such flights, or related to points-exchange or loyalty programs between You and Virgin, Virgin Group, or Virgin Atlantic.

3. Virgin, Virgin Group, or Virgin Atlantic's marketing and sale of Delta-operated United States Domestic Flights.

4. Your analysis and assessment of the value or positioning of the Virgin brand in the United States airline industry.

5. Your commercial decisions and decision-making process regarding which seats and/or flights to release to Virgin, Virgin Group, or Virgin Atlantic for sale through Virgin's, Virgin Group's, or Virgin Atlantic's portal, including any cost-benefit analysis You conducted regarding the sale of Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic, and any analysis You conducted regarding the impact of those sales on potential competitors, including Alaska.

6. Whether Virgin, Virgin Group, or Virgin Atlantic, through any loyalty program website or otherwise, re-direct customers to Delta, and if so, in what circumstances, and what benefits Delta provides to Virgin or Virgin Atlantic for any such referrals.

7. The number of Delta-operated United States Domestic Flights marketed and sold by Virgin, Virgin Group, or Virgin Atlantic.

8. The routes and flight schedules of all Delta-operated United States Domestic Flights marketed and sold by Virgin, Virgin Group, or Virgin Atlantic.

9. The revenue You earned from operating United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic.

10. To your knowledge, Virgin, Virgin Group, or Virgin Atlantic's revenue derived from or in any way related to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic.

11. Alaska's and Virgin Atlantic's respective rights under the 2007 TMLA and the 2014 TMLA, and Delta's awareness and analysis of the same.

12. The authenticity of any document produced in response to the Requests in Schedule B.

SCHEDULE B

DEFINITIONS

Solely for the purposes of the Requests, the following definitions shall apply, without regard to capitalization.

1. Unless otherwise defined herein, the words and phrases used in these Requests shall have the meanings ascribed to them under the Federal Rules of Civil Procedure, or if not defined therein, shall have their ordinary and plain meaning. In addition, the terms defined below shall have the meanings set forth below whenever used in any Request.

2. “Agreement” means a contract, arrangement, or understanding, formal or informal, oral or written, between two or more persons or entities.

3. “Communication” is used in the broadest sense permissible under Federal Rule of Civil Procedure 34(a)(1)(A) and means any and all Documents that involve the transmittal of information (in the form of facts, ideas inquiries, or otherwise).

4. “Concerning” means relating to, referring to, describing, evidencing, or constituting.

5. “Document” is synonymous in meaning and equal in scope to the usage of the term “Documents or electronically stored information” in Federal Rule of Civil Procedure 34(a)(1)(A). A draft or non-identical copy is a separate Document within the meaning of this term. For the avoidance of doubt, Documents include, without limitation, drafts (revisions or finals), original or preliminary notes, and summaries of other Documents, memorialized Communications of any type, and computer files, Including with all attachments and/or other matters affixed thereto, Including, without limitation, email, word processing or presentation software files, PDF software files, materials edited on collaborative Document-sharing platforms like Google Drive, materials generated through messaging or social media platforms, Including text messages, SMS messages,

instant messages, Bloomberg messages, iMessages, Blackberry messages, Skype messages, Slack messages, Microsoft Teams messages, Tweets, LinkedIn messages, Snapchats, Instagram messages, Facebook status updates, posts, or messages, TikToks or TikTok messages, Tumblrs, Vines, Vlogs, WhatsApp messages, or any other message board, chat, or social media message or post. A draft of a non-identical copy is a separate Document within the meaning of this term. Documents may constitute, Include, or Concern Communications.

6. “Includes” and “Including” mean “Includes but is not limited to” and “Including but not limited to,” respectively.

7. “Relating” or “Related” means affecting, Concerning, constituting, dealing with, describing, discussing, embodying, evidencing, identifying, involving, providing a basis for, reflecting, regarding, respecting, stating, or in any manner whatsoever pertaining, in whole or in part, to that subject.

8. “You,” “Yours,” or “Your” refer to Delta Air Lines, Inc. and includes any persons or entities acting for You or on Your behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, attorneys, and other persons from whom You have the legal right, authority, or ability to obtain upon demand Documents in their possession.

9. “Alaska Airlines” means Alaska Airlines, Inc. and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors (including predecessors in interest), assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

10. “Virgin Atlantic” means the airline currently branded “Virgin Atlantic” and currently operated by Virgin Atlantic Airways Limited and any successor to such business, and

includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

11. “Virgin” means Virgin Group Holdings Limited, and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

12. “Virgin Group” means Virgin, each company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding, and all or any of them, and includes any persons or entities acting for it or on its behalf, including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

13. “United States Domestic Flight” means a flight for which all points of arrival and departure are within the United States of America (including Puerto Rico), Canada, Mexico or a flight for which one point of arrival or departure is in the United States of America (including Puerto Rico), Canada, Mexico and the other point of arrival or departure is in the Caribbean Islands or Bermuda, and, for either type of flight, is at any time sold as a standalone flight.

14. A “standalone flight” means a flight without any connecting legs.

15. “Operated by” or “Operating” means physically flying and/or operating the airplane and providing the in-flight services.

16. “Sold” by means offered for purchase on a Virgin Atlantic, Virgin, or Virgin Group website or other platform and Includes purchasing with Virgin Atlantic, Virgin, or Virgin Group loyalty points.

17. The “2007 TMLA” refers to Exhibit 3 to the Miranda Declaration.

18. The “2014 TMLA” refers to Exhibit 2 to the Miranda Declaration.

19. “Point-exchange program” means an agreement between Delta and Virgin Atlantic, Virgin, or Virgin Group that allows a consumer to use points from one airline’s loyalty program to purchase flights operated by another airline or to use points in Virgin Group’s loyalty program to purchase flights operated by an airline.

20. “Loyalty program” is a program which allows a consumer to earn and redeem points by purchasing products and services from a specific company.

INSTRUCTIONS

Solely for the purposes of the Requests, the following instructions shall apply:

A. The Documents called for by these Requests are Documents in Your possession, custody, or control, or the possession, custody, or control of anyone acting on Your behalf.

B. Your responses to these Requests shall be based on all knowledge and information in Your possession, custody, or control and should be provided irrespective of the Federal Rules of Evidence.

C. The singular Includes the plural and vice versa, except as the context may otherwise require; any Request propounded in the present tense shall also be read as if propounded in the past tense and vice versa; whenever a term is used herein in the present, past, future, subjunctive, or other tense, voice, or mood, it shall also be construed to Include all other tenses, voices, or moods; reference to any gender Includes all genders; the words “and” and “or” shall be construed either conjunctively or disjunctively as necessary to bring within the scope of the Request all responses that might otherwise be construed to be outside its scope; the terms “all,” “any,” and “each” shall each be construed as encompassing “any” and “all.”

D. Any reference to a Person or entity in these Requests should be construed as also referring to any variations of their names, alternative names, alternative spellings, alter egos, or aliases under which they conduct or have conducted business now or in the past; and also referring to any Persons or entities acting for them or on their behalf, Including all subsidiaries, divisions, successors, predecessors, assigns, parents, affiliates, representatives, servants, agents, employees, officers, or attorneys.

E. These Requests seek production of all Documents, in their entirety, along with any attachments, drafts, parent emails, and non-identical copies. A Document with handwritten, typewritten, or other recorded notes, editing marks, etc., is not and shall not be deemed identical to one without such modifications, additions, or deletions.

F. Responsive Documents should be produced in the manner prescribed by the Federal Rules of Civil Procedure, Including producing the requested Documents as they are kept in the usual course of business or organized and labeled to correspond to the categories in the Requests, and in accordance with any order entered by the Court Concerning the production of discovery materials, Including any protective order or ESI protocol agreed to by the parties.

G. Whenever possible, all electronic Documents should be produced in their native format and/or as TIFFs or PDFs, Including all metadata. You may not convert the data to a form that is more burdensome and/or less searchable for the reviewing party. If You convert data to TIFFs or PDFs from native format, You must retain all metadata—including the date of the Documents, the file name, the author of the Document, the recipients of the Document, the type of Document, the Optical Character Recognition (“OCR”) database, and Document demarcations—in a usable load file (Concordance preferred with an opticon for images), together with links to text and native formats.

H. Questions regarding the interpretation of these Requests should be resolved in favor of the broadest possible construction. Any ambiguity in a Request shall be construed to bring within the scope of the Request all Documents that otherwise could be construed to be outside of its scope. If, in responding to any of these Requests, You encounter any ambiguity or confusion in construing either a Request or Definition or Instruction relevant to a Request, set forth the matter deemed ambiguous, select a reasonable interpretation that You believe resolves the ambiguity, respond to the Request using that interpretation, and explain with particularity the construction or interpretation selected by You in responding to the Request.

I. If You object to the production of a Document in relation to a specific Request, state with particularity the legal and factual basis for Your objection(s) with respect to such Request. You should respond to all portions of that Request that do not fall within the scope of Your objection(s). If You perceive any Request to be overly broad, unduly burdensome, or otherwise objectionable, respond to the fullest extent possible—that is, provide responsive Documents to the extent of what You believe to be the appropriate scope of production, or provide such responsive Documents as You believe can be supplied without undue burden, or provide all responsive Documents not within the scope of Your objection—and clearly state with particularity the basis for any objection so as to permit an informed ruling on the objection.

J. To the extent You believe any Request requests a Document that could be withheld on the basis of the attorney-client privilege, work product doctrine, or any other right of nondisclosure, furnish a list identifying the Documents or information for which the protection is claimed together with the following: (i) the type of Document (e.g., letter or memorandum); (ii) the general subject matter of the Document; (iii) the date of the Document; (iv) the author of the Document, the addressees of the Document, and any other recipients, and, where not apparent, the

relationship of the author, addressees, and recipients to each other; and (v) the nature of the privilege that is being claimed. To the extent a requested Document contains non-privileged information, the privileged information shall be redacted from the same and the redacted version of the Document or thing produced. If a Document is withheld on the ground of attorney work product, also specify whether the Document was prepared in anticipation of litigation and, if so, identify the anticipated litigation(s) upon which the assertion is based.

K. If any requested Document or other Document potentially relevant to this action is subject to destruction under any Document retention or destruction program, the Document should be exempted from any scheduled destruction and should not be destroyed until the conclusion of this action or unless otherwise permitted by the Court.

L. If any of the requested Documents were, but no longer are, in Your custody or possession or subject to Your control, state whether such Document: (a) is missing or lost; (b) has been destroyed; (c) has been transferred voluntarily or involuntarily to another Person or entity; or (d) has been otherwise disposed of, and, in each instance, explain the circumstances surrounding the disposition thereof and provide a description of the nature, content, date, author(s) and recipient(s) of the Document.

M. These Requests are continuing in nature. If, after making an initial response, You obtain or become aware of any further Documents responsive to these Requests, You are required to supplement Your responses with such Documents in a timely manner pursuant to Federal Rule of Civil Procedure 26(e).

N. Unless otherwise requested, the Requests seek responsive Documents that were applicable, effective, prepared, written, generated, sent, dated, or received at any time between January 1, 2012 (the year You and Virgin Atlantic announced a joint venture) to present.

REQUESTS FOR DOCUMENTS

Plaintiff requests that You produce the following Documents:

1. All licensing, branding, point-exchange, codeshare, interline, or revenue-sharing agreements, formal or informal, between You and Virgin, Virgin Group, or Virgin Atlantic related to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic. For the avoidance of doubt, this Request includes, but is not limited to, any and all agreements between Delta and Virgin, Virgin Group, or Virgin Atlantic, regardless of whether such agreements also include other parties, and also includes all such agreements which directly or indirectly may have incentivized Virgin Atlantic to direct customers towards United States Domestic Flights operated by Delta, including but not limited to agreements related to the SkyTeam airline alliance.
2. All Documents and Communications related to agreements covered by Request 1.
3. To the extent not covered by Requests 1 and 2, all agreements between You and Virgin, Virgin Group, or Virgin Atlantic, that relate to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic, including any agreements, formal or informal, related to the marketing of such flights, or related to points-exchange or loyalty programs between You and Virgin, Virgin Group, or Virgin Atlantic.
4. All Documents and Communications related to Virgin, Virgin Group, or Virgin Atlantic's marketing and sale of Delta-operated United States Domestic Flights.
5. All Documents and Communications related to the value or positioning of the Virgin brand in the United States airline industry.
6. All Documents and Communications related to Your decisions about whether to release seats to Virgin, Virgin Group, or Virgin Atlantic for sale through Virgin, Virgin Group, or

Virgin Atlantic's portal, and which seats to release. For the avoidance of doubt, this Request includes, but is not limited to, any cost-benefit analysis You conducted regarding the sale of Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic, and any analysis You conducted regarding the impact of those sales on potential competitors, including Alaska.

7. All Documents and Communications related to Virgin, Virgin Group, or Virgin Atlantic re-directing customers to Delta, including through any loyalty program or otherwise.

8. Documents sufficient to show the number of Delta-operated United States Domestic Flights that were (1) marketed and (2) sold by Virgin, Virgin Group, or Virgin Atlantic.

9. Documents sufficient to show the routes and flight schedules (i.e., date and time), of all Delta-operated United States Domestic Flights (1) marketed and (2) sold by Virgin, Virgin Group, or Virgin Atlantic.

10. Documents sufficient to show the revenue Delta earned from Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic.

11. All Documents and Communications related to Virgin, Virgin Group, or Virgin Atlantic's revenue derived from or in any way related to Delta-operated United States Domestic Flights sold by Virgin, Virgin Group, or Virgin Atlantic.

12. All Documents and Communications related to the 2007 TMLA or the 2014 TMLA, including, but not limited to:

- a. Communications discussing Alaska's and/or Virgin Atlantic's trademark rights under the 2007 TMLA or the 2014 TMLA;
- b. Documents and Communications related to Your, Virgin's, Virgin Group's, or Virgin Atlantic's understanding of the scope or meaning of those agreements.

EXHIBIT B

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 10, 2025

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-05424	58-0218548
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box 20706, Atlanta, Georgia 30320-6001
(Address of principal executive offices)

Registrant's telephone number, including area code: (404) 715-2600

Registrant's Website address: www.delta.com

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	DAL	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure.

As previously announced, executives of Delta Air Lines, Inc. (“Delta”) are presenting at the J.P. Morgan Industrials Conference on March 11, 2025 at 7:30 a.m. ET. The presentation to be used in conjunction with the event is furnished as Exhibit 99.1 to this Form 8-K.

Ahead of this presentation, Delta is revising its March quarter outlook, previously provided on January 10, 2025, as set forth below.

Delta expects to deliver total revenue growth for the March quarter of 3 to 4 percent year-over-year. The outlook has been impacted by the recent reduction in consumer and corporate confidence caused by increased macro uncertainty, driving softness in Domestic demand. Premium, international and loyalty revenue growth trends are consistent with expectations and reflect the resilience of Delta’s diversified revenue base.

	1Q25 Forecast	Initial Guidance
Total Revenue YoY	Up 3% - 4%	Up 7% - 9%
Operating Margin	4% - 5%	6% - 8%
Earnings Per Share	\$0.30 - \$0.50	\$0.70 - \$1.00

Reconciliation of Non-GAAP Financial Measures

The financial measures included above (“non-GAAP financial measures”) are derived from Delta’s Consolidated Financial Statements, but are not presented in accordance with accounting principles generally accepted in the U.S. (“GAAP”). Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

Included below are reconciliations of certain non-GAAP financial measures to the most directly comparable GAAP financial measures. Reconciliations below may not calculate exactly due to rounding. The following adjustments are made to provide comparability between the reported periods, if applicable, and for the reasons indicated below:

Third-party refinery sales. Refinery sales to third parties, and related expenses, are not related to our airline segment. Excluding these sales therefore provides a more meaningful comparison of our airline operations to the rest of the airline industry.

MTM adjustments on investments. Mark-to-market (“MTM”) adjustments are defined as fair value changes recorded in periods other than the settlement period. Unrealized gains/losses result from our equity investments that are accounted for at fair value in non-operating expense. The gains/losses are driven by changes in stock prices, foreign currency fluctuations and other valuation techniques for investments in certain companies, particularly those without publicly-traded shares. Adjusting for these gains/losses allows investors to better understand and analyze our core operational performance in the periods shown.

Total Revenue, adjusted

	Three Months Ended	
	(Projected)	
(in billions)	March 31, 2025	March 31, 2024
Total revenue	\$ 13.9 - 14.1	\$ 13.7
Adjusted for:		
Third-party refinery sales	~ (1.0)	(1.2)
Total revenue, adjusted	\$ 12.9 - 13.1	\$ 12.6

Operating Margin, adjusted

	Three Months Ended (Projected) March 31, 2025
Operating margin	3 - 4%
Adjusted for:	
Third-party refinery sales	~ 1
Operating margin, adjusted	4 - 5%

Pre-Tax Income, Net Income, and Diluted Earnings per Share, adjusted

	Three Months Ended (Projected) March 31, 2025			Three Months Ended (Projected) March 31, 2025
(in billions, except per share data)	Pre-Tax Income	Income Tax	Net Income	Earnings Per Diluted Share
GAAP	\$ 0.4 - 0.5	\$ ~ (0.1)	\$ 0.3 - 0.4	\$ 0.40 - 0.60
Adjusted for:				
MTM adjustments on investments	~ (0.1)			
Non-GAAP	\$ 0.3 - 0.4	\$ ~ (0.1)	\$ 0.2 - 0.3	\$ 0.30 - 0.50

In accordance with general instruction B.2 of Form 8-K, the information in this report (including Exhibit 99.1) that is being furnished pursuant to Item 7.01 of Form 8-K shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject to liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth in such filing. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

Forward Looking Statements

Statements made in this Form 8-K that are not historical facts, including statements regarding our estimates, expectations, beliefs, intentions, projections, goals, aspirations, commitments or strategies for the future, should be considered "forward-looking statements" under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements are not guarantees or promised outcomes and should not be construed as such. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the estimates, expectations, beliefs, intentions, projections, goals, aspirations, commitments and strategies reflected in or suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the possible effects of serious accidents involving our aircraft or aircraft of our airline partners; breaches or lapses in the security of technology systems we use and rely on, which could compromise the data stored within them, as well as failure to comply with evolving global privacy and security regulatory obligations or adequately address increasing customer focus on privacy issues and data security; disruptions in our information technology infrastructure; our dependence on technology in our operations; increases in the cost of aircraft fuel; extended disruptions in the supply of aircraft fuel, including from Monroe Energy, LLC ("Monroe"), a wholly-owned subsidiary of Delta that operates the Trainer refinery; failure to receive the expected results or returns from our commercial relationships with airlines in other parts of the world and the investments we have in certain of those airlines; the effects of a significant disruption in the operations or performance of third parties on which we rely; failure to comply with the financial and other covenants in our financing agreements; labor-related disruptions; the effects on our business of seasonality and other factors beyond our control, such as changes in value in our equity investments, severe weather conditions, natural disasters or other environmental events, including from the impact of climate change; failure or inability of insurance to cover a significant liability at Monroe's refinery; failure to comply with existing and future environmental regulations to which Monroe's refinery operations are subject, including costs related to compliance with renewable fuel standard regulations; significant damage to our reputation and brand, including from exposure to significant adverse publicity or inability to achieve certain sustainability goals; our ability to retain senior management and other key employees, and to maintain our company culture; disease outbreaks or other public health threats, and measures implemented to combat them; the effects of terrorist attacks, geopolitical conflict or security events; competitive conditions in the airline industry; extended interruptions or disruptions in service at major airports at which we operate or significant problems associated with types of aircraft or engines we operate; the effects of extensive regulatory and legal compliance requirements we are subject to; the impact of environmental regulation, including but not limited to regulation of hazardous substances, increased regulation to reduce emissions and other risks associated with climate change, and the cost of compliance with more stringent environmental regulations; and unfavorable economic or political conditions in the markets in which we operate or volatility in currency exchange rates.

Additional information concerning risks and uncertainties that could cause differences between actual results and forward-looking statements is contained in our Securities and Exchange Commission (SEC) filings, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and other filings filed with the SEC from time to time. Caution should be taken not to place undue reliance on our forward-looking statements, which represent our views only as of the date of this Form 8-K, and which we undertake no obligation to update except to the extent required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 [Presentation](#)

Exhibit 104 The cover page from this Current Report on Form 8-K, formatted in Inline XBRL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DELTA AIR LINES, INC.

By: /s/ Daniel C. Janki
Daniel C. Janki
Executive Vice President & Chief Financial Officer

March 10, 2025





SAFE HARBOR

Statements made in this presentation that are not historical facts, including statements regarding our estimates, expectations, beliefs, intentions, projections, goals, aspirations, commitments or strategies for the future, should be considered "forward-looking statements" under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements are not guarantees or promised outcomes and should not be construed as such. All forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from the estimates, expectations, beliefs, intentions, projections, goals, aspirations, commitments and strategies reflected in or suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the possible effects of serious accidents involving our aircraft or aircraft of our airline partners; breaches or lapses in the security of technology systems we use and rely on, which could compromise the data stored within them, as well as failure to comply with evolving global privacy and security regulatory obligations or adequately address increasing customer focus on privacy issues and data security; disruptions in our information technology infrastructure; our dependence on technology in our operations; increases in the cost of aircraft fuel; extended disruptions in the supply of aircraft fuel, including from Monroe Energy, LLC ("Monroe"), a wholly-owned subsidiary of Delta that operates the Trainer refinery; failure to receive the expected results or returns from our commercial relationships with airlines in other parts of the world and the investments we have in certain of those airlines; the effects of a significant disruption in the operations or performance of third parties on which we rely; failure to comply with the financial and other covenants in our financing agreements; labor-related disruptions; the effects on our business of seasonality and other factors beyond our control, such as changes in value in our equity investments, severe weather conditions, natural disasters or other environmental events, including from the impact of climate change; failure or inability of insurance to cover a significant liability at Monroe's refinery; failure to comply with existing and future environmental regulations to which Monroe's refinery operations are subject, including costs related to compliance with renewable fuel standard regulations; significant damage to our reputation and brand, including from exposure to significant adverse publicity or inability to achieve certain sustainability goals; our ability to retain senior management and other key employees, and to maintain our company culture; disease outbreaks or other public health threats, and measures implemented to combat them; the effects of terrorist attacks, geopolitical conflict or security events; competitive conditions in the airline industry; extended interruptions or disruptions in service at major airports at which we operate or significant problems associated with types of aircraft or engines we operate; the effects of extensive regulatory and legal compliance requirements we are subject to; the impact of environmental regulation, including but not limited to regulation of hazardous substances, increased regulation to reduce emissions and other risks associated with climate change, and the cost of compliance with more stringent environmental regulations; and unfavorable economic or political conditions in the markets in which we operate or volatility in currency exchange rates.

Additional information concerning risks and uncertainties that could cause differences between actual results and forward-looking statements is contained in our Securities and Exchange Commission (SEC) filings, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and other filings filed with the SEC from time to time. Caution should be taken not to place undue reliance on our forward-looking statements, which represent our views only as of the date of this presentation, and which we undertake no obligation to update except to the extent required by law.



CURRENT ENVIRONMENT EVOLVING

March Quarter outlook impacted by increased macro uncertainty

What has changed

- Consumer & corporate confidence
- Softer close-in demand
- Oil prices have declined \$10 per barrel from peak levels in the quarter

What has not changed

- Constructive industry structure with increased focus on financial health
- Strength in premium, loyalty, Transatlantic & Pacific revenue
- Industry-leading operational & cost execution

SOLIDLY PROFITABLE MARCH QUARTER REFLECTS DELTA'S DURABILITY



VALUE CREATION FRAMEWORK

Three-to-five-year financial targets deliver sustained value creation

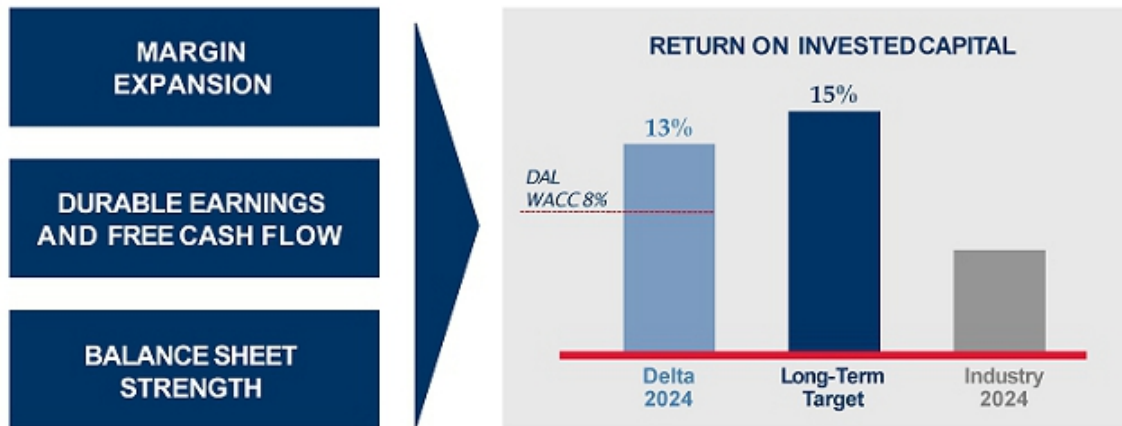


EPS growth: Average annual; Free Cash Flow: Annual
 Note: Adjusted for special items; historical non-GAAP financial measures reconciled in Appendix

PRIORITIZING RETURN ON INVESTED CAPITAL



Delivering returns that are in the upper half of the S&P 500



Note: Adjusted for special items; historical non-GAAP financial measures reconciled in Appendix



BALANCED CAPITAL ALLOCATION





Q&A



Non-GAAP Financial Measures

Delta sometimes uses information ("non-GAAP financial measures") that is derived from the Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. ("GAAP"). Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. The table below shows a reconciliation of the non-GAAP financial measure used in this presentation to the most directly comparable GAAP financial measure. The reconciliation may not calculate due to rounding.

Delta is not able to reconcile certain forward looking non-GAAP financial measures used in this presentation without unreasonable effort because the adjusting items such as those used in the reconciliations below will not be known until the end of the indicated future periods and could be significant.





Non-GAAP Financial Measures

After-tax Return on Invested Capital ("ROIC"). We present after-tax return on invested capital as management believes this metric is helpful to investors in assessing the company's ability to generate returns using its invested capital. Return on invested capital is tax-effected adjusted operating income (using our effective tax rate for each respective period) divided by average adjusted invested capital. Average stockholders' equity and average adjusted gross debt are calculated using amounts as of the end of the current period and comparable period in the prior year. All adjustments to calculate ROIC are intended to provide a more meaningful comparison of our results to comparable companies.

MTM adjustments and settlements on hedges. Mark-to-market ("MTM") adjustments are defined as fair value changes recorded in periods other than the settlement period. MTM fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the applicable period.

Interest expense included in aircraft rent. This adjustment relates to interest expense related to operating lease financing transactions. Adjusting for these results allows investors to better understand our core operational performance in the periods shown as it neutralizes the effect of lease financing structure.

		Year Ended
		December 31, 2024
(in millions)		
Operating income	\$	5,995
Adjusted for:		
MTM adjustments and settlements on hedges		21
Interest expense included in aircraft rent		165
Adjusted operating income	\$	6,181
Tax effect		(1,442)
Tax-effected adjusted operating income	\$	4,739
Average stockholders' equity	\$	13,186
Average adjusted gross debt		23,590
Averaged adjusted invested capital	\$	36,776
After-tax Return on Invested Capital		12.9%

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re Application of

ALASKA AIRLINES, INC.

Petitioner, for an Order Pursuant to 28 U.S.C.
§ 1782 to Conduct Discovery for Use in a
Foreign Proceeding

Case No. _____

**DECLARATION OF SUSANA CAO MIRANDA IN SUPPORT OF
THE APPLICATION FOR AN ORDER TO CONDUCT
DISCOVERY FOR USE IN A FOREIGN PROCEEDING**

I, Susana Cao Miranda, declare under penalty of perjury pursuant to 28 U.S.C. § 1746 that the following is true and correct.

1. I am a lawyer, a Solicitor of the Senior Courts of England and Wales: I was admitted to the roll of solicitors of England and Wales in 2004. I am a partner in Pallas Partners LLP (“**Pallas**”), a law firm operating as a limited liability partnership incorporated in England and based in London, England. My practice focuses on litigation, including proceedings involving general commercial and financial litigation. I frequently advise clients in relation to such litigation in proceedings before all levels of the English courts, including the English High Court.

2. I am the solicitor on record acting for Alaska Airlines, Inc., (“**Petitioner**”) in proceedings commenced in the Business and Property Courts of

the English High Court in London, England, as set out below (the “**English Proceedings**” and the “**English Court**”).

3. I make this declaration in support of the application filed by the Petitioner under 28 U.S.C. § 1782 seeking certain documentary evidence and testimony from Delta Air Lines, Inc., (“**Delta**”) for use in the English Proceedings (the “**Application**”).

I. THE ENGLISH PROCEEDING

A. Factual Background

4. The factual background to the English Proceedings is set out in the originating complaint, known as the Particulars of Claim enclosed hereto as **Exhibit**

1. For the purposes of this declaration, I set out a brief summary of the factual background insofar as it is relevant to describing the English Proceedings.

(a) The Petitioner

5. The Petitioner is a Delaware incorporated company within the Alaska Airlines Group, which group operates a leading airline headquartered in Seattle, USA.

6. The Petitioner is the legal successor to Virgin America Inc. (“**Virgin America**”). Virgin America was formed in January 2004 and was acquired by the Alaska Airlines Group in 2016 and merged with and into the Petitioner in 2018.

(b) The Current TMLA

7. On 19 November 2014, Virgin America, Virgin Aviation TM Limited (“**Virgin Aviation**”) and Virgin Enterprises Limited (“**VEL**” and together with Virgin Aviation “**Virgin**”) entered into a contract entitled “Amended and Restated Virgin America Trade Mark Licence” (the “**Current TMLA**”), attached hereto as **Exhibit 2**. The previous iteration of that contract (“**the 2007 TMLA**”) is attached hereto as **Exhibit 3**.

8. By clauses 3.1 and 3.2 of the Current TMLA, Virgin granted Virgin America an exclusive licence in respect of the use of the Virgin brand (the “**Marks**” as defined in the Current TMLA) in connection with the carrying on of the “Licensed Activities”. Ex. 2 at 7-8. By Schedule 1 paragraph 1 of the Current TMLA, the Licensed Activities were defined as including the operation of an airline on a North American route (meaning any flight route for which all points of arrival and departure are within the United States, Canada or Mexico) or a Caribbean route (meaning any flight route for which the point of arrival is in the US, Canada or Mexico, and the point of departure is in the Caribbean islands or Bermuda (or vice versa) including where the route has three or more points of arrival/departure all of which are within those places). Ex. 2 at 4-5, 21.

9. By Schedule 1 paragraph 2 of the Current TMLA, the right in paragraph 1 also included, without limitation (i) all activities which are “*incidental*” to the

operation of an airline on any North American route or Caribbean route, (ii) all activities which would “*ordinarily be regarded as part of the business of an airline*”, and (iii) the right to market flights operated by any other airline as part of a codesharing arrangement on any North American or Caribbean route. Ex. 2 at 21.

10. In consideration of the exclusive rights granted by the Current TMLA, Virgin America was required by clause 8.1 of the Current TMLA to pay Virgin Aviation quarterly payments of royalties. That sum was payable in respect of each financial year for the duration of the Current TMLA regardless of whether Virgin America derived any revenue from the use of the Virgin brand that year or part of that year. Ex. 2 at 13.

(b) Virgin’s breach of the Current TMLA

11. In June 2022, Petitioner (as noted above, the legal successor to Virgin America) discovered that, in breach of the exclusive licence granted by the Current TMLA, Virgin had permitted and was continuing to permit the use of the Marks by Virgin Atlantic Airways Limited (“**Virgin Atlantic**”) in relation to the marketing and sale of US domestic flights operated by its aviation alliance partner Delta, a direct competitor of Petitioner (the “**Delta Use**”). The Petitioner immediately notified Virgin of the breach by a letter dated 22 June 2022, attached hereto as **Exhibit 4**.

12. In its Defence filed in the English Proceedings, on 27 April 2023, Virgin does not deny the Delta Use by Virgin Atlantic. **Exhibit 5**. In fact, it positively avers

that this was permitted by a licence that was executed between Virgin Aviation, VEL, Virgin Atlantic and VAL TM Limited prior to the Current TMLA on 5 March 2014 (the “**Virgin Atlantic Licence**”). *Id.* at 4. Virgin alleges that any rights granted pursuant to the Virgin Atlantic Licence are excluded from the Current TMLA under clause 3.4 of the Current TMLA. *Id.* This is denied by the Petitioner (see Reply, para. 7).

(c) Termination of the Current TMLA

13. The Petitioner’s case, as set out in paragraph 8 of the Particulars of Claim, is that Virgin’s conduct, in permitting the Delta Use, constituted a repudiatory breach of the Current TMLA which Petitioner accepted and therefore terminated the Current TMLA by filing the English Proceedings on 23 September 2022. Ex. 1. The Petitioner’s alternative case, also in paragraph 8 of the Particulars of Claim, is that Virgin’s conduct, in permitting the Delta Use, is inconsistent with, or in breach of, the terms of the Current TMLA and, as Virgin has asserted that it intends to continue with this conduct, Virgin has evinced an intention to renounce the Current TMLA which also amounts to a repudiatory breach, and which has been accepted by the Petitioner by filing the English Proceeding, resulting in the termination of the Current TMLA.

14. Paragraph 9.2 of the Particulars of Claim therefore sought, inter alia, a declaration that, “*Virgin Aviation and/or VEL by its conduct in licensing the Marks*

to Virgin Atlantic has acted in a manner inconsistent with, and in breach of, the terms of the Current TMLA. AAI validly accepted that repudiatory breach on 23 September 2022, thereby terminating the Current TMLA.” Ex. 1 at 4.

B. Procedural History

15. The English Proceedings were commenced by the Petitioner on 23 September 2022.

16. Virgin filed and served its Defence and Counterclaim in the English Proceedings on 27 April 2023, Ex. 5, which was subsequently amended on 1 July 2024 (after the Court of Appeal judgment in the Minimum Royalty Litigation, **Exhibit 6**, see further paragraph 19 below). The Defence and Amended Counterclaim is attached hereto as **Exhibit 7**.

17. The Petitioner filed its Reply and Defence to Counterclaim on 9 June 2023, which was subsequently amended on 22 July 2024, attached hereto as **Exhibit 8**.

18. At the time the English Proceedings were commenced and the pleadings exchanged as set out above, the Petitioner and Virgin were engaged in ongoing and separate (but related) litigation between the Petitioner and Virgin to determine the extent to which an ongoing payment for the exclusive licence (referred to as the “**Minimum Royalty**”) was due under the Current TMLA. Those

proceedings had been issued by Virgin in December 2019 before the Business and Property Courts of the English High Court (the “**Minimum Royalty Litigation**”).

19. By the Minimum Royalty Litigation, Virgin sought declaratory relief that the Petitioner was required to make payment to Virgin of the Minimum Royalty regardless of whether or not the Virgin brand was used by the Petitioner in a given year. Virgin’s Particular of Claim in the Minimum Royalty Litigation is attached hereto as **Exhibit 9**. Following a trial in October 2022, judgment was handed down by the English High Court, attached hereto as **Exhibit 10**, which found, in Virgin’s favour, that the Petitioner was required to make payment of the Minimum Royalty under the Current TMLA even where Petitioner chose to stop using the Virgin brand. By a judgment dated 11 June 2024, the English Court of Appeal dismissed Petitioner’s appeal of the first instance judgment, which is attached hereto as Ex. 6.

20. On 22 November 2024, the English Proceedings were stayed for three months. The order of stay is attached hereto as **Exhibit 11**.

21. The stay of the English Proceedings lapsed on 23 February 2025, following which they are now live before the English Court. Delta is not a party to the English Proceedings and the Petitioner does not anticipate that it will become a party.

22. On 25 February 2025, Virgin filed an application for strike out of part of the English Proceedings (strike out of, inter alia, the plea for a declaration noted

at paragraph [14] above that the Current TMLA had been terminated) and to obtain summary judgment on the counterclaim for payment of the Minimum Royalty (“SJ Application”).

23. The premise of the SJ Application is that the Petitioner’s claim has no prospect of success as a matter of law due to Virgin’s pleaded intention to remain bound by the terms of the Current TMLA. The SJ Application does not address, and give no explanation as to why, the claim that the breach of the exclusive licence was repudiatory and thus a renunciation. By correspondence between the Petitioner and Virgin, attached hereto as **Exhibit 12**, Virgin has suggested that in December 2022 to January 2023, the Petitioner “*expressly disavow[ed]*” an argument that the breach of the exclusive licence was repudiatory. By reply on 9 June 2025, attached hereto as **Exhibit 13**, the Petitioner made clear that Virgin’s SJ Application is misconceived and the Petitioner intends to amend the Particulars of Claim to make clear its reliance on repudiatory breach and renunciation as grounds for termination.

24. On 10 June 2025, the Petitioner filed its evidence in response to the SJ Application. The Petitioner resists the SJ Application on the basis that the question of whether the Delta Use was a repudiatory breach of the Current TMLA is inherently fact-sensitive and thus unsuitable for summary determination. The Petitioner is also resisting the SJ Application on the basis that Virgin’s position regarding renunciation - that there can be no renunciation where the purportedly

renouncing party asserts that it wishes to continue the contract - is wrong as a matter of English law. Ex. 13. The Petitioner will say that the correct position is that a party may renounce a contract where it is willing to continue with only part of the contract or to continue with the contract only on terms that are inconsistent with its obligations and where the part of the contract which the party is not willing to comply with is sufficiently fundamental to the agreement. The Petitioner will say that Virgin did thereby renounce the Current TMLA by stating its intention to continue to comply with it only on the basis that the Delta Use would continue. As such, the question of renunciation is also dependent on a fact-sensitive assessment as to the seriousness of the Delta Use.

25. The SJ Application has been listed to be heard at a hearing on 16 September 2025.

26. However, even if Virgin is successful in the SJ Application, most of the issues raised in the English Proceedings, including crucially whether the Delta Use constituted a breach of the Current TMLA, and if so, what the impact of that breach is, will still need to be determined by the English Court at trial and will require evidence of fact. In particular, the Petitioner will need to adduce evidence as to the scale of the breach, both in terms of duration and number, of Delta flights booked in the US domestic market and, of these flights, the proportion and total that were booked by redeeming Virgin Atlantic loyalty points. This information does not

appear to be in the public domain and will need to be sourced through disclosure, in order to determine the extent of the breach and quantify the losses to the Petitioner as a result.

C. Draft Amended Particulars of Claim

27. The Petitioner has recently prepared a draft Amended Particulars of Claim, attached hereto as **Exhibit 14** (the “**Draft APOC**”).

28. By way of the Draft APOC, and amongst other things, the Petitioner seeks to add to its claim further breaches of the Current TMLA by Virgin through the use of the Marks in connection with the marketing, sale and provision to potential passengers and others, of tickets for flights on Caribbean flights operated by Delta and North American flights operated by Hawaiian Airlines Inc. The Draft APOC also provides further particulars of the existing case summarized above.

29. On 17 June 2025, Petitioner sent the Draft APOC to Virgin and invited Virgin to provide its consent to the same. **Exhibit 15**.

30. As at the date of this Application, no response has been received by Virgin to that request. However, the key issues in the English Proceedings remain the same even on Petitioner’s unamended case, that is, (i) whether the Delta Use amounted to a breach of the Current TMLA, (ii) if so, the extent of the breach of the Current TMLA, and (iii) the impact of the breach on the Petitioner. In order to determine these issues, the English Court will require evidence pertaining to the fact

and extent of the Delta Use, which will be documents and information only available to Delta.

II. DISCOVERY IN THE ENGLISH PROCEEDINGS

A. Availability of Discovery in the English Proceedings

1. Party Discovery in the English Proceedings

31. In the English Proceedings, Virgin Aviation and VEL, as the defendants, will generally be required to disclose documents relevant to the issues in the proceedings. The extent of the disclosure required in respect of each issue is determined by the Court pursuant to Civil Procedure Rules Practice Direction 57AD. If disclosure is deemed necessary in respect of an issue, the disclosure that may be ordered ranges from disclosure only of adverse documents known to the parties absent any search (Model A) to all documents identified following a prescribed search that are likely to support or adversely affect that parties case (Model D) which may include, in an exceptional case, documents which may lead to a train of inquiry which may identify other documents for disclosure (Model E). The disclosure ordered will be limited to documents within each parties “control”, being documents “(a) which are or were in a party’s physical possession; (b) in respect of which a party has or has had a right to possession; or (c) in respect of which a party has or has had a right to inspect or take copies” (CPR 57AD App1, para 1.1)

32. I understand that Delta is a separate legal entity and is not affiliated to either Virgin Aviation or VEL. Therefore, it appears that neither Virgin Aviation or VEL are likely to have possession of, or control over, Delta's documents.

2. Third-Party Discovery in the English Proceedings

33. An English Court would have jurisdiction under CPR 31.17 to order a foreign non-party to disclose documents which are held in the English jurisdiction. However, as a U.S. entity, it is not apparent that Delta would hold any relevant documents in England.

34. The question of whether a CPR 31.17 Order against a foreign non-party could extend to documents held outside the jurisdiction is unsettled in English law, but the English Court of Appeal has noted, obiter, that if such a jurisdiction did exist it would rarely be appropriate to exercise it given the availability of the possibility of obtaining disclosure through the foreign court to which the non-party was subject (see *Gorbachev v Guriev* [2022] EWCA Civ 1270; [2023] K.B. 1 at [90]). **Exhibit 16.** Thus, the fact that the Petitioner has open to it the possibility of seeking disclosure via an application under section 1782 would militate against any application by the Petitioner in England for documents held by Delta in the US (see *Alexander Nix v Emerdata Limited* [2022] EWHC 718 (Comm) at [25] to [26]). **Exhibit 17.**

B. Receptivity of the English Courts to Evidence Obtained Through Section 1782

35. It is my opinion that the English Court would be receptive to material obtained under Section 1782.

36. Under English law, it is for the parties to a proceeding to obtain the material upon which they wish to rely to pursue their case. As long as evidence is not obtained by unlawful or improper means, the English Court is not typically concerned with the means by which a party gathers evidence.

37. The English Court's receptivity to documents obtained through Section 1782 is illustrated by *South Carolina Insurance Co v. Assurantie Maatshappij "De Zeven Provinciën"* NV [1987] AC 24. A true and correct copy of that decision is attached hereto as **Exhibit 18**. There, the Judicial Committee of the House of Lords declined to restrain a party from seeking discovery under Section 1782, notwithstanding that such discovery would have been unavailable from an English Court. Giving the leading speech, Lord Brandon of Oakbrook reasoned that "*it is for that party to obtain and present the evidence which he needs by his own means, provided always that such means are lawful in the country in which they are used. . . . That being so, I cannot see why, since the Federal law of the United States authorises an application of the kind made by the re-reinsurers in this case, the making of such application, which may or may not succeed in whole or in part, should be regarded as being such an interference either.*" Ex. 18 at 42.

38. Since *South Carolina Insurance*, the English Court has repeatedly admitted evidence, both documents and deposition testimony, obtained by litigants through Section 1782. For example, the court reached a similar conclusion in *Nokia Corporation v. Interdigital Technology Corp.*, [2004] EWHC 2920 (Pat), a true and correct copy of which is attached hereto as **Exhibit 19**. There, the court denied a request to restrain a party from making a Section 1782 application in the United States, reasoning that “*it cannot be said a priori or that the material which would be obtained on discovery in this case, as sought in the section 1782 proceedings, would not be capable of being deployed in these proceedings.*” Ex. 19 at 8. The court further stated that “*the English court should not seek to circumscribe the discretion possessed by the [US] district court by imposing its own view as to the appropriateness of the classes of documents sought by reference to the issues in proceedings as they stand. It is legitimate for the requesting party to use the request to ascertain facts and obtain documents of which the requesting party is unaware, but which may be in the future deployed in the English proceedings, if necessary after appropriate amendment.*” *Id.*

39. English courts have also admitted deposition testimony obtained through Section 1782. See, e.g., *Omega Group Holdings Ltd & Ors v Kozeny & Ors* [2002] CLC 132. **Exhibit 20**; *Nokia Corporation v Interdigital Technology Corporation* [2004] EWHC 2920 (Pat). Ex. 19.

C. Relevance of Requested Discovery to U.K. Proceeding

40. I understand that the Application generally seeks the following categories of information from Delta:

(a) Information about any commercial arrangements between Delta and any Virgin group company that relate in any way to the sale, marketing, offer, sharing, exchange or otherwise any collaboration in respect of US domestic flights.

(b) All licensing agreements between Delta and any Virgin group entity.

(c) Information on the number of US domestic flights sold each year by Virgin Atlantic that have been operated by Delta from 2012 to the present, and details of the revenue generated by Delta with respect to these flights.

(d) Information on and copies of any revenue share arrangements between Delta and Virgin Atlantic concerning US domestic flights sold by Virgin Atlantic as part of its alliance with Delta, and bilateral arrangements between Delta and Virgin Atlantic.

(e) Information and details of any and all incentive scheme arrangements between Delta and Virgin Atlantic that have been in place from 2012 to the present, which directly or indirectly encouraged Virgin Atlantic to direct customers towards US domestic flights operated by Delta.

41. It is my opinion that the discovery sought by the Application is very likely to be both relevant and admissible in the English Proceedings for the reasons given above.

42. In particular, it is my opinion that the categories of documents in respect of which discovery is sought from Delta will enable the Petitioner to understand and analyse the extent of the Delta Use, which the Petitioner must demonstrate to the English Court in order to make its case that the Delta Use was a fundamental, repudiatory, breach of the Current TMLA, and had a detrimental impact on the Petitioner's business. Without this discovery, the Petitioner is unable to fully analyse the Delta Use as the defendants to the English Proceedings, Virgin Aviation and VEL, will not have access to these documents or this information given that Delta is a separate corporate entity and its documents are thus not in either defendant's possession, custody or control.

Executed in London, England, this 9th day of July, 2025.



Susana Cao Miranda

EXHIBIT 1

Claim No:

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
KING'S BENCH DIVISION
COMMERCIAL COURT

BETWEEN:

ALASKA AIRLINES INC.

Claimant

-and-

(1) VIRGIN AVIATION TM LIMITED

(2) VIRGIN ENTERPRISES LIMITED

Defendants

PARTICULARS OF CLAIM

Introduction

1. The Claimant is a company incorporated in Alaska, the United States of America ("US"). The Claimant is the legal successor to Virgin America Inc. The Claimant and Virgin America were merged together on 20 July 2018, at which time Virgin America Inc. ceased to exist and all of its rights and obligations were assumed by the Claimant. In this regard:

- 1.1 References hereafter to "**Virgin America**" are references to Virgin America Inc., the separate entity existing before 20 July 2018;
- 1.2 References hereafter to "**AAI**" are references to the Claimant at any time after 20 July 2018 (i.e. the entity surviving the merger).

2. The First Defendant ("**Virgin Aviation**") is a company incorporated in England and Wales with company number 8865672. Virgin Aviation holds the rights to license certain trademarks beneficially owned by the Second Defendant.
3. The Second Defendant ("**VEL**") is a company incorporated in England and Wales with company number 01073929. VEL and Virgin Aviation together are referred to in these Particulars of Claim as "**Virgin**". VEL and Virgin Aviation are both companies in the Virgin group of companies, a group founded by Sir Richard Branson (the "**Virgin Group**").

The Current TMLA

4. On 19 November 2014 Virgin America, Virgin Aviation and VEL concluded a contract entitled "Amended and Restated Virgin America Trade Mark Licence" (the "**Current TMLA**"). AAI will refer to terms of the Current TMLA for their full meaning and effect. Terms defined in the Current TMLA are adopted below.

Breach and/or Termination of the Current TMLA by the Defendants

5. On a true construction of the Current TMLA:
 - 5.1 AAI is the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it, to the exclusion of all others subject to the exceptions defined in Clause 3.2.
 - 5.2 Virgin Aviation and/or VEL must not grant any further licences to use the Marks in respect of the Licensed Activities.
 - 5.3 The Licensed Activities include all activities incidental to the right to operate an airline on any route for which all points of arrival and/or departure are within the Mainland Territory (as that term is defined in the Current TMLA), and all activities which would ordinarily be regarded as part of the business of an airline.
 - 5.4 The sale of tickets via AAI's website to AAI's actual or prospective customers for routes operated by another carrier for which all points of arrival and/or departure are within the Mainland Territory is a Licensed Activity.

6. In breach of its obligations in Clauses 3.2 and/or 3.3 Current TMLA, Virgin Aviation, and/or VEL, licensed the Marks to Virgin Atlantic Airways Ltd ("**Virgin Atlantic**") to (at the least) sell tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's actual or prospective customers for, at least some, routes operated by Delta Air Lines for which all points of arrival and/or departure are within the Mainland Territory. Pending disclosure, the full nature and extent of the licence granted to Virgin Atlantic is unknown to AAI, and AAI reserves the right to provide further particulars following disclosure.
7. Virgin Aviation, and/or VEL, by its conduct terminated the Current TMLA under Clause 3.7, alternatively if, contrary to AAI's primary position, AAI/Virgin America was obliged to pay Virgin Aviation the Minimum Royalty even if it did not use the Names or the Marks in a given financial year, Clause 11.3 Current TMLA. Specifically:
 - 7.1 By commencing and pursuing Claim No. CL-2019-000742 in the Business and Property Courts of England Wales, Virgin Aviation and/or VEL validly gave AAI written notice that (a) AAI had ceased to use the Names and Marks in a material manner; and/or (b) AAI was in material breach of the Current TMLA and required to remedy the breach.
 - 7.2 Licensing the Marks to Virgin Atlantic inconsistently with its obligations under the TMLA, was an unequivocal overt act by Virgin Aviation and/or VEL inconsistent with the subsistence of the Current TMLA. By that conduct Virgin therefore elected to, and did, terminate the Current TMLA under Clause 3.7 and/or 11.3 Current TMLA.
8. Further or alternatively, Virgin Aviation and/or VEL by its conduct in licensing the Marks to Virgin Atlantic has acted in a manner inconsistent with, and in breach of, the terms of the Current TMLA. Virgin has denied (by letter from its solicitors dated 4 July 2022) that the use of the Marks by Virgin Atlantic is inconsistent with, or in breach of, the terms of the Current TMLA and by letter from its solicitors dated 2 August 2022 has asserted that it will continue to act in the manner identified in paragraph 6 above. Virgin has thereby evinced an intention no longer to be bound by the terms of the Current TMLA and is in repudiatory breach thereof. AAI hereby accepts that repudiatory breach.

Relief

9. Virgin maintains (in particular by letter from its solicitors dated 2 August 2022) that the Current TMLA has not been terminated and continues to subsist. In view of the parties' dispute about whether the Current TMLA has been terminated, AAI is entitled to and claims:
 - 9.1 A declaration that, "*Upon licensing the Marks to Virgin Atlantic, the Current TMLA was terminated by Virgin under Clause 3.7 and/or 11.3 Current TMLA*";
 - 9.2 Alternatively a declaration that, "*Virgin Aviation and/or VEL by its conduct in licensing the Marks to Virgin Atlantic has acted in a manner inconsistent with, and in breach of, the terms of the Current TMLA. AAI validly accepted that repudiatory breach on 23 September 2022, thereby terminating the Current TMLA*".
10. Virgin's breaches have caused AAI loss and damage. Pending disclosure, the full nature and extent of the licence granted to Virgin Atlantic is unknown to AAI, such that AAI is unable to particularise its loss and damage further at present.
11. Further or alternatively, if contrary to AAI's primary case the Current TMLA continues to subsist, unless restrained Virgin threatens to continue licensing the Marks to Virgin Atlantic, which will cause AAI to suffer further loss and damage that will not be adequately compensated by damages.
12. Further, AAI is entitled to and claims compound interest at common law alternatively simple interest pursuant to s.35A of the Senior Courts Act 1981 on any sum found to be due to them to be measured by reference to AAI's average cost of borrowing (which will be a matter for evidence in due course but which for comparison for the year to 31 December 2021 was 3%) from the date of loss until judgment or sooner payment or alternatively at such rate and for such period as the Court shall think fit.

AND the Claimant claims:

- (1) The declaration pleaded in §9(1), alternatively §9(2), above.

- (2) An inquiry as to damages, together with an order for payment of all sums found due to AAI with interest thereon pursuant to s.35A of the Senior Courts Act 1981 and/or the equitable jurisdiction of the Court.
- (3) A permanent injunction to restrain Virgin Aviation and/or VEL and/or both of them from infringing the Current TMLA by continuing to license the Marks to Virgin Atlantic for the Licensed Activities;
- (4) Costs;
- (5) Such further or other relief as the Court deems appropriate.

TOM WEISSELBERG K.C.

EDWARD HO

23 September 2022

Statement of Truth

The Claimant believes that the facts stated in these Particulars of Claim are true. I am duly authorised by the Claimant to sign this statement. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Rebecca Swindells

.....

Name: Rebecca Swindells

Position: Partner – Jones Day (Solicitors to the Claimant)

Date: 23 September 2022

SERVED this 23 day of September 2022 by Jones Day LLP of 21 Tudor St, Temple, London EC4Y 0DJ, Solicitors for the Claimant

EXHIBIT 2

Date 19 NOVEMBER 2014

VIRGIN AVIATION TM LIMITED

VIRGIN AMERICA INC

VIRGIN ENTERPRISES LIMITED

AMENDED AND RESTATED VIRGIN AMERICA TRADE MARK LICENCE

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DATE

19 NOVEMBER

2014

PARTIES

- 1 **VIRGIN AVIATION TM LIMITED** (company number 8865672) a company incorporated in England whose registered office is at The Battleship Building, 179 Harrow Road, London W2 6NB (the "**Licensor**");
- 2 **VIRGIN AMERICA INC** (formerly known as Best Air Holdings Inc) whose registered office is at 533 Airport Boulevard, Burlingame, California 94010 (the "**User**");
- 3 **VIRGIN ENTERPRISES LIMITED** a company incorporated in England and Wales under company number 01073929 acting through its Geneva branch known as "Virgin Enterprises Limited, London, Geneva Branch", registered in Geneva with number CH-660-2129011-5, and located at 13-15 Cours de Rive, 1204 Geneva, Switzerland ("**VEL**")

each a "**party**" and together the "**parties**".

BACKGROUND

- A VEL is the beneficial owner of the goodwill associated with the word "Virgin" and is the beneficial owner and registered proprietor of the Trade Marks.
- B VAL Trademark Three Limited ("**VALTM3**"), the User and VEL entered into a trade mark licence on 4 February 2005 which was amended on 9 April 2007 and 1 March 2013 (the "**Existing Licence**"), pursuant to which VALTM3 granted the User a sub-licence to use the Marks in the form of the Names in consideration for the payment of the Airline Royalties (as defined below). The Existing Licence was supplemented by a letter agreement dated 24 November 2008 between VEL and the User (among others), subsequently amended by a letter agreement dated 13 April 2010 (together, the "**Credit Card Licence**"), under which the User was granted a licence to promote and offer, in the USA only, a Virgin America branded credit card and certain related credit card products. On 13 October 2014, the rights to act as licensor under the Credit Card Licence were assigned to VEL.
- C With effect from 5 March 2014, VALTM3 transferred certain of its business and assets to the Licensor, and as such the Licensor now holds the necessary rights from VEL to license the Airline Rights to the User on the terms of this agreement (the "**Licence**").
- D The parties agree that (conditional upon and with effect from the Effective Date) this Licence amends and restates the Existing Licence in respect of the rights granted to the User by the Licensor, and amends and restates the Credit Card Licence in respect of the rights granted to the User by VEL.

AGREEMENT

1 Definitions and interpretation

- 1.1 In this Licence (except where the context otherwise requires), the following words shall have the following meanings:

Affiliates: means the parent or subsidiary companies of the User;

Activities: means the Licensed Activities, together with the activities described in clause 4.1;

Affinity Products: means the following products which are promoted and offered in the USA only, for the purposes of enhancing and further broadening the User's Elevate frequent flyer program

- i) a Virgin America branded credit card, bearing the "Virgin America" and/or "Virgin America Airways" names and the Marks; and
- ii) to holders of unexpired Virgin America branded credit cards only, in connection with their use of such credit card, related credit card products typically offered by a credit card issuer to its credit card holders, including debt cancellation products and credit insurance, in each case which do not bear the "Virgin America" and/or "Virgin America Airways" names and/or the Marks;

Affinity Product Rights: means the rights granted by VEL to the User relating to the Affinity Products, pursuant to clause 4 of this agreement;

Affinity Products Gross Sales: shall mean the total amount received by the User in connection with the provision of the Affinity Products, exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

Affinity Product Royalties: means the royalty payments payable by the User in consideration for the grant of the Affinity Product Rights, as more particularly described in clause 8.2;

Airline Rights: means the rights granted by the Licensor to the User pursuant to clause 3 of this agreement;

Airline Royalties: means the royalty payments payable by the User in consideration for the grant of the Airline Rights, as more particularly described in clause 8.1;

Board: means the board of directors of the relevant party from time to time or the directors present at a duly convened meeting of the directors at which a quorum is present;

Brand Guidelines: means the brand guidelines issued by VEL from time to time, the current version of which is set out in schedule 3;

Caribbean Territory: means all Caribbean islands and Bermuda;

Effective Date: means the date the User consummates the initial public offering ("IPO") of its common stock pursuant to a registration statement filed with the U.S. Securities and Exchange Commission;

Europe/FSR: means the Member Countries of the European Union (other than the UK and Eire) at the date of this Deed together with the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Iceland, Kazakhstan, Kosovo, Kyrgyzstan, Liechtenstein, Moldova, Monaco, Montenegro, Norway, Republic of Macedonia, Russian Federation, San Marino, Serbia, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan;

Gross Sales: means the total amount received by the User, its Affiliates and/or its sub-licensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction, and for the avoidance of doubt, exclusive of the Affinity Product Gross Sales; any such amounts received or receivable by the User and/or its sub-licensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

JV Partner: means Delta Air Lines, Inc. and its affiliates that are controlled by or under common control with Delta Air Lines, Inc. (and including its affiliated US commuter carriers operating under the "DL" code);

Licensed Activities: means the activities described in schedule 1 in connection with which the User and its subsidiaries are permitted to use the Marks pursuant to the grant of the Airline Rights under clause 3 below of this Licence;

Listed Routes: means the non-stop airline routes listed in Schedule 5;

Mainland Territory: means the United States of America (including Puerto Rico), Canada and Mexico;

Marks: means the Trade Marks and the Signature;

Minimum Royalty: means, in respect of each financial year of the Licensee, the amount of US\$7,978,200 (or a pro rata part of such amount in the case of a partial fiscal year); such amount to be adjusted annually on the Year 1 End Date and any anniversary thereof to increase (but not decrease) by the same percentage as the percentage change in USCPI over the relevant period;

Name and Names: shall bear the meanings set out in clause 3.1.2;

Permitted Third Party: any airline licensed to operate flights under the "Virgin" brand to and from single destinations within the Territories from or to the RoW;

Quarter: means the period from the Effective Date until the day before the next Quarter Day, and each subsequent period of three months after that (each commencing on a Quarter Day), save that the final Quarter of the Term will commence on the applicable Quarter Day and end on the final day of the Term;

Quarter Day: means 1 January, 1 April, 1 July or 1 October;

RoW: any geographical area which is not within either (i) the U.K. or (ii) the Territories;

Signature: means the signature set out in schedule 2 part 2;

Strategic Partner: means, in relation to a Virgin Carrier or the User, an airline from time to time with which that Virgin Carrier or the User (as the case may be) has an alliance arrangement which has been granted ATI status (or which enjoys equivalent status under the competition laws and regulations governing the Virgin Carrier). For the avoidance of doubt, a Strategic Partner alliance involves co-operative marketing initiatives beyond those commonly agreed with Codeshare partners including those relating to ticket sales, flight scheduling and marketing. The definition of "Strategic Partner" includes such airline's affiliated US commuter carriers operating under the Strategic Partner's two-letter airline designator code);

Term: shall commence on the Effective Date and subject to earlier termination in accordance with this Licence, shall continue for the period set out in clause 11.1;

Territory/Territories: one of or both of the Mainland Territory and the Caribbean Territory, as the context may require;

Trade Marks: means those registered trade marks and trade marks for which applications for registration have been made, short details of which are contained in schedule 2 part 2, together with any other trade marks relevant to the business of the User which the Licensor and VEL may agree shall be added to this Licence from time to time;

Transatlantic Routes: means airline routes operated between (i) any point in the UK/Eire, France or the Netherlands and (ii) any point in the Territories;

Trigger Date: means the date on which the User's reported Gross Sales for any period of four consecutive Quarters, exceed US\$ 4,500,000,000.

USA: the United States of America;

USCPI: the monthly index of U.S. consumer prices maintained by the U.S. Bureau of Labor Statistics (or by such other body upon which duties in connection with such index shall have been devolved from time to time), provided that if (i) such index ceases to be published or (ii) the basis on which it is compiled is amended such that it is no longer a measure of general consumer price inflation in the United States, such index shall be replaced by such other index as may most closely resemble the USCPI as at the Effective Date;

User Exclusive Route: means a non-stop airline route which the Licensor is prevented from licensing for operation under the "Virgin" brand due to the rights granted to the User under this Licence including all routes (i) within the Mainland Territory and (ii) between the Mainland Territory and the Caribbean Territory;

Virgin: means Virgin Group Holdings Limited;

Virgin Atlantic: means the airline currently branded "Virgin Atlantic" and currently operated by Virgin Atlantic Airways Limited and any successor to such business;

Virgin Australia: means Virgin Australia Holdings Pty Limited and its related bodies corporate, Virgin Australia Airlines Pty Limited, Virgin Australia International Airlines Pty Ltd, Virgin Australia Airlines (NZ) Ltd and Virgin Australia Airlines (SE Asia) Pty Ltd;

Virgin Carrier: means either Virgin Atlantic or a Permitted Third Party;

Virgin Group: means Virgin, each other company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding company, and all or any of them.

Year 1 End Date: means the date that is the last day of the fifth Quarter;

1.2 In this Licence (unless the context otherwise requires):

1.2.1 any reference to a statute, statutory provision or subordinate legislation ("**legislation**") shall (except where the context requires otherwise) be construed as referring to:

1.2.1.1 such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation;

1.2.1.2 any former legislation which it re-enacts, consolidates or enacts in rewritten form; and

a reference to a statute includes all subordinate legislation made pursuant to that statute from time to time;

1.2.2 any gender includes a reference to all other genders;

1.2.3 the words "subsidiary", "wholly-owned subsidiary" and "holding company" have the meanings given to them by s.1159 Companies Act 2006;

1.2.4 any reference to the background section, a clause or schedule is to the background section, a clause or schedule (as the case may be) of or to this Licence; and

1.2.5 any reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be

deemed to include that which most nearly approximates in that jurisdiction to the English legal term.

2 Acknowledgement

- 2.1 Each of the parties acknowledges that all worldwide right, title and interest in and to the Marks and all rights worldwide to use the mark "Virgin" as a trade, business or corporate name, all goodwill symbolised by such Marks, all copyright subsisting therein and the benefit of all registrations or applications for registration thereof are vested in and owned by VEL subject to any licences granted by VEL in respect of the Marks.
- 2.2 VEL acknowledges that the Licensor has the rights to grant the User the Airline Rights granted under clause 3.
- 2.3 The parties acknowledge that VEL has the rights to grant the User the Affinity Product Rights granted under clause 4 and further acknowledge that such rights do not fall within the definition of Licensed Activities and as such, that the Affinity Product Royalties are not duplicative of the Airline Royalties.

3 Grant of Airline Rights

- 3.1 In consideration of the payment of Airline Royalties to the Licensor by the User, the Licensor grants to the User the right:
- 3.1.1 to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities;
- 3.1.2 subject to clause 3.7, to carry on the Licensed Activities only under the trading or business names:
- 3.1.2.1 "Virgin America";
- 3.1.2.2 "Virgin America Airways";
- 3.1.2.3 "Virgin America Cargo";
- 3.1.2.4 any other name incorporating the word "Virgin" which the Licensor may from time to time permit in writing; and
- 3.1.2.5 any other name incorporating the words "Virgin America" provided that the word or words added to "Virgin America" (i) describe a geographical area (connected to the USA but excluding the word "Atlantic"), or (ii) are ordinarily used in connection with an airline business and are used to describe a business carried on by the User under that description;
- (each a "**Name**", together the "**Names**")
- PROVIDED THAT the User shall have no right to use any name that contains the word "Virgin" (i) the rights to use of which have been granted by VEL to a third party licensee in respect of the activities other than the Licensed Activities, or (ii) not falling within clause 3.1.2 above, without VEL's and the Licensor's prior written consent.
- 3.1.3 to do and authorise the doing of all acts the doing of which is restricted by the copyright in the Signature or in any other work the copyright in which is licensed to the Licensor pursuant to clause 6.2 only in connection with and in the ordinary course of carrying on the Licensed Activities and in accordance with the terms of this Licence; and

- 3.1.4 to grant sub-licences of the rights granted by this Licence to each of its wholly-owned subsidiaries (for as long as such company remains a wholly owned subsidiary), subject to the User giving prior notice to the Licensor, provided that, in each case:
- 3.1.4.1 the User shall conclude a written licence with the sub-licensee under which the sub-licensee is obliged to comply with standards of quality no lower than those set out in clause 5.1 and to comply with provisions equivalent to those in the remainder of clause 5;
 - 3.1.4.2 the User shall be responsible to the Licensor for the acts and omissions of the sub-licensee as if those acts and omissions were its own; and
 - 3.1.4.3 the User shall procure that the sub-licensee complies with standards of quality no lower than those set out in clause 5.1 and complies with other provisions equivalent to those in clause 5.
- 3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that:
- 3.2.1 Virgin Atlantic may operate its own aircraft on point-to-point routes within the Territories only in the context of "cabotage" or fifth freedoms, i.e. only where such overall service has at least three arrival/departure points, one of which is outside the Territories, and
 - 3.2.2 Virgin Atlantic and/or any Permitted Third Party may, in relation to the Territories, market and operate "codeshare" routes having three arrival/departure points in conjunction with another airline, provided that:
 - 3.2.2.1 such route is marketed primarily as a route between a point within either of the Territories to a point within the UK or the RoW so that the intermediate point of arrival and departure is incidental; and
 - 3.2.2.2 the part of the route which is provided by the other airline links with and feeds passengers to and/or accepts passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party.
 - 3.2.3 The requirement in Section 3.2.2.2 that the part of the route provided by the other airline link with and feed passengers to and/or accept passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party shall be deemed to be satisfied if that second part of the route is operated by a Strategic Partner (or, in the case of Virgin Atlantic, by the JV Partner) and is marketed and sold under the two letter designator code of a Virgin Carrier.
 - 3.2.4 The codesharing rights granted under clauses 3.2.2 and 3.2.3 shall also entitle Virgin Atlantic or the Permitted Third Party to act as the marketing carrier on a further flight route within the Territories operated by a Strategic Partner (or, in the case of Virgin Atlantic, by the JV Partner) where that flight route links with and feeds passengers to and/or accepts passengers from the first part of the route referred to in clause 3.2.3.
- 3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities.

- 3.4 The rights granted to the User shall be subject to and shall not include any rights granted by VEL to third parties.
- 3.5 This Licence shall come into effect on the Effective Date.
- 3.6 Subject to clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.
- 3.7 Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where Licensee derives more than twenty percent of its operating revenues within the territories without using the Names or Marks then Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories.
- 3.8 For the avoidance of doubt, in relation to any international routes outside the Territories on which the User is entitled to enter into codesharing arrangements as marketing carrier under schedule 1 paragraph 2.3 of this Licence, those rights are non-exclusive in relation to the Marks (but exclusive in relation to the Names listed in clause 3.1.2 of this Licence).
- 3.9 Where the User is the marketing carrier on an international route pursuant to a codeshare arrangement between the User and a third party airline operating carrier, and another Virgin Carrier is operating flights under the Marks on that route, the User shall make clear in all its pre-flight service communications relating to those flights (whether oral, electronic or in writing, including without limitation booking confirmations and promotional communications) that the codeshare flight marketed by the User on that route is operated by the operating carrier.
- 4 Grant of Affinity Product rights**
- 4.1 In consideration of the payment of the Affinity Product Royalties to VEL by the User, VEL grants to the User for the Term the right to use the "Virgin America" and "Virgin America Airways" names and the Marks, subject to the provisions of clause 4.4 below, in relation to the offering and promotion of the Affinity Products in the USA on the terms and conditions set forth herein, including, subject to the provisions of clauses 4.3 and 4.4 below, the right to sub-license to any co-branding and/or other affinity partner for use solely in connection with the Affinity Products.
- 4.2 The User agrees that the Affinity Products shall be marketed to existing and potential members of the User's Elevate frequent flyer program only in the USA; provided that no Affinity Products shall be issued or provided to any person that is not already a member of the User's Elevate frequent flyer program or does not become a member of the User Elevate frequent flyer program.
- 4.3 VEL agrees that the User may sub-license its rights under this clause 4 to any co-branding and/or other affinity partner provided that:
- 4.3.1 on VEL's written request, the User gives written notice to VEL of any sub-licence it has entered into;

- 4.3.2 all sub-licences must be in writing on terms and conditions no less onerous than those imposed on the User by this Licence;
 - 4.3.3 the sub-licensee shall not have the right to sub-license its rights under the sub-licence to any third party;
 - 4.3.4 the permission to grant sub-licences (and all sub-licences granted) under this clause 4 shall terminate automatically on termination or expiration of this Licence;
 - 4.3.5 the User shall be liable for all acts and omissions of its sub-licensees related to any sub-licences granted, pursuant to this clause 4, which shall be deemed to be the acts and omissions of the User for the purposes of this clause 4;
 - 4.3.6 the User shall at all times and at its own cost enforce compliance by the sub-licensee with the terms of the sub-licence; and
 - 4.3.7 the User shall not sub-contract the whole of its business operations to a third party.
- 4.4 The User's and its sub-licensees' use of the Marks in relation to the Affinity Products shall at all times comply with VEL's Brand Guidelines. VEL, or any party nominated by it, shall be entitled to make reasonable requests for copies of any marketing, advertising or promotional materials relating to the Affinity Products to ensure compliance with VEL's Brand Guidelines; VEL or its assignee shall pay the User's reasonable out of pocket expenses for such copies; and the User shall itself comply and ensure sub-licensees' compliance with any reasonable recommendations relating to VEL's Brand Guidelines and made thereto. The User and its sub-licensees shall be permitted to use the Marks alone on credit cards in the form of the Virgin tailfin logo attached at schedule 4, provided that such use otherwise complies with VEL's Brand Guidelines and that such use is always in conjunction with and in close proximity to the names Virgin America and/or Virgin America Airways. For the avoidance of doubt, any use in advertising or other promotional materials issued by the User or its sub-licensees of the Virgin tailfin logo set out in schedule 4 as depicted in images of the credit card issued by the User as part of the Affinity Program and/or images of any Virgin America aircraft shall not be a breach of the terms of this clause 4. The User agrees that it shall submit any future credit card designs to VEL, or any party nominated by it, with a reasonable amount of notice for prior written approval (not to be unreasonably withheld).
- 4.5 The User's right to use the Marks in the form of the names "Virgin America" and/or "Virgin America Airways" in relation to the Affinity Products in the USA will be exclusive; provided that nothing in this clause 4 shall prevent VEL's other licensees and sub-licensees of the Marks including, but not limited to, Virgin Atlantic and Virgin Money USA, from using the Marks in relation to their licensed activities or own co-branded credit card efforts in the Territories, so long as such parties use of the Marks does not include the names "Virgin America" and/or "Virgin America Airways". Whilst the User's rights to use and sub-license the Marks does not extend to the branding of the related credit card products referred to in the definition of 'Affinity Products', the Marks may be used as permitted under this clause 4 to the extent necessary to identify that such related credit card products are being made available in conjunction with the Virgin America branded credit card.
- 4.6 The User and VEL each agree to use reasonable efforts to partner with each other and each of their licensees and sub-licensees in the USA including, but not limited to, Virgin Atlantic and Virgin Money USA, for mutually beneficial purposes such as cross promotion, marketing and referral of the credit card issued by the User as part of the Affinity Products with equivalent or similar products, services or programs of such parties and, in particular, in relation to the redemption and transfer of points and credits.
- 4.7 The User agrees, that to the extent permissible, credit cards issued by the User as part of the Affinity Products shall be cancelled if there is no activity on such card from the last

qualifying event for three (3) years and the credit card issued by the User has reached expiration regardless of Elevate frequent flyer member status.

- 4.8 Provided that the User has applied for the requisite regulatory approval to commence commercial private passenger flights in any jurisdiction within the Territories, VEL agrees that the User may enter into discussions with a credit card partner in relation to the offering and promotion of the Affinity Products in such other jurisdiction, and may disclose to and record in the memorandum of understanding with such credit card partner that in the event that the following conditions are met the User will receive a licence from VEL on substantially similar terms to those set out in this clause 4:
- 4.8.1 the User and such credit card provider have entered into a final and binding agreement in relation to the offering and promotion of the Affinity Products in such other jurisdiction;
 - 4.8.2 the Affinity Products shall not have been marketed, offered, promoted or sold in the relevant jurisdiction before the User has received the requisite regulatory approval and commenced commercial private passenger flights in that jurisdiction; and
 - 4.8.3 the User is in compliance with the terms of this clause 4.
- 4.9 VEL hereby agrees that in the event that the User fulfils each and all of the criteria set out above in this clause 4 that it will grant a licence to the User on substantially similar terms to that set out in this clause 4 to permit the User to use the names "Virgin America" and/or "Virgin America Airways" and/or, subject to the provisions of clause 4.4 above, the Marks, in relation to the offering and promotion of the Affinity Products in the relevant jurisdiction(s) other than the USA. For the avoidance of doubt, the User shall not be permitted to market or promote the offering of any of the Affinity Products in the relevant jurisdiction until such time as it has received the requisite regulatory approval and commenced commercial private passenger flights in that jurisdiction;
- 4.10 VEL agrees that it shall consider in good faith any request made by the User to provide a debit card bearing the names "Virgin America" and/or "Virgin America Airways" and/or, subject to the provisions of clause 4.4 above, the Marks, to its Elevate frequent flyer customer base in the Territories, and negotiate any agreement for the same, in good faith, provided that the decision as to whether to grant such right and enter into such agreement shall be in VEL's absolute discretion.

5 **Standards of Quality**

- 5.1 The standard of quality of the Activities shall at all times comply with the following standards of the Licensor (the "Standards of Quality"), which the User covenants to VEL and Licensor at all times to maintain:
- 5.1.1 the User shall ensure that the Activities are at all times carried on in a manner which complies with all those standards imposed on it by applicable law or regulation, including (without limitation) those imposed or monitored by the Federal Aviation Authority, which for the time being apply to the User (whether pursuant to any licence granted to the User or otherwise) and that the Activities and the manner of use of the Marks are in accordance with standards no lower than the Brand Guidelines;
 - 5.1.2 the User shall ensure that the marketing, advertisement and promotion of the Activities complies with all laws and regulations in force within the territories in which marketing, advertisement and promotion is carried on;

5.1.3 the User shall obtain all necessary consents and licences and fulfil the terms of any legislation applicable to, and all other formalities required in connection with, the carrying on of the Activities; and

5.1.4 the Marks shall not be used in any manner which damages the goodwill of the Virgin Group, VEL or the Licensor or which in any way disparages the reputation, marks or business of any of them.

5.2 For the purposes of enabling VEL to satisfy itself that the Standards of Quality are being maintained, the User undertakes to provide VEL and the Licensor promptly with details of any litigation, arbitration or administrative proceedings which are in progress or threatened or pending against the User concerning the provision of the Activities and of any governmental or official investigation or inquiry concerning the User and relating to the Activities.

5.3 If requested by any party, VEL and the Licensor shall meet with representatives of the User at least once in each calendar year in order to discuss such aspects of the use of the Marks as may appear relevant to each party, including maintenance of the Standards of Quality and any requests the User may have to extend the coverage of registrations of the Marks, and the User shall, as soon as reasonably practicable following VEL's or the Licensor's request, produce to VEL and the Licensor such records and materials of the User as VEL or the Licensor may reasonably request in order to assess whether the Standards of Quality are being maintained.

5.4 If at any time it appears to VEL or the Licensor that the User is using any of the Marks in connection with goods or services or in a manner which do not comply with the Standards of Quality, VEL or the Licensor shall promptly notify the User and the parties shall discuss appropriate steps to be taken to ensure that those goods or services or the User's manner of use do comply with such Standards. The User shall take any action agreed by the parties to be reasonably necessary to remedy any non compliance with the Standards of Quality.

6 Reservation of Rights

6.1 All use of the Marks by the User under this Licence shall be deemed to be use by VEL and shall be deemed not to be use by the User for any purpose whatsoever. All use by the User of the Trade Marks, and any of them shall inure to the benefit of VEL and all goodwill symbolised by the Trade Marks all registrations and future applications for registration thereof shall accrue to VEL.

6.2 The copyright in the Signature and any future copyright in any artistic work which incorporates any use of the Signature or the Marks and any of them shall belong to, and remain vested in, VEL.

6.3 This Licence shall operate solely as a permission for the User to use the Marks in the manner herein defined and shall not be deemed to confer upon the User any further or greater right in the Marks or any of them.

6.4 The User will not in any way, directly or indirectly, be a party to anything and will not permit any person under its control to do, or be in any way directly or indirectly a party to, anything which results in some person other than the User using the Marks or having any rights in any such Marks (except where otherwise expressly permitted under this Licence).

7 Registrations

7.1 Where it is possible to do so in any jurisdiction, VEL shall, at its own cost, take all reasonable action necessary to register or record the rights granted to the User by this Licence on the trade mark register of that jurisdiction. The User shall provide all reasonable assistance to VEL, and where necessary itself may take all action, required to effect the registration or recordal described above.

- 7.2 Subject to clause 7.3, all rights to register, maintain or renew any of the Marks are strictly reserved to VEL. The User will not seek any registration of any trade mark, service mark, copyright or analogous right that is confusingly similar or identical to the Marks in any country in the world, except, with the prior written consent of VEL, as VEL's or the Licensor's licensee or registered user of any Marks in connection with the Activities.
- 7.3 VEL shall, at its own cost, continue to maintain and renew the registrations of the Marks and prosecute applications forming part of the Marks. The User shall have the right to maintain or renew any of the Marks and prosecute applications forming part of the Marks, in each case in the name of VEL, in the event that VEL fails to do so.
- 7.4 The User agrees that it will, at the request and expense of VEL, provide its full assistance in connection with the protection and maintenance by VEL of its rights in and to the Marks (and any other trade marks, service marks, copyright or analogous rights relating to the business, products or services for the time being of the Virgin Group which may for the time being subsist) ("Rights") and with any application by or on behalf of any member of the Virgin Group for registration of any such Rights in such territories as VEL may from time to time, in its entire discretion, determine and, in particular, that the User will, to the extent not inconsistent with the terms of this Licence, execute such documents, complete such formalities and provide such information as may be required for the purposes of such registration.
- 7.5 As and when during the currency of this Licence, application to register any of the Marks shall have been granted to any member of the Virgin Group in any territory, the User will, at the request and expense of the applicant, promptly execute and assist fully in the registration, at VEL's entire discretion, of a separate formal licence or registered user agreement for that territory, each such licence to be upon and subject to the terms and conditions of this Licence and coterminous with the permission granted to the User pursuant to clause 3 or clause 4.1 as appropriate.

8 **Payment of royalties**

- 8.1 In consideration of the Airline Rights granted pursuant to clause 3, User agrees to pay Licensor:
- (a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter;
 - (b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of Gross Sales in respect of each Quarter or part of a Quarter; and
 - (c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter

In each case, subject to the requirement that the User will in each financial year during the Term pay at least the annual Minimum Royalty in accordance with clause 8.6.

- 8.2 In consideration of the Affinity Product Rights granted pursuant to clause 4, the User agrees to pay VEL:
- (a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter;
 - (b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter; and

- (c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter.
- 8.3 Notwithstanding Clause 8.1 above, where the User exercises its rights under paragraph 2.3.2 of Schedule 1 to enter into codesharing arrangements (as marketing carrier) in relation to any Listed Routes, the royalty payable by the User in relation to activity shall at all times be limited to 0.5% of the Gross Sales attributable to such codesharing arrangements.
- 8.4 All amounts payable pursuant to this clause 8 shall accompany the quarterly statement to be provided by User to Licensor and VEL in accordance with clause 8.5.1.
- 8.5 User shall supply to Licensor:
 - 8.5.1 a quarterly statement of the Gross Sales and the Affinity Products Gross Sales within ten (10) days of the end of each Quarter; and
 - 8.5.2 a statement showing Gross Sales and Affinity Products Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor and VEL, together with a reconciliation between Gross Sales and Affinity Products Gross Sales and the quarterly statements provided under clause 8.5.1 (the "Reconciliation Statement").
- 8.6 For the avoidance of doubt, the User's obligation in respect of payment of royalties due to the Licensor in each financial year of the User is to pay the greater of (a) a royalty based on a percentage of the User's Gross Sales in the relevant period, at the rates set out in clauses 8.1 and 8.3 above, and (b) the Minimum Royalty payment applicable for that period. Where the Reconciliation Statement reveals an underpayment of any amount due to the Licensor, the amount of such underpayment shall be paid in full by the User within 20 days following receipt of a relevant invoice from the Licensor. Where the Reconciliation Statement reveals an overpayment of any amount due to the Licensor, the amount of such overpayment shall be set off against royalties due for the following Quarter.
- 8.7 Any obligation to make a payment under this Licence has been expressed exclusive of value added or similar tax. If such tax is chargeable by reference to anything done under this Licence, the payment shall be increased to include an amount representing such tax.
- 8.8 In the event of any payment to be made by the User under this Licence not being received by Licensor or VEL respectively on or before the date of payment, interest shall become payable on such payment at the rate of four (4) percent above the base rate of Lloyds TSB Bank PLC from the due date for payment to the date when payment is actually received (both before and after any court judgement).
- 8.9 Sums due under this Licence shall be subject to the following provisions:
 - 8.9.1 All sums payable to the Licensor or VEL (as appropriate) under or in connection with this Licence shall be paid in full without any set-off or counterclaim whatsoever and free and clear of all deductions or withholdings whatsoever, save only as may be required by law.
 - 8.9.2 The User shall promptly upon becoming aware that any deductions or withholdings are required by law to be made from such amounts notify the Licensor or VEL (as appropriate) accordingly.
 - 8.9.3 If any deductions or withholdings are required by law to be made from such amounts, the User shall make such deduction or withholding in the minimum amount required by law and shall make any payment required in connection

with such deduction or withholding within the time period and in the amount required by law.

- 8.9.4 If any deduction or withholding is required by law, the amount of the payment due from the User shall be increased to an amount which ensures that, after the making of the deduction or withholding, the Licensor or VEL (as appropriate) receives on the due date and retains (free from any liability in respect of such withholding or deduction) a net sum equal to the amount it would have been entitled to receive and retain in the absence of any such requirement to make a deduction or withholding.
- 8.9.5 Within 30 days after making any deduction or withholding, or a payment required in connection with a deduction or withholding, the User shall deliver to the Licensor or VEL (as appropriate) evidence reasonably satisfactory to the Licensor or VEL (as appropriate) that the deduction or withholding has been made and that any payment which is required in connection with such deduction or withholding has been made to the relevant authority.
- 8.10 If the User makes an increased payment pursuant to clause 8.9.4 and the Licensor or VEL (as appropriate) determines that:
 - 8.10.1 a tax credit is attributable either to the additional amount of the payment or to the increased payment itself; and
 - 8.10.2 the Licensor or VEL (as appropriate) has obtained, utilised and retained that tax credit,

the Licensor or VEL (as appropriate) shall pay an amount to the User which the Licensor or VEL (as appropriate) determines will leave it (after that payment) in the same after-tax position as it would have been in had no such deduction or withholding been made.

- 8.11 The User shall keep suitable records and accounts in order to demonstrate that the correct royalty payments have been made pursuant to the terms of the Licence and shall make all such records and accounts available for inspection by Licensor or VEL (as appropriate) (or its duly authorised representative) on seven (7) days' prior written notice. If any such inspection or audit reveals a discrepancy in the royalties paid, any shortfall shall be paid immediately and in the event that the shortfall is more than five (5) percent of the correct figure due in the audited period, the reasonable professional costs of the audit or inspection shall also be payable by the User.

9 **Assignment**

- 9.1 The rights granted to the User by this Licence are personal to the User and the User shall not delegate or assign those rights, except that, provided it has given prior notice to VEL and the Licensor the User may delegate or assign:
 - 9.1.1 subject to clause 9.4, to wholly-owned subsidiaries of the User;
 - 9.1.2 to third parties, but only as part of a transfer of all or substantially all of the business of the User forming part of the Activities; or
 - 9.1.3 by way of security.
- 9.2 The User may, with prior notice to VEL and the Licensor, mortgage or charge the rights granted to the User by this Licence.
- 9.3 For the avoidance of doubt, nothing in clause 9.1 above shall prevent the User from sub contracting the manufacture of promotional goods or the provision of services in the course of carrying on the Activities.

9.4 If a wholly-owned subsidiary of the User subsequently ceases to be a wholly owned subsidiary, the User shall procure that prior to such event the wholly owned subsidiary shall assign back to the User any rights assigned to it pursuant to clause 9.1.1.

9.5 For the avoidance of doubt, the User may sub-license its rights in accordance with clause 4.3.

10 **Obligations of the User**

10.1 The User hereby undertakes and agrees with VEL and the Licensor that it will at all times during the continuance in force of this Licence, observe and perform the terms and conditions of this Licence and in particular:

10.1.1 only reproduce and use the Marks in connection with the Activities and not otherwise and, in particular but without limitation, not use any of the Marks in connection with any business (other than the Activities) of the same kind as from time to time carried on by VEL or any of its third party licensees; and

10.1.2 indemnify and hold each of the Licensor and VEL harmless from and against all costs, actions, proceedings, claims, demands and damages arising directly or indirectly out of this Licence (except insofar as the same may be shown to be attributable to the act or default of VEL or the Licensor) and made or claimed by third parties and in particular, but without limitation, out of or in connection with the carrying on of the Activities.

10.2 The User hereby agrees that the Licensor may appoint one director to the Board of Directors of the User at any time if a Virgin Group company, including any affiliate of a Virgin Group company, no longer has an officer, director, employee, agent, or other representative on the Board of the User. This right shall remain in effect until the earlier of (a) the date that this Agreement is terminated or (b) the latest date permitted by laws, regulations or rulings applicable to User, including any rules, regulations or rulings by the U.S. Department of Transportation or the stock exchange where the User's shares are listed for trading. For purposes of this clause 10.2, an "affiliate" shall include a parent, subsidiary and any other person or entity which, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with a Virgin Group company where "control" means the possession of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise; provided, that for purposes of this clause 10.2, the User shall not be deemed an affiliate of any Virgin Group company.

11 **Termination**

11.1 This Licence shall come into effect on the Effective Date and shall continue for a period of 25 years (the "Initial Term"). Upon expiry of the Initial Term, this Licence shall be automatically extended (without limit in time) by further periods of 10 years (each an "Extension Period") unless terminated by the Licensor or the User by the giving of not less than 3 months prior written notice in advance of the expiry of the Initial Term or any subsequent Extension Period.

11.2 The User shall have the right to terminate this Licence at any time by giving one month's notice in writing to the Licensor and VEL if the "Virgin" brand is materially damaged as a result of one or more events which have a material adverse effect on the use of Marks by User unless such damage is attributable to any action or inaction of the User.

11.3 Licensor shall have the right to terminate this Licence immediately in respect of the Airline Rights only, and VEL shall have the right to terminate this Licence immediately in respect of the Affinity Product Rights only (provided that in each case, written notice is given to the User) if:

- 11.3.1 Licensor's or VEL's right (as appropriate) to license any of the Marks to the User under this Licence is successfully challenged by any third party;
 - 11.3.2 VEL has reasonable grounds to believe that the use of the Marks by the User has been or is likely to be materially damaging to the Marks, or their reputation or goodwill;
 - 11.3.3 the User commits a material breach of any term or condition of this Licence and such breach continues unremedied for more than ten (10) Business Days after Licensor or VEL has served a notice in writing on the User requiring remedy of the breach;
 - 11.3.4 the User passes a resolution for its winding up or a court of competent jurisdiction makes an order for the User to be wound up or dissolved or the User is otherwise dissolved;
 - 11.3.5 an administrator is appointed or, an administration order is made in relation to the User or a receiver or administrative receiver is appointed, or an encumbrancer takes possession of or sells, the whole or part of the User's undertaking, assets, rights or revenue;
 - 11.3.6 the User is unable to pay its debts as they become due, is adjudicated bankrupt or insolvent, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;
 - 11.3.7 the User makes an assignment for the benefit of, or enters into an arrangement, compromise or composition in satisfaction of its debts with, its creditors or any class of them. For the avoidance of doubt, the parties acknowledge that the Licensor shall not have the right to terminate in the event the User enters into a consensual arrangement, compromise or composition with one or more of its shareholders in regard to the satisfaction of outstanding shareholder debt or obligations, including any such transaction that is completed in conjunction with a private or public issuance of debt, warrants, options, bonds, or any other derivatives, securities or future financial obligations of the User;
 - 11.3.8 the User files or is subject to any petition under the bankruptcy or insolvency laws, takes steps to obtain a moratorium or makes an application to a court of competent jurisdiction for protection from its creditors;
 - 11.3.9 any event similar to those specified in clauses 11.3.4 to 11.3.7 inclusive occurs in any jurisdiction;
 - 11.3.10 the User and its sub-licensees and assignees have each ceased to carry on the Activities for a period of at least ninety (90) days;
 - 11.3.11 the User challenges the validity of or the entitlement of Licensor or VEL or any of its superior licensors to use or license the use of any of the Marks; or
 - 11.3.12 the User is in breach of clause 7.2.
- 11.4 Upon the termination of this Licence pursuant to clause 11:
- 11.4.1 the User shall (and shall procure that all its subsidiary and holding companies and subsidiaries of such holding companies shall) as soon as practicable and without delay take such of the following steps as the Licensor or VEL shall direct:

- 11.4.1.1 cease to carry on business under the name "Virgin America" or any other name which incorporates the word "Virgin";
 - 11.4.1.2 cease to use any of the Marks; and
 - 11.4.1.3 deliver up to the Licensor and/or VEL (as appropriate) all materials in its possession or under its control which reproduce the Marks or give the Licensor and/or VEL (as appropriate) satisfactory evidence of their destruction or of their alteration so that they can no longer be used to reproduce the Marks;
- 11.4.2 the User shall be responsible to the Licensor and/or VEL (as appropriate) for any damage caused by the unauthorised use of such materials which are not delivered up or destroyed or thus altered; and
- 11.4.3 the User shall change its name to a name that does not incorporate the word "Virgin".
- 11.5 Termination of this Licence shall be without prejudice to the rights of VEL and/or the Licensor against the User (and vice versa) which may have accrued up to the date of such termination.
- 11.6 The Licensor and VEL each waive any rights they may have at law to terminate this Licence or to treat it as at an end.
- 12 **Infringements**
 - 12.1 The User shall promptly notify VEL and the Licensor if it becomes aware at any time of any infringement or suspected infringement of the Marks or of any passing off or of any act or thing which might vitiate or prejudice the rights of any member of the Virgin Group in and to the Marks, giving particulars thereof.
 - 12.2 VEL shall have the right in its sole discretion and at its sole expense to take whatever action it believes necessary and proper in connection with any infringement, suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks. For the purposes of section 31 of the UK Trade Marks Act 1994, the User shall have the rights and remedies set out in that section as if the licence had been an assignment, and in any other jurisdiction the User shall have rights and remedies equivalent to those set out in that section. However the User (i) shall not exercise such rights unless VEL shall have failed or refused to take action in respect of any particular suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks following a request from the User that it do so and (ii) shall not exercise such rights if VEL, acting reasonably, has in response to a request from the User, required it not to do so.
- 13 **Waiver**
 - 13.1 Except as set out in this Licence, none of the rights of any of the parties (whether arising under this Licence or under the general law) shall be capable of being waived or varied otherwise than by an express waiver or variation in writing and in particular any failure to exercise or delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such right shall not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on its part or on its behalf shall in any case preclude it from exercising any such right or constitute the suspension or any variation of any such rights.
- 14 **Modifications**

- 14.1 No amendment or modification to this Licence will be effective or binding unless it is in writing signed on behalf of the parties and refers to this Licence.

15 Invalidity

- 15.1 If at any time any one or more of the provisions of this Licence become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16 Notices

- 16.1 Any notice or communication required or authorised to be given by any party to any of the others shall be sent by facsimile or first class post to the address given above of the party to whom the notice is to be given (or such other address as the recipient may have notified the other parties in writing) and any notice so sent shall be deemed if sent by facsimile (and a valid transmission report produced) to have been served on the date of transmission (if transmitted during the normal business hours of the sender) or (if not) on the next business day thereafter and if posted to have been served 48 hours following the date of posting.

17 Exclusion of liability

- 17.1 Nothing in this Licence shall be or be deemed to be a representation or warranty as to the existence, ownership, validity or enforceability of any of the rights including but not limited to, the copyright licensed hereunder.
- 17.2 VEL will be responsible for filing for renewal of the Trade Marks licensed hereunder but it will not, in any circumstances, be liable for any failure to maintain in existence any of such Marks or registrations by virtue of non use of any of such Marks. The User agrees that this exclusion of liability satisfies the requirement of reasonableness within the meaning of the Unfair Contract Terms Act 1977.

18 Remedies

- 18.1 The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence.

19 General

- 19.1 The Headings of this Licence or any clause hereof are inserted only for the purpose of convenience and shall not affect the construction hereof.
- 19.2 Each of the parties shall execute and do, and shall procure that all other necessary persons execute and do, all documents acts and things as may be necessary or desirable for giving effect to this Licence and for procuring the registration thereof in respect of each of the Marks and the cancellation of such registration upon the termination of this Licence.
- 19.3 This Licence represents the entire understanding between the parties in relation to the licensed use by the User and supersedes all previous representations, understandings, licences or agreements, whether oral or written, in relation thereto.
- 19.4 Nothing in this Licence shall be construed to constitute any party the partner, joint venturer, agent or employee of any other party, or to create any relationship other than that of independent contractors, and, except as expressly provided herein, no party by virtue of this Licence has authority to transact any business in the name of the other party or on its behalf or incur any liability for or on behalf of any other party.
- 19.5 This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

As witness this Licence has been signed by the duly authorised representatives of the parties the day and year first above written.

SCHEDULE 1

The Licensed Activities

- 1 The Licensed Activities means, subject to paragraphs 2 and 3:
 - 1.1 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Mainland Territory; and
 - 1.2 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which the point of arrival is in one Territory and the point of departure is in the other Territory (including any route with three or more points of arrival and/or departure where all intermediate points of arrival/departure are within the Territories);but for the avoidance of doubt shall not include the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Caribbean Territory.
- 2 The Licensed Activities referred to in paragraph 1 above shall include without limitation:
 - 2.1 all activities which are incidental to those activities;
 - 2.2 all activities (including the manufacture of promotional goods, the subcontracting of such manufacture and the provision of promotional marketing and public relations services) which would ordinarily be regarded as part of the business of an airline, and/or an aviation cargo and air freight carrier; and
 - 2.3 the right to enter into codesharing arrangements:
 - 2.3.1 as either the marketing carrier or the operating carrier with any other carrier for routes operated within the Territories; and
 - 2.3.2 as the marketing carrier with any other carrier for all international routes with a point of departure or arrival within the Territories (including international flights that link with and feed passengers to and/or accept passengers from the international route, except for flights within Australia) subject to paragraph 2.3.3 below.
 - 2.3.3 For the avoidance of doubt, the Licensed Activities shall not include the rights to enter into codesharing arrangements (x) as marketing carrier in relation to any Transatlantic Routes; or (y) as an operating carrier outside the Territories.
 - 2.3.4 For the avoidance of doubt, nothing in this paragraph 2.3 of schedule 1 shall operate to restrict clauses 3.2.2 to 3.2.4 of this Licence.
- 3 Notwithstanding any other provision in this Agreement, nothing shall prohibit the User from performing any activities of its choosing, including but not limited to, operating international flights, entering into code-sharing arrangements or other marketing arrangements with other airlines, and engaging in all activities covered by the Licensed Activities so long as the User does not use the Name or Mark while undertaking such activities.
- 4 The Licensed Activities shall not include the use of aircraft with accommodation for twenty (20) passengers or fewer and shall not include the use of aircraft with an operational ceiling in excess of 85,000 feet.

SCHEDULE 2

PART 1

The Signature

Virgin

PART 2
Trade Marks

COUNTRY	TRADE MARK	APP / REG #	INT CLASSES	STATUS
Antigua & Barbuda	VIRGIN	2419	39	Registered
Antigua & Barbuda	VIRGIN (blobby)/VIRGIN (Series of Two) Signature	2420	39	Registered
Bahamas	VIRGIN	26751	16, 39	Registered
Barbados	VIRGIN	81/18222	39	Registered
Barbados	VIRGIN Signature	81/18221	39	Registered
Canada	VIRGIN	509209	n/a	Registered
Canada	VIRGIN		n/a	Pending
Canada	VIRGIN AMERICA	864087	n/a	Registered
Canada	VIRGIN AMERICA Logo	839539	n/a	Registered
Canada	VIRGIN Signature		n/a	Pending
Canada	VIRGIN Signature		n/a	Pending
Canada	VIRGIN	690466	n/a	Registered
Canada	VIRGIN Signature	690462	n/a	Registered
Curacao	VIRGIN	9731	39	Registered
Curacao	VIRGIN Signature	9730	39	Registered
Grenada	VIRGIN	19/2003	39	Registered
Grenada	VIRGIN (blobby)/VIRGIN (series of two) Signature	20/2003	39	Registered
Jamaica	VIRGIN	47904	39	Registered
Jamaica	VIRGIN Signature	47905	39	Registered
Mexico	VIRGIN	360979	39, 41	Registered
Mexico	VIRGIN	360981	39, 42	Registered
Mexico	VIRGIN AMERICA	1259099	39	Registered
Mexico	VIRGIN AMERICA & Device	1259786	39	Registered
Mexico	VIRGIN Signature	364116	39, 42	Registered
Mexico	VIRGIN Signature	364115	39, 41	Registered
St. Maarten	VIRGIN	8285	39	Registered
St. Maarten	VIRGIN Signature	8284	39	Registered

COUNTRY	TRADE MARK	APP / REG #	INT CLASSES	STATUS
United States of America	VIRGIN	1413664	39	Registered
United States of America	VIRGIN	1851817	39, 42	Registered
United States of America	VIRGIN AMERICA	3541731	39, 41	Registered
United States of America	VIRGIN Signature	1852776	39, 42	Registered

SCHEDULE 3

Brand Guidelines

VEL's Brand Guidelines in effect on the date hereof, as amended from time to time

SCHEDULE 4

Tailfin Logo



SCHEDULE 5

Listed Routes

1. Airline routes between (i) any point in the Mainland Territory and (ii) any point in Europe/FSR (other than the Transatlantic Routes).
2. Airline routes with a point of embarkation and/or disembarkation in the UK or Eire (other than the Transatlantic Routes).

Signed by **IAN WOODS**)

for and on behalf of **VIRGIN**)
AVIATION TM LIMITED in the)
presence of:)

SIYANNE BURGESS)

Signed by)

for and on behalf of **VIRGIN**)
AMERICA INC in the presence)
of:)

Signed by **C.D. EVERITT**)

for and on behalf of **VIRGIN**)
ENTERPRISES LIMITED,)
LONDON, GENEVA BRANCH)
in the presence of:)

[Signature] **STUART CROBY**

EXHIBIT 3

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

DATE 2007

VAL TRADEMARK THREE LIMITED

VIRGIN AMERICA INC

VIRGIN ENTERPRISES LIMITED

TRADE MARK LICENCE

Macfarlanes
10 Norwich Street
London EC4A 1BD

April 2007

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

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Schedules

1	The Licensed Activities
2	The Signature
3	Brand Guidelines
4	Subsidiary and Holding Company

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

TRADE MARK LICENCE

DATE 2007

PARTIES

- 1 **VAL TRADEMARK THREE LIMITED** a company incorporated in England and Wales under company number 5150741 whose registered office is at 120 Campden Hill Road, London W8 7AR (the "Licensor")
- 2 **VIRGIN AMERICA INC** (formerly known as Best Air Holdings Inc) whose registered office is at 533 Airport Boulevard, Burlingame, California 94010 (the "User")
- 3 **VIRGIN ENTERPRISES LIMITED** a company incorporated in England and Wales under company number 01073929 whose registered office is at 120 Campden Hill Road, London W8 7AR ("VEL")

WHEREAS

- A VEL is the beneficial owner of the goodwill associated with the word "Virgin" and is the beneficial and registered proprietor of the Trade Marks.
- B The Licensor is licensed to use and grant sublicences of the Marks (as defined below) and has agreed to grant the User a sublicense to use the Marks in the form of the Names (as defined below) on the terms and conditions of this Licence.
- C VEL is the owner and head licensor of the Marks and the parties wish VEL to have the obligation to police certain rights granted by the Licensor and to undertake the obligation to uphold certain other obligations to upkeep the Marks.
- D On the 14 November 2005 Best Air Holdings Inc changed its name to Virgin America Inc. The parties to this Licence agree that this Licence amends and restates the licence agreement between the parties dated 4 February 2005.

IT IS AGREED as follows:

1 **Definitions**

In this Licence and unless the context requires otherwise:

Affiliates: means the parent or subsidiary companies of the User;

Brand Guidelines: means the brand guidelines issued by VEL from time to time, the current version of which is set out in Schedule 3;

Caribbean Territory: means all Caribbean islands and Bermuda;

Gross Sales: means the total amount received by the User, its Affiliates and/or its sublicensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User and/or its sublicensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

Initial Term: the period from today's date until the fifteenth anniversary thereof;

Licensed Activities: means the activities described in Schedule 1 in connection with which the User and its subsidiaries are each permitted to use the Marks pursuant to this Licence;

Mainland Territory: means the United States of America (including Puerto Rico), Canada and Mexico;

Marks: means the Trade Marks and the Signature;

Measurement Period: means the period commencing at the beginning of the Quarter immediately prior to the tenth anniversary of today's date and terminating at the end of the penultimate Quarter of the Term;

Measurement Year: means each consecutive period of twelve months, the first of which begins on commencement of the Measurement Period and the fifth of which ends at the end of the Measurement Period;

Name and Names: shall bear the meanings set out in Clause 3.1.2

Permitted Third Party: any airline licensed to operate flights under the "Virgin" brand to and from single destinations within the Territories from or to the RoW;

Quarter: means the period of three months from 4 February 2005 and each subsequent period of three months;

RoW: any geographical area which is not within either (i) the U.K. or (ii) the Territories;

Royalties: means the payments described in Clause 8;

Signature: means the signature set out in Schedule 2;

"subsidiary", "wholly-owned subsidiary" and "holding company": shall bear the meanings ascribed to them by section 736 of the Companies Act 1985 (set out for completeness in Schedule 4);

Term: shall commence on today's date and, subject to earlier termination in accordance with this Licence, shall continue for the Initial Term or, in the event that the Term Extension applies, until the thirtieth anniversary of today's date;

Term Extension: means an additional period of fifteen years beyond the expiry of the Initial Term;

Term Extension Threshold: shall have the meaning ascribed to it in Clause 4.2;

Territory/Territories: one of or both of the Mainland Territory and the Caribbean Territory, as the context may require;

Trade Marks: means those registered trade marks and trade marks for which applications for registration have been made, short details of which are contained in Part 2 of Schedule 2, together with any other trade marks relevant to the business of

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

the User which the Licensor and VEL may agree shall be added to this Licence from time to time;

USCPI: the monthly index of U.S. consumer prices maintained by the U.S. Bureau of Labor Statistics (or by such other body upon which duties in connection with such index shall have been devolved from time to time), provided that if (i) such index ceases to be published or (ii) the basis on which it is compiled is amended such that it is no longer a measure of general consumer price inflation in the United States, such index shall be replaced by such other index as may most closely resemble the USCPI as at today's date;

Virgin: means Virgin Group Investments Limited, incorporated in the British Virgin Islands;

Virgin Atlantic: means the airline currently branded "Virgin Atlantic" and currently operated by Virgin Atlantic Airways Limited and any successor to such business;

Virgin Group: means Virgin, each other company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding company, and all or any of them.

2 Acknowledgement

- 2.1 Each of the parties acknowledges that all worldwide right, title and interest in and to the Marks and all rights worldwide to use the mark "Virgin" as a trade, business or corporate name, all goodwill symbolised by such Marks, all copyright subsisting therein and the benefit of all registrations or applications for registration thereof are vested in and owned by VEL subject to any licences granted by VEL in respect of the Marks.
- 2.2 VEL acknowledges that the Licensor has the rights to grant the User the licence granted hereunder.

3 Grant

- 3.1 In consideration of the payment of Royalties to the Licensor by the User, the Licensor grants to the User the right:
- 3.1.1 to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities;
- 3.1.2 subject to Clause 3.7, to carry on the Licensed Activities only under the trading or business names:
- 3.1.2.1 "Virgin America";
 - 3.1.2.2 "Virgin America Airways";
 - 3.1.2.3 "Virgin America Cargo";
 - 3.1.2.4 any other name incorporating the word "Virgin" which the Licensor may from time to time permit in writing; and
 - 3.1.2.5 any other name incorporating the words "Virgin America" provided that the word or words added to "Virgin America" (i) describe a geographical area (connected to the USA but excluding the word "Atlantic"), or (ii) are ordinarily used in connection with an airline

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business and are used to describe a business carried on by the User under that description;

(each a "Name", together the "Names")

PROVIDED THAT the User shall have no right to use any name that contains the word "Virgin" (i) the rights to use of which have been granted by VEL to a third party licensee in respect of the activities other than the Licensed Activities, or (ii) not falling within Clause 3.1.2 above, without VEL's and the Licensor's prior written consent.

- 3.1.3 to do and authorise the doing of all acts the doing of which is restricted by the copyright in the Signature or in any other work the copyright in which is licensed to the Licensor pursuant to Clause 6.2 only in connection with and in the ordinary course of carrying on the Licensed Activities and in accordance with the terms of this Licence; and
- 3.1.4 to grant sublicences of the rights granted by this Licence to each of its wholly-owned subsidiaries (for as long as such company remains a wholly owned subsidiary), subject to the User giving prior notice to the Licensor, provided that, in each case:
 - 3.1.4.1 the User shall conclude a written agreement with the sublicensee under which the sublicensee is obliged to comply with standards of quality no lower than those set out in Clause 5.1 and to comply with provisions equivalent to those in the remainder of Clause 5;
 - 3.1.4.2 the User shall be responsible to the Licensor for the acts and omissions of the sublicensee as if those acts and omissions were its own; and
 - 3.1.4.3 the User shall procure that the sublicensee complies with standards of quality no lower than those set out in Clause 5.1 and complies with other provisions equivalent to those in Clause 5.
- 3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that:
 - 3.2.1 Virgin Atlantic may operate its own aircraft on point-to-point routes within the Territories only in the context of "cabotage" or fifth freedoms, i.e. only where such overall service has at least three arrival/departure points, one of which is outside the Territories, and
 - 3.2.2 Virgin Atlantic and/or any Permitted Third Party may, in relation to the Territories, market and operate "codeshare" routes having three arrival/departure points in conjunction with another airline, provided that:
 - 3.2.2.1 such route is marketed primarily as a route between a point within either of the Territories to a point within the UK or the RoW so that the intermediate point of arrival and departure is incidental; and
 - 3.2.2.2 the part of the route which is provided by the other airline links with and feeds passengers to and/or accepts passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party.

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- 3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities.
- 3.4 The rights granted to the User shall be subject to and shall not include any rights granted by VEL to third parties.
- 3.5 The permission under Clause 3.1 shall commence with effect from 4 February 2005 and shall continue for the Term unless and until this Licence is terminated in accordance with Clause 11.
-
- 3.6 Subject to Clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.
- 3.7 Notwithstanding any other provision of this Licence, nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where Licensee derives more than twenty percent of its operating revenues within the Territories without using the Names or Marks, then Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories.
- 4 **Option for Term Extension**
- 4.1 Provided that the mean average of the Gross Sales in each Measurement Year was equal to or in excess of the Threshold, the User may by giving one month's written notice to the Licensor and to VEL, such notice to expire no later than the end of the Initial Term, extend the Term for the Term Extension.
- 4.2 For the purposes of this Clause 4, the "Threshold" shall be the amount of two billion U.S. Dollars (US\$2,000,000,000) increased by a percentage equal to the percentage increase in the US CPI over the period between today's date and the beginning of the last Measurement Year.
- 4.3 "Gross Sales" in Clause 4.1 shall be measured on the same basis as set out in Clause 8.2.1 and certified by a qualified auditor approved by the Licensor. The nominal dollar amount of the Gross Sales in each Measurement Year shall, for the purposes of the calculation of the mean average as set out in Clause 4.1, be increased by the percentage equal to the percentage increase in the US CPI over the period between the beginning of that Measurement Year and the beginning of the final Measurement Year.

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12**5 Standards of Quality**

- 5.1 The standard of quality of the Licensed Activities shall at all times comply with the following standards of the Licensor (the "Standards of Quality"), which the User covenants to VEL and Licensor at all times to maintain:
- 5.1.1 the User shall ensure that the Licensed Activities are at all times carried on in a manner which complies with all those standards imposed on it by applicable law or regulation, including (without limitation) those imposed or monitored by the Federal Aviation Authority, which for the time being apply to the User (whether pursuant to any licence granted to the User or otherwise) and that the Licensed Activities and the manner of use of the Marks are in accordance with standards no lower than the Brand Guidelines;
- 5.1.2 the User shall ensure that the marketing, advertisement and promotion of the Licensed Activities complies with all laws and regulations in force within the territories in which marketing, advertisement and promotion is carried on;
- 5.1.3 the User shall obtain all necessary consents and licences and fulfil the terms of any legislation applicable to, and all other formalities required in connection with, the carrying on of the Licensed Activities; and
- 5.1.4 the Marks shall not be used in any manner which damages the goodwill of the Virgin Group or the Licensor or which in any way disparages the reputation, marks or business of any of them.
- 5.2 For the purposes of enabling VEL to satisfy itself that the Standards of Quality are being maintained, the User undertakes to provide VEL and the Licensor promptly with details of any litigation, arbitration or administrative proceedings which are in progress or threatened or pending against the User concerning the provision of the Licensed Activities and of any governmental or official investigation or inquiry concerning the User and relating to the Licensed Activities.
- 5.3 If requested by any party, VEL and the Licensor shall meet with representatives of the User at least once in each calendar year in order to discuss such aspects of the use of the Marks as may appear relevant to each party, including maintenance of the Standards of Quality and any requests the User may have to extend the coverage of registrations of the Marks, and the User shall, as soon as reasonably practicable following VEL's or the Licensor's request, produce to VEL and the Licensor such records and materials of the User as VEL or the Licensor may reasonably request in order to assess whether the Standards of Quality are being maintained.
- 5.4 If at any time it appears to VEL or the Licensor that the User is using any of the Marks in connection with goods or services or in a manner which do not comply with the Standards of Quality, VEL or the Licensor shall promptly notify the User and the parties shall discuss appropriate steps to be taken to ensure that those goods or services or the User's manner of use do comply with such Standards. The User shall take any action agreed by the parties to be reasonably necessary to remedy any non-compliance with the Standards of Quality.

6 Reservation of Rights

- 6.1 All use of the Marks by the User under this Licence shall be deemed to be use by VEL and shall be deemed not to be use by the User for any purpose whatsoever. All

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use by the User of the Trade Marks, and any of them shall inure to the benefit of VEL and all goodwill symbolised by the Trade Marks all registrations and future applications for registration thereof shall accrue to VEL.

- 6.2 The copyright in the Signature and any future copyright in any artistic work which incorporates any use of the Signature or the Marks and any of them shall belong to, and remain vested in, VEL.

- 6.3 This Licence shall operate solely as a permission for the User to use the Marks in the manner herein defined and shall not be deemed to confer upon the User any further or greater right in the Marks or any of them.

- 6.4 The User will not in any way, directly or indirectly, be a party to anything and will not permit any person under its control to do, or be in any way directly or indirectly a party to, anything which results in some person other than the User using the Marks or having any rights in any such Marks (except where otherwise expressly permitted under this Licence).

7 **Registrations**

- 7.1 Where it is possible to do so in any jurisdiction, VEL shall, at its own cost take all reasonable action necessary to register or record the rights granted to the User by this Licence on the trade mark register of that jurisdiction. The User shall provide all reasonable assistance to VEL, and where necessary itself may take all action, required to effect the registration or recordal described above.

- 7.2 Subject to Clause 7.3, all rights to register, maintain or renew any of the Marks are strictly reserved to VEL. The User will not seek any registration of any trade mark, service mark, copyright or analogous right that is confusingly similar or identical to the Marks in any country in the world, except, with the prior written consent of VEL, as the Licensor's licensee or registered user of any Marks in connection with the Licensed Activities.

- 7.3 VEL shall, at its own cost, continue to maintain and renew the registrations of the Marks and prosecute applications forming part of the Marks. The User shall have the right to maintain or renew any of the Marks and prosecute applications forming part of the Marks, in each case in the name of VEL, in the event that VEL fails to do so.

- 7.4 The User agrees that it will, at the request and expense of VEL, provide its full assistance in connection with the protection and maintenance by VEL of its rights in and to the Marks (and any other trade marks, service marks, copyright or analogous rights relating to the business, products or services for the time being of the Virgin Group which may for the time being subsist) ("Rights") and with any application by or on behalf of any member of the Virgin Group for registration of any such Rights in such territories as VEL may from time to time, in its entire discretion, determine and, in particular, that the User will, to the extent not inconsistent with the terms of this Licence, execute such documents, complete such formalities and provide such information as may be required for the purposes of such registration.

- 7.5 As and when during the currency of this Licence, application to register any of the Marks shall have been granted to any member of the Virgin Group in any territory, the User will, at the request and expense of the applicant, promptly execute and assist fully in the registration, at VEL's entire discretion, of a separate formal licence or registered user agreement for that territory, each such licence to be upon and subject

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to the terms and conditions of this Licence and coterminous with the permission granted to the User pursuant to Clause 3.

8 **Payment of royalties**

- 8.1 User agrees to pay Licensor a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter during this Agreement. All amounts payable pursuant to this Clause shall accompany the quarterly statement to be provided by User to Licensor in accordance with Clause 8.2.1.
- 8.2 User shall supply to Licensor:
- 8.2.1 a quarterly statement of the Gross Sales within ten (10) days of the end of each Quarter; and
- 8.2.2 a statement showing Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor.
- 8.3 Any obligation to make a payment under this Agreement has been expressed exclusive of value added or similar tax. If such tax is chargeable by reference to anything done under this Agreement, the payment shall be increased to include an amount representing such tax.
- 8.4 In the event of any payment to be made by the User under this Agreement not being received by Licensor on or before the date of payment, interest shall become payable on such payment at the rate of four (4) percent above the base rate of Lloyds TSB Bank PLC from the due date for payment to the date when payment is actually received (both before and after any court judgement).
- 8.5 Sums due under this Agreement shall be subject to the following provisions:
- 8.5.1 All sums payable to the Licensor under or in connection with this Agreement shall be paid in full without any set-off or counterclaim whatsoever and free and clear of all deductions or withholdings whatsoever, save only as may be required by law.
- 8.5.2 The User shall promptly upon becoming aware that any deductions or withholdings are required by law to be made from such amounts notify the Licensor accordingly.
- 8.5.3 If any deductions or withholdings are required by law to be made from such amounts, the User shall make such deduction or withholding in the minimum amount required by law and shall make any payment required in connection with such deduction or withholding within the time period and in the amount required by law.
- 8.5.4 If any deduction or withholding is required by law, the amount of the payment due from the User shall be increased to an amount which ensures that, after the making of the deduction or withholding, the Licensor receives on the due date and retains (free from any liability in respect of such withholding or deduction) a net sum equal to the amount it would have been entitled to receive and retain in the absence of any such requirement to make a deduction or withholding.
- 8.5.5 Within 30 days after making any deduction or withholding, or a payment required in connection with a deduction or withholding, the User shall deliver to the Licensor evidence reasonably satisfactory to the Licensor that the deduction or withholding has

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been made and that any payment which is required in connection with such deduction or withholding has been made to the relevant authority.

- 8.5.6 If the User makes an increased payment pursuant to Clause 8.5.4 and the Licensor determines that:

8.5.6.1 a tax credit is attributable either to the additional amount of the payment or to the increased payment itself; and

8.5.6.2 the Licensor has obtained, utilised and retained that tax credit,

the Licensor shall pay an amount to the User which the Licensor determines will leave it (after that payment) in the same after-tax position as it would have been in had no such deduction or withholding been made.

- 8.6 The User shall keep suitable records and accounts in order to demonstrate that the correct royalty payments have been made pursuant to the terms of the Agreement. and shall make all such records and accounts available for inspection by Licensor (or its duly authorised representative) on seven (7) days' prior written notice. If any such inspection or audit reveals a discrepancy in the royalties paid, any shortfall shall be paid immediately and in the event that the shortfall is more than five (5) percent of the correct figure due in the audited period, the reasonable professional costs of the audit or inspection shall also be payable by the User.

9 **Assignment**

- 9.1 The rights granted to the User by this Licence are personal to the User and the User shall not delegate or assign those rights, except that, provided it has given prior notice to VEL and the Licensor the User may delegate or assign:
- 9.1.1 subject to Clause 9.4, to wholly-owned subsidiaries of the User;
- 9.1.2 to third parties, but only as part of a transfer of all or substantially all of the business of the User forming part of the Licensed Activities; or
- 9.1.3 by way of security.
- 9.2 The User may, with prior notice to VEL and the Licensor, mortgage or charge the rights granted to the User by this Licence.
- 9.3 For the avoidance of doubt, nothing in Clause 9.1 shall prevent the User from sub-contracting the manufacture of promotional goods or the provision of services in the course of carrying on the Licensed Activities.
- 9.4 If a wholly-owned subsidiary of the User subsequently ceases to be a wholly owned subsidiary, the User shall procure that prior to such event the wholly owned subsidiary shall assign back to the User any rights assigned to it pursuant to Clause 9.1.1.

10 **Obligations of the User**

The User hereby undertakes and agrees with VEL and the Licensor that it will at all times during the continuance in force of this Licence, observe and perform the terms and conditions of this Licence and in particular:

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- 10.1 only reproduce and use the Marks in connection with the Licensed Activities and not otherwise and, in particular but without limitation, not use any of the Marks in connection with any business (other than the Licensed Activities) of the same kind as from time to time carried on by VEL or any of its third party licensees; and
- 10.2 indemnify and hold each of the Licensor and VEL harmless from and against all costs, actions, proceedings, claims, demands and damages arising directly or indirectly out of this Licence (except insofar as the same may be shown to be attributable to the act or default of VEL or the Licensor) and made or claimed by third parties and in particular, but without limitation, out of or in connection with the carrying on of the Licensed Activities.
- 11 **Termination**
- 11.1 This Agreement shall expire automatically without need for further notice on the expiration of the Term.
- 11.2 The User shall have the right to terminate this Licence at any time by giving one month's notice in writing to the Licensor if the "Virgin" brand is materially damaged as a result of one or more events which have a material adverse effect on the use of Marks by User unless such damage is attributable to any action or inaction of the User.
- 11.3 Licensor shall have the right, by giving notice in writing to the User, to terminate this Agreement immediately if:
- 11.3.1 Licensor's right to license any of the Marks to the User under this Agreement is successfully challenged by any third party;
- 11.3.2 VEL has reasonable grounds to believe that the use of the Marks by the User has been or is likely to be materially damaging to the Marks, or their reputation or goodwill;
- 11.3.3 the User commits a material breach of any term or condition of this Agreement and such breach continues unremedied for more than ten (10) Business Days after Licensor has served a notice in writing on the User requiring remedy of the breach;
- 11.3.4 the User passes a resolution for its winding up or a court of competent jurisdiction makes an order for the User to be wound up or dissolved or the User is otherwise dissolved;
- 11.3.5 an administrator is appointed or, an administration order is made in relation to the User or a receiver or administrative receiver is appointed, or an encumbrancer takes possession of or sells, the whole or part of the User's undertaking, assets, rights or revenue;
- 11.3.6 the User is unable to pay its debts as they become due, is adjudicated bankrupt or insolvent, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;
- 11.3.7 the User makes an assignment for the benefit of, or enters into an arrangement, compromise or composition in satisfaction of its debts with, its creditors or any class of them;

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- 11.3.8 the User files or is subject to any petition under the bankruptcy or insolvency laws, takes steps to obtain a moratorium or makes an application to a court of competent jurisdiction for protection from its creditors;
- 11.3.9 any event similar to those specified in Clauses 11.3.4 to 11.3.7 inclusive occurs in any jurisdiction;
- 11.3.10 the User and its sublicensees and assignees have each ceased to carry on the Licensed Activities for a period of at least ninety (90) days;
-
- 11.3.11 the User challenges the validity of or the entitlement of Licensor or any of its superior licensors to use or license the use of any of the Marks; or
- 11.3.12 the User is in breach of Clause 7.2.
- 11.4 Upon the termination of this Licence pursuant to Clause 11:
- 11.4.1 the User shall (and shall procure that all its subsidiary and holding companies and subsidiaries of such holding companies shall) as soon as practicable and without delay take such of the following steps as the Licensor or VEL shall direct:
- 11.4.1.1 cease to carry on business under the name "Virgin America" or any other name which incorporates the word "Virgin";
- 11.4.1.2 cease to use any of the Marks; and
- 11.4.1.3 deliver up to the Licensor all materials in its possession or under its control which reproduce the Marks or give the Licensor satisfactory evidence of their destruction or of their alteration so that they can no longer be used to reproduce the Marks;
- 11.4.2 the User shall be responsible to the Licensor for any damage caused by the unauthorised use of such materials which are not delivered up or destroyed or thus altered; and
- 11.4.3 the User shall change its name to a name that does not incorporate the word "Virgin".
- 11.5 Termination of this Licence shall be without prejudice to the rights of VEL and/or the Licensor against the User (and vice versa) which may have accrued up to the date of such termination.
- 11.6 The Licensor waives any rights it may have at law to terminate this Licence or to treat it as at an end.
- 12 **Infringements**
- 12.1 The User shall promptly notify VEL and the Licensor if it becomes aware at any time of any infringement or suspected infringement of the Marks or of any passing off or of any act or thing which might vitiate or prejudice the rights of any member of the Virgin Group in and to the Marks, giving particulars thereof.
- 12.2 VEL shall have the right in its sole discretion and at its sole expense to take whatever action it believes necessary and proper in connection with any infringement, suspected infringement, passing off, or other unlawful interference with the rights of

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any member of the Virgin Group in and to the Marks. For the purposes of section 31 of the UK Trade Marks Act 1994, the User shall have the rights and remedies set out in that section as if the licence had been an assignment, and in any other jurisdiction the User shall have rights and remedies equivalent to those set out in that section. However the User (i) shall not exercise such rights unless VEL shall have failed or refused to take action in respect of any particular suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks following a request from the User that it do so and (ii) shall not exercise such rights if VEL, acting reasonably, has in response to a request from the User, required it not to do so.

13 **Waiver**

Except as set out in this Licence, none of the rights of either of the parties (whether arising under this Licence or under the general law) shall be capable of being waived or varied otherwise than by an express waiver or variation in writing and in particular any failure to exercise or delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such right shall not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on its part or on its behalf shall in any preclude it from exercising any such right or constitute the suspension or any variation of any such rights.

14 **Modifications**

No amendment or modification to this Licence will be effective or binding unless it is in writing signed on behalf of the parties and refers to this Licence.

15 **Invalidity**

If at any time any one or more of the provisions of this Licence become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16 **Notices**

Any notice or communication required or authorised to be given by any party to any of the others shall be sent by facsimile or first class post to the address given above of the party to whom the notice is to be given (or such other address as the recipient may have notified the other parties in writing) and any notice so sent shall be deemed if sent by facsimile (and a valid transmission report produced) to have been served on the date of transmission (if transmitted during the normal business hours of the sender) or (if not) on the next business day thereafter and if posted to have been served 48 hours following the date of posting.

17 **EXCLUSION OF LIABILITY**

17.1 NOTHING IN THIS LICENCE SHALL BE OR BE DEEMED TO BE A REPRESENTATION OR WARRANTY AS TO THE EXISTENCE, OWNERSHIP, VALIDITY OR ENFORCEABILITY OF ANY OF THE RIGHTS INCLUDING BUT NOT LIMITED TO, THE COPYRIGHT LICENSED HEREUNDER.

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- 17.2 VEL will be responsible for filing for renewal of the Trade Marks licensed hereunder but it will not, in any circumstances, be liable for any failure to maintain in existence any of such Marks or registrations by virtue of non-use of any of such Marks. The User agrees that this exclusion of liability satisfies the requirement of reasonableness within the meaning of the Unfair Contract Terms Act 1977.

18 **Remedies**

- 18.1 The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence.

19 **General**

- 19.1 The Headings of this Licence or any clause hereof are inserted only for the purpose of convenience and shall not affect the construction hereof.
- 19.2 Each of the parties shall execute and do, and shall procure that all other necessary persons to execute and do, all documents acts and things as may be necessary or desirable for giving effect to this Licence and for procuring the registration thereof in respect of each of the Marks and the cancellation of such registration upon the termination of this Licence.
- 19.3 This Licence represents the entire understanding between the parties in relation to the licensed use by the User and supersedes all previous representations, understandings, licences or agreements, whether oral or written, in relation thereto.
- 19.4 Nothing in this Licence shall be construed to constitute any party the partner, joint venturer, agent or employee of any other party, or to create any relationship other than that of independent contractors, and, except as expressly provided herein, no party by virtue of this Licence has authority to transact any business in the name of the other party or on its behalf or incur any liability for or on behalf of any other party.
- 19.5 This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

As witness this Licence has been signed by the duly authorised representatives of the parties the day and year first above written.

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SCHEDULE 1

The Licensed Activities

- 1 The Licensed Activities means, subject to paragraphs 2 and 3:
 - 1.1 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Mainland Territory; and
 - 1.2 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which the point of arrival is in one Territory and the point of departure is in the other Territory (including any route with three or more points of arrival and/or departure where all intermediate points of arrival/departure are within the Territories);

but for the avoidance of doubt shall not include the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Caribbean Territory.
- 2 The licensed activities referred to in paragraph 1 above shall include without limitation:
 - 2.1 all activities which are incidental to those activities;
 - 2.2 all activities (including the manufacture of promotional goods, the subcontracting of such manufacture and the provision of promotional marketing and public relations services) which would ordinarily be regarded as part of the business of an airline, and/or an aviation cargo and air freight carrier; and
 - 2.3 the right to enter into codesharing arrangements (i) as marketing carrier and/or operating carrier with Virgin Atlantic provided that it does not operate as operating carrier outside the Territories; and (ii) as either operating carrier or marketing carrier within the Territories.
- 3 Notwithstanding any other provision in this Agreement, nothing shall prohibit the User from performing any activities of its choosing, including but not limited to, operating international flights, entering into code-sharing agreements or other marketing arrangements with other airlines, and engaging in all activities covered by the Licensed Activities so long as the User does not use the Name or Mark while undertaking such activities.
- 4 The Licensed Activities shall not include the use of aircraft with accommodation for twenty (20) passengers or fewer and shall not include the use of aircraft with an operational ceiling in excess of 85,000 feet.
- 5 The Licensed Activities shall not include the right to enter into codesharing arrangements (i) as a marketing carrier anywhere in the world outside the Territories except with Virgin Atlantic; or (ii) as an operating carrier outside the Territories.

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SCHEDULE 2

Part 1

The Signature

Part 2

Trade Marks

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SCHEDULE 3

Brand Guidelines

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SCHEDULE 4

Subsidiary & Holding Company

Definitions

1. **"Subsidiary", "holding company" and "wholly-owned subsidiary"**

A company is a "subsidiary" of another company, its "holding company", if that other company-

- (a) holds a majority of the voting rights in it, or
- (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in its,

or if it is a subsidiary of a company which is itself a subsidiary of that other company.

2. A company is a "wholly-owned subsidiary" of another company if it has no members except that other and that other's wholly-owned subsidiaries or persons acting on behalf of that other or its wholly-owned subsidiaries.

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SIGNED by **Julie Southern,**
for and on behalf of **Director**
VAL TRADEMARK THREE LIMITED)
LIMITED in the presence of:)
Ian de Sousa
Company Secretary

SIGNED by **Fred Reid, CEO**)
for and on behalf of VIRGIN AMERICA)
INC in the presence of: **Dan Allen,**)
Deputy GC

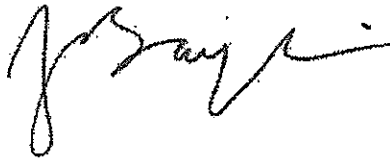
SIGNED by)
for and on behalf of VIRGIN)
ENTERPRISES LIMITED in the)
presence of:)

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SIGNED by)
for and on behalf of)
VAL TRADEMARK THREE LIMITED)
LIMITED in the presence of:)

SIGNED by)
for and on behalf of VIRGIN AMERICA)
INC in the presence of:)

SIGNED by JOSHUA BAYLOR)
for and on behalf of VIRGIN)
ENTERPRISES LIMITED in the)
presence of:)



✓ JIAN WOODS
70 STANBANKS AV
LONDON
W4 5TR

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DATE 2007

VAL TRADEMARK THREE LIMITED

VIRGIN AMERICA INC

VIRGIN ENTERPRISES LIMITED

TRADE MARK LICENCE

Macfarlanes
10 Norwich Street
London EC4A 1BD

~~NDW/580671/2454968.22~~
~~January~~ April 2007

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TRADE MARK LICENCE

DATE

2007

PARTIES

- 1 **VAL TRADEMARK THREE LIMITED** a company incorporated in England and Wales under company number 5150741 whose registered office is at 120 Campden Hill Road, London W8 7AR (the "Licensor")
- 2 **VIRGIN AMERICA INC** (formerly known as Best Air Holdings Inc) whose registered office is at 533 Airport Boulevard, Burlingame, California 94010 (the "User")
- 3 **VIRGIN ENTERPRISES LIMITED** a company incorporated in England and Wales under company number 01073929 whose registered office is at 120 Campden Hill Road, London W8 7AR ("VEL")

WHEREAS

- A VEL is the beneficial owner of the goodwill associated with the word "Virgin" and is the beneficial and registered proprietor of the Trade Marks.
- B The Licensor is licensed to use and grant sublicences of the Marks (as defined below) and has agreed to grant the User a sublicense to use the Marks in the form of the Names (as defined below) on the terms and conditions of this Licence.
- C VEL is the owner and head licensor of the Marks and the parties wish VEL to have the obligation to police certain rights granted by the Licensor and to undertake the obligation to uphold certain other obligations to upkeep the Marks.
- D On the 14 November 2005 Best Air Holdings Inc changed its name to Virgin America Inc. The parties to this Licence agree that this Licence amends and restates the licence agreement between the parties dated 4 February 2005.

IT IS AGREED as follows:

1 **Definitions**

In this Licence and unless the context requires otherwise:

Affiliates: means the parent or subsidiary companies of the User;

Brand Guidelines: means the brand guidelines issued by VEL from time to time, the current version of which is set out in Schedule 3;

Caribbean Territory: means all Caribbean islands and Bermuda;

Gross Sales: means the total amount received by the User, its Affiliates and/or its sublicensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User and/or its sublicensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

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Initial Term: the period from today's date until the fifteenth anniversary thereof;

Licensed Activities: means the activities described in Schedule 1 in connection with which the User and its subsidiaries are each permitted to use the Marks pursuant to this Licence;

Mainland Territory: means the United States of America (including Puerto Rico), Canada and Mexico;

Marks: means the Trade Marks and the Signature;

Measurement Period: means the period commencing at the beginning of the Quarter immediately prior to the tenth anniversary of today's date and terminating at the end of the penultimate Quarter of the Term;

Measurement Year: means each consecutive period of twelve months, the first of which begins on commencement of the Measurement Period and the fifth of which ends at the end of the Measurement Period;

Name and Names: shall bear the meanings set out in Clause 3.1.2

Permitted Third Party: any airline licensed to operate flights under the "Virgin" brand to and from single destinations within the Territories from or to the RoW;

Quarter: means the period of three months from 4 February 2005 and each subsequent period of three months;

RoW: any geographical area which is not within either (i) the U.K. or (ii) the Territories;

Royalties: means the payments described in Clause 8;

Signature: means the signature set out in Schedule 2;

"subsidiary", "wholly-owned subsidiary" and "holding company": shall bear the meanings ascribed to them by section 736 of the Companies Act 1985 (set out for completeness in Schedule 4);

Term: shall commence on today's date and, subject to earlier termination in accordance with this Licence, shall continue for the Initial Term or, in the event that the Term Extension applies, until the thirtieth anniversary of today's date;

Term Extension: means an additional period of fifteen years beyond the expiry of the Initial Term;

Term Extension Threshold: shall have the meaning ascribed to it in Clause 4.2;

Territory/Territories: one of or both of the Mainland Territory and the Caribbean Territory, as the context may require;

Trade Marks: means those registered trade marks and trade marks for which applications for registration have been made, short details of which are contained in Part 2 of Schedule 2, together with any other trade marks relevant to the business of

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the User which the Licensor and VEL may agree shall be added to this Licence from time to time;

USCPI: the monthly index of U.S. consumer prices maintained by the U.S. Bureau of Labor Statistics (or by such other body upon which duties in connection with such index shall have been devolved from time to time), provided that if (i) such index ceases to be published or (ii) the basis on which it is compiled is amended such that it is no longer a measure of general consumer price inflation in the United States, such index shall be replaced by such other index as may most closely resemble the USCPI as at today's date;

Virgin: means Virgin Group Investments Limited, incorporated in the British Virgin Islands;

Virgin Atlantic: means the airline currently branded "Virgin Atlantic" and currently operated by Virgin Atlantic Airways Limited and any successor to such business;

Virgin Group: means Virgin, each other company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding company, and all or any of them.

2 Acknowledgement

2.1 Each of the parties acknowledges that all worldwide right, title and interest in and to the Marks and all rights worldwide to use the mark "Virgin" as a trade, business or corporate name, all goodwill symbolised by such Marks, all copyright subsisting therein and the benefit of all registrations or applications for registration thereof are vested in and owned by VEL subject to any licences granted by VEL in respect of the Marks.

2.2 VEL acknowledges that the Licensor has the rights to grant the User the licence granted hereunder.

3 Grant

3.1 In consideration of the payment of Royalties to the Licensor by the User, the Licensor grants to the User the right:

3.1.1 to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities;

3.1.2 subject to Clause 3.7, to carry on the Licensed Activities only under the trading or business names:

- 3.1.2.1 "Virgin America";
- 3.1.2.2 "Virgin America Airways";
- 3.1.2.3 "Virgin America Cargo";
- 3.1.2.4 any other name incorporating the word "Virgin" which the Licensor may from time to time permit in writing; and
- 3.1.2.5 any other name incorporating the words "Virgin America" provided that the word or words added to "Virgin America" (i) describe a geographical area (connected to the USA but excluding the word "Atlantic"), or (ii) are ordinarily used in connection with an airline

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business and are used to describe a business carried on by the User under that description;

(each a "Name", together the "Names")

PROVIDED THAT the User shall have no right to use any name that contains the word "Virgin": (i) the rights to use of which have been granted by VEL to a third party licensee in respect of the activities other than the Licensed Activities, or (ii) not falling within Clause 3.1.2 above, without VEL's and the Licensor's prior written consent.

- 3.1.3 to do and authorise the doing of all acts the doing of which is restricted by the copyright in the Signature or in any other work the copyright in which is licensed to the Licensor pursuant to Clause 6.2 only in connection with and in the ordinary course of carrying on the Licensed Activities and in accordance with the terms of this Licence; and
- 3.1.4 to grant sublicences of the rights granted by this Licence to each of its wholly-owned subsidiaries (for as long as such company remains a wholly owned subsidiary), subject to the User giving prior notice to the Licensor, provided that, in each case:
 - 3.1.4.1 the User shall conclude a written agreement with the sublicensee under which the sublicensee is obliged to comply with standards of quality no lower than those set out in Clause 5.1 and to comply with provisions equivalent to those in the remainder of Clause 5;
 - 3.1.4.2 the User shall be responsible to the Licensor for the acts and omissions of the sublicensee as if those acts and omissions were its own; and
 - 3.1.4.3 the User shall procure that the sublicensee complies with standards of quality no lower than those set out in Clause 5.1 and complies with other provisions equivalent to those in Clause 5.
- 3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that:
 - 3.2.1 Virgin Atlantic may operate its own aircraft on point-to-point routes within the Territories only in the context of "cabotage" or fifth freedoms, i.e. only where such overall service has at least three arrival/departure points, one of which is outside the Territories, and
 - 3.2.2 Virgin Atlantic and/or any Permitted Third Party may, in relation to the Territories, market and operate "codeshare" routes having three arrival/departure points in conjunction with another airline, provided that:
 - 3.2.2.1 such route is marketed primarily as a route between a point within either of the Territories to a point within the UK or the RoW so that the intermediate point of arrival and departure is incidental; and
 - 3.2.2.2 the part of the route which is provided by the other airline links with and feeds passengers to and/or accepts passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party.

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- 3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities.
- 3.4 The rights granted to the User shall be subject to and shall not include any rights granted by VEL to third parties.
- 3.5 The permission under Clause 3.1 shall commence with effect from 4 February 2005 and shall continue for the Term unless and until this Licence is terminated in accordance with Clause 11.
- 3.6 Subject to Clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.
- 3.7 Notwithstanding any other provision of this Licence, nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the ~~Licensed Activities without in any way Licenced Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where~~ Licensee derives more than twenty percent of its operating revenues within the Territories without using the Names or Marks, so long as the User continues to pay the Royalties in full as and when due and on the basis set out in this Licence. ~~then~~ Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories.
- 4 Option for Term Extension**
- 4.1 Provided that the mean average of the Gross Sales in each Measurement Year was equal to or in excess of the Threshold, the User may by giving one month's written notice to the Licensor and to VEL, such notice to expire no later than the end of the Initial Term, extend the Term for the Term Extension.
- 4.2 For the purposes of this Clause 4, the "Threshold" shall be the amount of two billion U.S. Dollars (US\$2,000,000,000) increased by a percentage equal to the percentage increase in the USCP1 over the period between today's date and the beginning of the last Measurement Year.
- 4.3 "Gross Sales" in Clause 4.1 shall be measured on the same basis as set out in Clause 8.2.1 and certified by a qualified auditor approved by the Licensor. The nominal dollar amount of the Gross Sales in each Measurement Year shall, for the purposes of the calculation of the mean average as set out in Clause 4.1, be increased by the percentage equal to the percentage increase in the USCP1 over the period between the beginning of that Measurement Year and the beginning of the final Measurement Year.

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- 5.1 The standard of quality of the Licensed Activities shall at all times comply with the following standards of the Licensor (the "Standards of Quality"), which the User covenants to VEL and Licensor at all times to maintain:
- 5.1.1 the User shall ensure that the Licensed Activities are at all times carried on in a manner which complies with all those standards imposed on it by applicable law or regulation, including (without limitation) those imposed or monitored by the Federal Aviation Authority, which for the time being apply to the User (whether pursuant to any licence granted to the User or otherwise) and that the Licensed Activities and the manner of use of the Marks are in accordance with standards no lower than the Brand Guidelines;
- 5.1.2 the User shall ensure that the marketing, advertisement and promotion of the Licensed Activities complies with all laws and regulations in force within the territories in which marketing, advertisement and promotion is carried on;
- 5.1.3 the User shall obtain all necessary consents and licences and fulfil the terms of any legislation applicable to, and all other formalities required in connection with, the carrying on of the Licensed Activities; and
- 5.1.4 the Marks shall not be used in any manner which damages the goodwill of the Virgin Group or the Licensor or which in any way disparages the reputation, marks or business of any of them.
- 5.2 For the purposes of enabling VEL to satisfy itself that the Standards of Quality are being maintained, the User undertakes to provide VEL and the Licensor promptly with details of any litigation, arbitration or administrative proceedings which are in progress or threatened or pending against the User concerning the provision of the Licensed Activities and of any governmental or official investigation or inquiry concerning the User and relating to the Licensed Activities.
- 5.3 If requested by any party, VEL and the Licensor shall meet with representatives of the User at least once in each calendar year in order to discuss such aspects of the use of the Marks as may appear relevant to each party, including maintenance of the Standards of Quality and any requests the User may have to extend the coverage of registrations of the Marks, and the User shall, as soon as reasonably practicable following VEL's or the Licensor's request, produce to VEL and the Licensor such records and materials of the User as VEL or the Licensor may reasonably request in order to assess whether the Standards of Quality are being maintained.
- 5.4 If at any time it appears to VEL or the Licensor that the User is using any of the Marks in connection with goods or services or in a manner which do not comply with the Standards of Quality, VEL or the Licensor shall promptly notify the User and the parties shall discuss appropriate steps to be taken to ensure that those goods or services or the User's manner of use do comply with such Standards. The User shall take any action agreed by the parties to be reasonably necessary to remedy any non-compliance with the Standards of Quality.

6 Reservation of Rights

- 6.1 All use of the Marks by the User under this Licence shall be deemed to be use by VEL and shall be deemed not to be use by the User for any purpose whatsoever. All

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use by the User of the Trade Marks, and any of them shall inure to the benefit of VEL and all goodwill symbolised by the Trade Marks all registrations and future applications for registration thereof shall accrue to VEL.

- 6.2 The copyright in the Signature and any future copyright in any artistic work which incorporates any use of the Signature or the Marks and any of them shall belong to, and remain vested in, VEL.
- 6.3 This Licence shall operate solely as a permission for the User to use the Marks in the manner herein defined and shall not be deemed to confer upon the User any further or greater right in the Marks or any of them.
- 6.4 The User will not in any way, directly or indirectly, be a party to anything and will not permit any person under its control to do, or be in any way directly or indirectly a party to, anything which results in some person other than the User using the Marks or having any rights in any such Marks (except where otherwise expressly permitted under this Licence).

7 Registrations

- 7.1 Where it is possible to do so in any jurisdiction, VEL shall, at its own cost take all reasonable action necessary to register or record the rights granted to the User by this Licence on the trade mark register of that jurisdiction. The User shall provide all reasonable assistance to VEL, and where necessary itself may take all action, required to effect the registration or recordal described above.
- 7.2 Subject to Clause 7.3, all rights to register, maintain or renew any of the Marks are strictly reserved to VEL. The User will not seek any registration of any trade mark, service mark, copyright or analogous right that is confusingly similar or identical to the Marks in any country in the world, except, with the prior written consent of VEL, as the Licensor's licensee or registered user of any Marks in connection with the Licensed Activities.
- 7.3 VEL shall, at its own cost, continue to maintain and renew the registrations of the Marks and prosecute applications forming part of the Marks. The User shall have the right to maintain or renew any of the Marks and prosecute applications forming part of the Marks, in each case in the name of VEL, in the event that VEL fails to do so.
- 7.4 The User agrees that it will, at the request and expense of VEL, provide its full assistance in connection with the protection and maintenance by VEL of its rights in and to the Marks (and any other trade marks, service marks, copyright or analogous rights relating to the business, products or services for the time being of the Virgin Group which may for the time being subsist) ("Rights") and with any application by or on behalf of any member of the Virgin Group for registration of any such Rights in such territories as VEL may from time to time, in its entire discretion, determine and, in particular, that the User will, to the extent not inconsistent with the terms of this Licence, execute such documents, complete such formalities and provide such information as may be required for the purposes of such registration.
- 7.5 As and when during the currency of this Licence, application to register any of the Marks shall have been granted to any member of the Virgin Group in any territory, the User will, at the request and expense of the applicant, promptly execute and assist fully in the registration, at VEL's entire discretion, of a separate formal licence or registered user agreement for that territory, each such licence to be upon and subject

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to the terms and conditions of this Licence and coterminous with the permission granted to the User pursuant to Clause 3.

8 Payment of royalties

8.1 User agrees to pay Licensor a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter during this Agreement. All amounts payable pursuant to this Clause shall accompany the quarterly statement to be provided by User to Licensor in accordance with Clause 8.2.1.

8.2 User shall supply to Licensor:

8.2.1 a quarterly statement of the Gross Sales within ten (10) days of the end of each Quarter; and

8.2.2 a statement showing Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor.

8.3 Any obligation to make a payment under this Agreement has been expressed exclusive of value added or similar tax. If such tax is chargeable by reference to anything done under this Agreement, the payment shall be increased to include an amount representing such tax.

8.4 In the event of any payment to be made by the User under this Agreement not being received by Licensor on or before the date of payment, interest shall become payable on such payment at the rate of four (4) percent above the base rate of Lloyds TSB Bank PLC from the due date for payment to the date when payment is actually received (both before and after any court judgement).

8.5 Sums due under this Agreement shall be subject to the following provisions:

8.5.1 All sums payable to the Licensor under or in connection with this Agreement shall be paid in full without any set-off or counterclaim whatsoever and free and clear of all deductions or withholdings whatsoever, save only as may be required by law.

8.5.2 The User shall promptly upon becoming aware that any deductions or withholdings are required by law to be made from such amounts notify the Licensor accordingly.

8.5.3 If any deductions or withholdings are required by law to be made from such amounts, the User shall make such deduction or withholding in the minimum amount required by law and shall make any payment required in connection with such deduction or withholding within the time period and in the amount required by law.

8.5.4 If any deduction or withholding is required by law, the amount of the payment due from the User shall be increased to an amount which ensures that, after the making of the deduction or withholding, the Licensor receives on the due date and retains (free from any liability in respect of such withholding or deduction) a net sum equal to the amount it would have been entitled to receive and retain in the absence of any such requirement to make a deduction or withholding.

8.5.5 Within 30 days after making any deduction or withholding, or a payment required in connection with a deduction or withholding, the User shall deliver to the Licensor evidence reasonably satisfactory to the Licensor that the deduction or withholding has

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been made and that any payment which is required in connection with such deduction or withholding has been made to the relevant authority.

8.5.6 If the User makes an increased payment pursuant to Clause 8.5.4 and the Licensor determines that:

8.5.6.1 a tax credit is attributable either to the additional amount of the payment or to the increased payment itself; and

8.5.6.2 the Licensor has obtained, utilised and retained that tax credit,

the Licensor shall pay an amount to the User which the Licensor determines will leave it (after that payment) in the same after-tax position as it would have been in had no such deduction or withholding been made.

8.6 The User shall keep suitable records and accounts in order to demonstrate that the correct royalty payments have been made pursuant to the terms of the Agreement, and shall make all such records and accounts available for inspection by Licensor (or its duly authorised representative) on seven (7) days' prior written notice. If any such inspection or audit reveals a discrepancy in the royalties paid, any shortfall shall be paid immediately and in the event that the shortfall is more than five (5) percent of the correct figure due in the audited period, the reasonable professional costs of the audit or inspection shall also be payable by the User.

9 **Assignment**

9.1 The rights granted to the User by this Licence are personal to the User and the User shall not delegate or assign those rights, except that, provided it has given prior notice to VEL and the Licensor the User may delegate or assign:

9.1.1 subject to Clause 9.4, to wholly-owned subsidiaries of the User;

9.1.2 to third parties, but only as part of a transfer of all or substantially all of the business of the User forming part of the Licensed Activities; or

9.1.3 by way of security.

9.2 The User may, with prior notice to VEL and the Licensor, mortgage or charge the rights granted to the User by this Licence.

9.3 For the avoidance of doubt, nothing in Clause 9.1 shall prevent the User from sub-contracting the manufacture of promotional goods or the provision of services in the course of carrying on the Licensed Activities.

9.4 If a wholly-owned subsidiary of the User subsequently ceases to be a wholly owned subsidiary, the User shall procure that prior to such event the wholly owned subsidiary shall assign back to the User any rights assigned to it pursuant to Clause 9.1.1.

10 **Obligations of the User**

The User hereby undertakes and agrees with VEL and the Licensor that it will at all times during the continuance in force of this Licence, observe and perform the terms and conditions of this Licence and in particular:

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- 10.1 only reproduce and use the Marks in connection with the Licensed Activities and not otherwise and, in particular but without limitation, not use any of the Marks in connection with any business (other than the Licensed Activities) of the same kind as from time to time carried on by VEL or any of its third party licensees; and
- 10.2 indemnify and hold each of the Licensor and VEL harmless from and against all costs, actions, proceedings, claims, demands and damages arising directly or indirectly out of this Licence (except insofar as the same may be shown to be attributable to the act or default of VEL or the Licensor) and made or claimed by third parties and in particular, but without limitation, out of or in connection with the carrying on of the Licensed Activities.

11 Termination

- 11.1 This Agreement shall expire automatically without need for further notice on the expiration of the Term.
- 11.2 The User shall have the right to terminate this Licence at any time by giving one month's notice in writing to the Licensor if the "Virgin" brand is materially damaged as a result of one or more events which have a material adverse effect on the use of Marks by User unless such damage is attributable to any action or inaction of the User.
- 11.3 Licensor shall have the right, by giving notice in writing to the User, to terminate this Agreement immediately if:
- 11.3.1 Licensor's right to license any of the Marks to the User under this Agreement is successfully challenged by any third party;
- 11.3.2 VEL has reasonable grounds to believe that the use of the Marks by the User has been or is likely to be materially damaging to the Marks, or their reputation or goodwill;
- 11.3.3 the User commits a material breach of any term or condition of this Agreement and such breach continues unremedied for more than ten (10) Business Days after Licensor has served a notice in writing on the User requiring remedy of the breach;
- 11.3.4 the User passes a resolution for its winding up or a court of competent jurisdiction makes an order for the User to be wound up or dissolved or the User is otherwise dissolved;
- 11.3.5 an administrator is appointed or, an administration order is made in relation to the User or a receiver or administrative receiver is appointed, or an encumbrancer takes possession of or sells, the whole or part of the User's undertaking, assets, rights or revenue;
- 11.3.6 the User is unable to pay its debts as they become due, is adjudicated bankrupt or insolvent, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;
- 11.3.7 the User makes an assignment for the benefit of, or enters into an arrangement, compromise or composition in satisfaction of its debts with, its creditors or any class of them;

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- 11.3.8 the User files or is subject to any petition under the bankruptcy or insolvency laws, takes steps to obtain a moratorium or makes an application to a court of competent jurisdiction for protection from its creditors;
- 11.3.9 any event similar to those specified in Clauses 11.3.4 to 11.3.7 inclusive occurs in any jurisdiction;
- 11.3.10 the User and its sublicensees and assignees have each ceased to carry on the Licensed Activities for a period of at least ninety (90) days;
- 11.3.11 the User challenges the validity of or the entitlement of Licensor or any of its superior licensors to use or license the use of any of the Marks; or
- 11.3.12 the User is in breach of Clause 7.2.
- 11.4 Upon the termination of this Licence pursuant to Clause 11:
- 11.4.1 the User shall (and shall procure that all its subsidiary and holding companies and subsidiaries of such holding companies shall) as soon as practicable and without delay take such of the following steps as the Licensor or VEL shall direct:
- 11.4.1.1 cease to carry on business under the name "Virgin America" or any other name which incorporates the word "Virgin";
- 11.4.1.2 cease to use any of the Marks; and
- 11.4.1.3 deliver up to the Licensor all materials in its possession or under its control which reproduce the Marks or give the Licensor satisfactory evidence of their destruction or of their alteration so that they can no longer be used to reproduce the Marks;
- 11.4.2 the User shall be responsible to the Licensor for any damage caused by the unauthorised use of such materials which are not delivered up or destroyed or thus altered; and
- 11.4.3 the User shall change its name to a name that does not incorporate the word "Virgin".
- 11.5 Termination of this Licence shall be without prejudice to the rights of VEL and/or the Licensor against the User (and vice versa) which may have accrued up to the date of such termination.
- 11.6 The Licensor waives any rights it may have at law to terminate this Licence or to treat it as at an end.
- 12 **Infringements**
- 12.1 The User shall promptly notify VEL and the Licensor if it becomes aware at any time of any infringement or suspected infringement of the Marks or of any passing off or of any act or thing which might vitiate or prejudice the rights of any member of the Virgin Group in and to the Marks, giving particulars thereof.
- 12.2 VEL shall have the right in its sole discretion and at its sole expense to take whatever action it believes necessary and proper in connection with any infringement, suspected infringement, passing off, or other unlawful interference with the rights of

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any member of the Virgin Group in and to the Marks. For the purposes of section 31 of the UK Trade Marks Act 1994, the User shall have the rights and remedies set out in that section as if the licence had been an assignment, and in any other jurisdiction the User shall have rights and remedies equivalent to those set out in that section. However the User (i) shall not exercise such rights unless VEL shall have failed or refused to take action in respect of any particular suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks following a request from the User that it do so and (ii) shall not exercise such rights if VEL, acting reasonably, has in response to a request from the User, required it not to do so.

13 **Waiver**

Except as set out in this Licence, none of the rights of either of the parties (whether arising under this Licence or under the general law) shall be capable of being waived or varied otherwise than by an express waiver or variation in writing and in particular any failure to exercise or delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such right shall not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on its part or on its behalf shall in any preclude it from exercising any such right or constitute the suspension or any variation of any such rights.

14 **Modifications**

No amendment or modification to this Licence will be effective or binding unless it is in writing signed on behalf of the parties and refers to this Licence.

15 **Invalidity**

If at any time any one or more of the provisions of this Licence become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16 **Notices**

Any notice or communication required or authorised to be given by any party to any of the others shall be sent by facsimile or first class post to the address given above of the party to whom the notice is to be given (or such other address as the recipient may have notified the other parties in writing) and any notice so sent shall be deemed if sent by facsimile (and a valid transmission report produced) to have been served on the date of transmission (if transmitted during the normal business hours of the sender) or (if not) on the next business day thereafter and if posted to have been served 48 hours following the date of posting.

17 **EXCLUSION OF LIABILITY**

17.1 NOTHING IN THIS LICENCE SHALL BE OR BE DEEMED TO BE A REPRESENTATION OR WARRANTY AS TO THE EXISTENCE, OWNERSHIP, VALIDITY OR ENFORCEABILITY OF ANY OF THE RIGHTS INCLUDING BUT NOT LIMITED TO, THE COPYRIGHT LICENSED HEREUNDER.

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17.2 VEL will be responsible for filing for renewal of the Trade Marks licensed hereunder but it will not, in any circumstances, be liable for any failure to maintain in existence any of such Marks or registrations by virtue of non-use of any of such Marks. The User agrees that this exclusion of liability satisfies the requirement of reasonableness within the meaning of the Unfair Contract Terms Act 1977.

18 **Remedies**

18.1 The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence.

19 **General**

19.1 The Headings of this Licence or any clause hereof are inserted only for the purpose of convenience and shall not affect the construction hereof.

19.2 Each of the parties shall execute and do, and shall procure that all other necessary persons to execute and do, all documents acts and things as may be necessary or desirable for giving effect to this Licence and for procuring the registration thereof in respect of each of the Marks and the cancellation of such registration upon the termination of this Licence.

19.3 This Licence represents the entire understanding between the parties in relation to the licensed use by the User and supersedes all previous representations, understandings, licences or agreements, whether oral or written, in relation thereto.

19.4 Nothing in this Licence shall be construed to constitute any party the partner, joint venturer, agent or employee of any other party, or to create any relationship other than that of independent contractors, and, except as expressly provided herein, no party by virtue of this Licence has authority to transact any business in the name of the other party or on its behalf or incur any liability for or on behalf of any other party.

19.5 This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

As witness this Licence has been signed by the duly authorised representatives of the parties the day and year first above written.

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

SCHEDULE 1

The Licensed Activities

- 1 The Licensed Activities means, subject to paragraphs 2 and 3:
- 1.1 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Mainland Territory; and
-
- 1.2 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which the point of arrival is in one Territory and the point of departure is in the other Territory (including any route with three or more points of arrival and/or departure where all intermediate points of arrival/departure are within the Territories);
- but for the avoidance of doubt shall not include the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Caribbean Territory.
- 2 The licensed activities referred to in paragraph 1 above shall include without limitation:
- 2.1 all activities which are incidental to those activities;
- 2.2 all activities (including the manufacture of promotional goods, the subcontracting of such manufacture and the provision of promotional marketing and public relations services) which would ordinarily be regarded as part of the business of an airline, and/or an aviation cargo and air freight carrier; and
- 2.3 the right to enter into codesharing arrangements (i) as marketing carrier and/or operating carrier with Virgin Atlantic provided that it does not operate as operating carrier outside the Territories; and (ii) as either operating carrier or marketing carrier within the Territories.
- 3 Notwithstanding any other provision in this Agreement, nothing shall prohibit the User from performing any activities of its choosing, including but not limited to, operating international flights, entering into code-sharing agreements or other marketing arrangements with other airlines, and engaging in all activities covered by the Licensed Activities so long as the User does not use the Name or Mark while undertaking such activities.
- 4 ~~3~~-The Licensed Activities shall not include the use of aircraft with accommodation for twenty (20) passengers or fewer and shall not include the use of aircraft with an operational ceiling in excess of 85,000 feet.
- 5 ~~4~~-The Licensed Activities shall not include the right to enter into codesharing arrangements (i) as a marketing carrier anywhere in the world outside the Territories except with Virgin Atlantic; or (ii) as an operating carrier outside the Territories.

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

SCHEDULE 2

Part 1

The Signature.

Part 2

Trade Marks

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

SCHEDULE 3

Brand Guidelines

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

SCHEDULE 4

Subsidiary & Holding Company

Definitions

1. **"Subsidiary", "holding company" and "wholly-owned subsidiary"**

A company is a "subsidiary" of another company, its "holding company", if that other company-

- (a) holds a majority of the voting rights in it, or
- (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in its,

or if it is a subsidiary of a company which is itself a subsidiary of that other company.

2. A company is a "wholly-owned subsidiary" of another company if it has no members except that other and that other's wholly-owned subsidiaries or persons acting on behalf of that other or its wholly-owned subsidiaries.

Exhibit C -- Confidential Treatment Requested Under 14 CFR 302.12

SIGNED by)
for and on behalf of)
VAL TRADEMARK THREE LIMITED)
LIMITED in the presence of:)

SIGNED by)
for and on behalf of VIRGIN AMERICA)
INC in the presence of:)

SIGNED by)
for and on behalf of VIRGIN)
ENTERPRISES LIMITED in the)
presence of:)

EXHIBIT 4

JONES DAY

AUTHORISED AND REGULATED BY THE SOLICITORS REGULATION AUTHORITY

SRA NO. 223597

21 TUDOR STREET • LONDON EC4Y 0DJ • DX 67 LONDON/CHANCERY

TELEPHONE: 020.7039.5959 • FACSIMILE: 020.7039.5999

Our Ref/CAM RAS/JP021727/071902-615004

Your Ref JPXC/TESG/LJVE

Email rswindells@jonesday.com

Date 22 June 2022

Slaughter and May
One Bunhill Row
London
EC1Y 8YY

BY E-MAIL - URGENT

(1) Virgin Aviation TM Limited and (2) Virgin Enterprises Limited v Alaska Airlines Inc., Commercial Court (case number CL-2019-000742)

We refer to paragraphs 7(1) and 8(1) of the Order of His Honour Judge Pelling QC dated 10 November 2020 (the "**Directions Order**"). As you will be aware, paragraph 7(1) permits each party to engage an expert to adduce evidence as to branding in the US domestic airline market ("**US airline branding expert**"). The parties' respective experts may adduce evidence in relation to the issues and obstacles, if any, that your clients would face were they to terminate the Current TMLA¹ and seek to re-use the Names and Marks for the Licensed Activities, or any of them, in the Territory, or part thereof, as defined in the Current TMLA.

In the course of preparations for our client's US airline branding expert evidence, it has come to light that your clients are using and/or permitting use of the Virgin brand, via Virgin Atlantic's website, to market and sell US domestic two-point flights whether by way of "Virgin Points" or a combination of such points and cash. By way of example, enclosed are screen-shots taken from Virgin Atlantic's website, showing its offering of a US domestic flight between Los Angeles and Las Vegas, operated by Delta Air Lines, for sale and purchase using "Virgin Points" and cash. This use of the Marks for Licensed Activities in the Territory would appear to be a clear breach of the exclusive licence granted to our client under the Current TMLA (adopting the definitions therein).

While Clause 3.2 of the Current TMLA provides a carve-out in respect of certain Virgin Atlantic offerings, neither sub-clauses 3.2.1 nor 3.2.2 apply in the present circumstances where Virgin Atlantic is offering for sale and selling:-

- US domestic routes for Delta operated flights, thereby not using its own Virgin aircraft, as required under sub-clause 3.2.1; and

¹ As defined in the Claimants' Particulars of Claim, filed and served on 2 December 2019.

A LIST OF PARTNERS AND THEIR PROFESSIONAL QUALIFICATIONS IS AVAILABLE AT

21 TUDOR STREET • LONDON, EC4Y 0DJ.

EUI-1213797044v3

ALKHOBAR • AMSTERDAM • ATLANTA • BEIJING • BOSTON • BRISBANE • BRUSSELS • CHICAGO • CLEVELAND • COLUMBUS
DALLAS • DETROIT • DUBAI • DÜSSELDORF • FRANKFURT • HONG KONG • HOUSTON • IRVINE • LONDON • LOS ANGELES •
MADRID • MEXICO CITY • MIAMI • MILAN • MINNEAPOLIS • MOSCOW • MUNICH • NEW YORK • PARIS • PITTSBURGH • RIYADH
SAN DIEGO • SAN FRANCISCO • SÃO PAULO • SHANGHAI • SILICON VALLEY • SINGAPORE • SYDNEY • TAIPEI • TOKYO • WASHINGTON

Continued 2

JONES DAY

- routes comprising only two-points (both within the US) rather than three arrival/departure points as required under sub-clause 3.2.2. In any event, as regards sub-clause 3.2.2, the flights in question are not "codeshare" routes.

Please confirm, as a matter of urgency, your clients' position in relation to the above. When replying, please also identify when Virgin Atlantic first marketed or sold such US domestic flights to customers. Please also ensure that your clients preserve all documentation relevant to this issue.

It is clear that this issue has a direct impact upon our client's US airline branding expert's report and our client is therefore likely to require an extension to the current 8 July 2022 deadline (pursuant to the Order of Mr Justice Henshaw dated 18 May 2022) for service of this report.

All of our client's rights are expressly reserved on this matter.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Jones Day", is written over a horizontal line.

Jones Day

EXHIBIT 5

Claim No. CL-2022-000507

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

KING'S BENCH DIVISION

COMMERCIAL COURT

BETWEEN:

**ALASKA AIRLINES INC (formerly VIRGIN
AMERICA INC)**

Claimant

-and-

**(1) VIRGIN AVIATION TM LIMITED
(2) VIRGIN ENTERPRISES LIMITED**

Defendants

DEFENCE AND COUNTERCLAIM

DEFENCE

1. In this Defence:

- (1) references to paragraphs are references to the paragraphs of the Particulars of Claim unless otherwise stated.
- (2) headings and defined terms used in the Particulars of Claim are adopted without admission; and
- (3) save as expressly admitted, the Defendants join issue with each of the allegations in the Particulars of Claim.

A. INTRODUCTION

2. Paragraphs 1 to 3 are admitted.

B. THE CURRENT TMLA

3. Paragraph 4 is admitted, and Virgin will likewise refer to the terms of the Current TMLA for their full meaning and effect.

C. ALLEGED BREACH AND/OR TERMINATION OF THE CURRENT TMLA BY VIRGIN

4. Hereafter, for convenience, passenger flights on any route for which all points of arrival and/or departure are within the Mainland Territory are referred to as “**US Domestic Flights**”¹ and an airline operating US Domestic Flights is referred to as a “**US Domestic Airline**”.
5. As to paragraph 5, as a matter of true construction of the Current TMLA:
- (1) Paragraphs 5.1 and 5.2 are admitted, save that AAI’s rights as exclusive licensee are subject to the terms of the Current TMLA including the exceptions defined in Clause 3.2 and Clause 3.4.
- (2) As to paragraph 5.3:
- (a) The Licensed Activities include the right to operate a US Domestic Airline.
- (b) The Licensed Activities also include all activities incidental to the operation of a US Domestic Airline and all activities which would ordinarily be regarded as part of the business of a US Domestic Airline, provided that such activities are in fact being carried out incidentally to or as part of the business of operating a US Domestic Airline. In other words, the Current TMLA grants the right, and the exclusive right, to use the Marks in connection with the operation of a US Domestic Airline and all that the operation of a US Domestic Airline ordinarily entails, but does not grant the right, or the exclusive right, to use the Marks in

¹ This definition excludes flights operated pursuant to ‘cabotage’ or fifth freedom rights and codesharing operations, as described in paragraphs 3.2.1 and 3.2.2 to 3.2.4 of the Current TMLA.

connection with any particular activity in isolation from the operation of a US Domestic Airline.

(c) Save as consistent with the foregoing, paragraph 5.3 is denied.

(3) As to paragraph 5.4:

(a) From the perspective of any given airline, wherever operating and including but not limited to a US Domestic Airline (“**Airline A**”):

(i) The operation of a customer loyalty programme whereby customers earn points by purchasing flights operated by Airline A for cash consideration is an ordinary part of Airline A’s operation of an airline and/or is incidental to Airline A’s operation of an airline.

(ii) The entry into commercial alliances and/or joint ventures with other airlines (wherever such airlines operate) is an ordinary part of Airline A’s operation of an airline and/or is incidental to Airline A’s operation of an airline (the “**Alliance Activity**”).

(iii) The Alliance Activity frequently or ordinarily includes an arrangement whereby the respective airlines allow their customers to redeem loyalty points earned through their respective loyalty programmes on flights operated by the other airlines in the alliance.

(b) To the extent that such activities are actually being carried out as part of and/or incidentally to the operation of a US Domestic Airline carried on by AAI, the activities described in subparagraph (a) above are Licensed Activities.

(c) It is admitted that entering into and carrying out codesharing arrangements with other airlines, including by the sale of tickets on US Domestic Flights operated by another US Domestic Airline, in the course of the operation of a US Domestic Airline is a Licensed Activity pursuant to and subject to the restrictions contained in paragraph 2.3 of Schedule 1 of the Current TMLA.

(d) Save as set out in subparagraphs (a) to (c) above, paragraph 5.4 is denied.

6. In the alternative, clause 3.4 of the Current TMLA provides that the rights granted to AAI pursuant to the Current TMLA “*are subject to and shall not include any rights granted by VEL to third parties*”. On a true construction of clause 3.4, any right in respect of the Marks granted by VEL (directly or indirectly) to any third party prior to 19 November 2014 was excepted from the scope of the exclusivity in respect of the right to use the Marks granted to AAI under the Current TMLA (the “**Excepted Rights**”).
7. Virgin Atlantic’s current and subsisting license to use certain of the Marks (the “**Virgin Atlantic Licence**”) was executed on 5 March 2014 (and therefore prior to 19 November 2014) between VEL, Virgin Aviation, Virgin Atlantic and VAL TM Limited. All rights granted pursuant to the Virgin Atlantic Licence are Excepted Rights. As a result, to the extent that AAI has been *prima facie* granted any right pursuant to the Current TMLA which overlaps with a right granted to Virgin Atlantic pursuant to the Virgin Atlantic Licence, such right is, at least, not exclusive insofar as Virgin Atlantic is concerned.
8. As to paragraph 6:
 - (1) It is admitted that Virgin granted a license to Virgin Atlantic which included certain rights to use certain of the Marks, including in connection with a loyalty rewards programme for Virgin Atlantic’s customers (namely, the Virgin Atlantic Licence).
 - (2) It is admitted Virgin Atlantic’s loyalty programme permits Virgin Atlantic’s customers to obtain, *inter alia*, US Domestic Flights operated by Delta by redeeming Virgin Atlantic loyalty points (the “**Partner Loyalty Programme**”). Virgin Atlantic’s Partner Loyalty Programme is part of its Alliance Activity with Delta and is incidental to and/or forms an ordinary part of Virgin Atlantic’s operation of an international airline.
 - (3) It is admitted that the Virgin Atlantic Licence includes within its scope the right to operate the Partner Loyalty Programme using certain of the Marks. Further, the Virgin Atlantic Licence includes within its scope the right to conduct Alliance Activity using certain of the Marks.
 - (4) It is denied that there has been any breach of any of Virgin’s obligations under the Current TMLA:
 - (a) Virgin Atlantic does not operate and has never operated US Domestic Flights or a US Domestic Airline. Paragraphs 5(2)(b) and 5(3)(b) above are repeated.

Further, Virgin Atlantic's Alliance Activity with Delta is not (and is not alleged to be) a Licensed Activity and the Partner Loyalty Programme forms part of that Alliance Activity. Any construction of the Current TMLA which cut across Virgin Atlantic's pre-existing alliance with Delta would make no commercial sense and cannot have been objectively intended. In the premises, neither the Partner Loyalty Programme, nor any other of Virgin Atlantic's activities, were or are Licensed Activities on a true construction of the Current TMLA.

- (b) Further and in any event, the redemption of loyalty points for a US Domestic Flight is not a 'sale' of that US Domestic Flight. In the premises, even on the premise of AAI's allegation, paragraph 6 is denied.
- (c) In any event, Virgin Atlantic's right to operate the Partner Loyalty Programme, and Virgin Atlantic's right to conduct the Alliance Activity with Delta, are Excepted Rights. Accordingly, they do not fall within the scope of AAI's exclusive license under the Current TMLA.

(5) The final sentence is not admitted.

(6) Save as aforesaid, paragraph 6 is denied.

9. In support of Virgin's construction of the Current TMLA as set out in paragraphs 5 to 8 above, Virgin will rely on the following facts and matters which were each known or reasonably available to the parties at the date of the Current TMLA (and subsequently):

- (1) The facts set out in paragraph 5(3)(a). The activities described in paragraph 5(3)(a) were entirely commonplace and well-known in the airline industry.
- (2) Virgin Atlantic in particular was an existing international airline and had the right to carry out the business of an international airline (and all activities incidental to and ordinarily forming part of the business of an international airline, including the Alliance Activity) using certain of the Marks. The parties objectively intended that the Current TMLA would not in any way abrogate Virgin Atlantic's rights in respect of the Marks.
- (3) Virgin Atlantic was (and remains) ultimately owned and controlled as to 49% by Delta Air Lines, Inc. ("**Delta**"), and operated (and still operates) its business in close co-operation with Delta. Virgin Atlantic's commercial alliance with Delta involves a joint

venture made public in December 2012. Following regulatory clearance, Delta acquired its 49% stake in Virgin Atlantic in 2013, and the joint venture relationship took full effect from 1 January 2014. Virgin Atlantic's arrangements with Delta are Alliance Activity. Virgin Atlantic's partnership with Delta was explicitly recognised in the Current TMLA, where Delta is defined as the "JV Partner".

- (4) From at least July 2013 onwards, Virgin Atlantic's arrangements with Delta have permitted the possibility of members of the Virgin Atlantic loyalty club (known as the "**Flying Club**") redeeming Virgin Atlantic loyalty points on Delta US Domestic Flights. Such a possibility was known widely, including by the public and airline industry, from that date onwards.
- (5) Virgin America was itself an airline partner of the Virgin Atlantic Flying Club from around 2013 until around 2016. As a result, Virgin America was at all times aware of the possibility of redeeming Virgin Atlantic Flying Club points to acquire US Domestic Flights, not least because members of the Flying Club could redeem Virgin Atlantic loyalty points on flights operated by Virgin America itself in the period 2013 to 2016. Further, it is inferred that Virgin America was at all times aware of the possibility of redeeming Virgin Atlantic points on Delta US Domestic Flights through its participation in the Flying Club.
- (6) The Licensed Activities were incapable of being performed by any entity or person who was not a US citizen for the purposes of US Federal Regulation 49 USC 41102. AAI admitted this fact in paragraph 14 of its Rejoinder in Claim No. CL-2019-000742 dated 4 May 2020. Virgin Atlantic was not and has never been a US citizen (for the purposes of 49 USC 41102 or otherwise).

10. Paragraph 7 is denied:

- (1) The commencement and pursuit of Claim No. CL-2019-000742 did not constitute a written notice under any clause of the Current TMLA, whether of the matters alleged in paragraph 7.1 or at all. It was not intended by Virgin or understood by AAI to be a written notice as alleged, nor would any reasonable person have understood it to be so. AAI never suggested that this was so at the time Claim No. CL-2019-000742 was issued, served or at any other time before 14 July 2022 (on which date it shared with

Virgin's solicitors a draft Re-Amended Defence and Counterclaim in Claim No. CL-2019-000742, which included this allegation in draft paragraph 56C).

- (2) Virgin has not licensed the Marks inconsistently with its obligations under the Current TMLA. Paragraph 9 above is repeated.
- (3) In any event, Virgin licensed certain of the Marks to Virgin Atlantic on 5 March 2014, prior to the commencement of Claim No. CL-2019-000742, and prior even to the date of the Current TMLA. In the premises, granting the Virgin Atlantic Licence was not an unequivocal overt act by Virgin which was inconsistent with the subsistence of the Current TMLA. Further, the granting of the Virgin Atlantic Licence in March 2014 necessarily could not have been an act of election to terminate the Current TMLA pursuant to clauses 3.7 and/or 11.3, nor would it have been even if it had post-dated the Current TMLA. It was not intended by Virgin or understood by AAI to be an election as alleged, nor would any reasonable person have understood it to be so.
- (4) In the premises, paragraph 7 is flawed in fact and law and is denied.

11. As to paragraph 8:

- (1) Paragraph 8 is a true alternative to paragraph 7: the Current TMLA cannot have been terminated twice.
- (2) The first sentence is denied. The Virgin Atlantic Licence is consistent with, and not in breach of, the Current TMLA. Paragraphs 9 and 10(3) above are repeated.
- (3) As to the second sentence, it is admitted that Virgin has denied, including in its letter dated 2 August 2022, that the Virgin Atlantic Licence, and the Partner Loyalty Programme in particular, are inconsistent with, or in breach of the Current TMLA. However, it is denied that Virgin has "*asserted that it will continue to act in the manner identified in paragraph 6 above*". Virgin explained in its letter of 2 August 2022 that it will not take any action with respect to Virgin Atlantic's Partner Loyalty Programme unless its denial of breach of the Current TMLA is held to be incorrect by a court of competent jurisdiction. Virgin also explained in that letter that it considered that the Current TMLA subsists, that it had no intention to terminate the Current TMLA and that it remains bound by the terms of the Current TMLA.

- (4) It is denied that Virgin has evinced an intention no longer to be bound by the terms of the Current TMLA and is, as a result, in repudiatory breach thereof. Virgin has at all times made clear that it considers itself bound by the terms of the Current TMLA. The fact that Virgin disagrees with AAI's interpretation of the Current TMLA does not mean that Virgin has no intention to be bound by its terms.
- (5) In the premises, paragraph 8 is flawed in fact and law and is denied.
12. Further and in any event, the claims in respect of the alleged breach of contract are limitation barred and/or barred by laches. Since the Virgin Atlantic Licence pre-dates the Current TMLA, on the premise of AAI's case, Virgin breached the Current TMLA on the day it was executed, 19 November 2014, and AAI's cause of action accrued on that day. Pursuant to s.5 of the Limitation Act 1980, any claim in respect of such breach should have been brought within six years, that is by 19 November 2020. These proceedings were issued on 23 September 2022. In the premises, the claims in respect of breach of contract are limitation barred and/or barred by laches.
13. Further still, AAI is estopped from asserting its claims for breach of contract:
- (1) Prior to the Current TMLA, Virgin and Virgin America entered into a trade mark licence agreement dated 9 April 2007, which contained a materially identical definition of Licensed Activities to the Current TMLA.
- (2) Paragraphs 5(3)(a) and paragraphs 9(1) to 9(6) are repeated.
- (3) At no time between December 2012 (when the Virgin Atlantic joint venture with Delta was made public) and 19 November 2014 did Virgin America ever state or suggest that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme, or the offering of US Domestic Flights for redemption to Virgin Atlantic loyalty customers constituted a Licensed Activity under the 2007 TMLA. On the contrary, Virgin America participated in the Virgin Atlantic Flying Club during that period, and negotiated the Current TMLA without raising any material concerns as to Virgin Atlantic's operations.
- (4) In the premises, by 19 November 2014 at the latest, Virgin America represented (impliedly and/or by the conduct described in subparagraph (3) above), and/or the parties shared a common assumption for which Virgin America assumed an element of

responsibility, that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme, and/or the offering of US Domestic Flights for redemption to Virgin Atlantic loyalty customers were not Licensed Activities under the 2007 TMLA, nor would they be under the Current TMLA to the extent the Current TMLA repeated the same definition of Licensed Activities.

- (5) On 19 November 2014 Virgin relied on those representations to its detriment by entering the Current TMLA with Virgin America on terms which, on the premise of AAI's case, cut across the terms of the existing Virgin Atlantic Licence. In the circumstances, it would be unconscionable to allow AAI to resile from its representation, conduct and/or common assumption.
- (6) In the premises, AAI is estopped (by representation and/or convention) from alleging that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme and/or the Virgin Atlantic License are Licensed Activities under the Current TMLA. Absent such an allegation, AAI's claims for breach of contract fail.

D. RELIEF

14. As to paragraph 9:

- (1) The first sentence is admitted.
- (2) AAI's right to the declarations sought is denied for the reasons set out in this Defence.

15. Paragraph 10 is denied. The Partner Loyalty Programme has not caused AAI any loss or damage, and none has been particularised. AAI has asserted in its response to a request for further information dated 10 March 2023 that it will seek "*negotiating damages*". The entitlement to claim damages on such a basis is also denied.

16. Paragraph 11 is denied for the reasons set out in this Defence. Further, the entitlement to an injunction is denied, and Virgin will argue that the court should grant damages in lieu of an injunction in all the circumstances of the case. In this connection, in addition to the matters pleaded above, Virgin will rely on the following further facts (without limitation):

- (1) The Partner Loyalty Programme is an established part of Virgin Atlantic's business which began operating publicly by at least July 2013.

EXHIBIT 6



Neutral Citation Number: [2024] EWCA Civ 622

Case No: CA-2023-000727

IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
COMMERCIAL COURT (KBD)
CHRISTOPHER HANCOCK KC
(SITTING AS A JUDGE OF THE HIGH COURT)
[2023] EWHC 322 (Comm)

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 11 June 2024

Before:

SIR GEOFFREY VOS, MASTER OF THE ROLLS
LORD JUSTICE PHILLIPS
and
LADY JUSTICE ANDREWS

Between:

(1) VIRGIN AVIATION TM LIMITED
(2) VIRGIN ENTERPRISES LIMITED

Claimants/
Respondents

- and -

ALASKA AIRLINES INC
(formerly VIRGIN AMERICA INC)

Defendant/
Appellant

Daniel Toledano KC and Joshua Crow (instructed by Slaughter and May)
for the Claimants/Respondents (“Virgin”)
Tom Weisselberg KC and Edward Ho (instructed by Jones Day) for the
Defendant/Appellant (“Alaska”)

Hearing date: 6 March 2024

Approved Judgment

This judgment was handed down remotely at 10.30am on Tuesday 11 June 2024 by circulation to the parties or their representatives by e-mail and by release to the National Archives

Lord Justice Phillips:

1. This appeal gives rise to a straightforward issue of contractual interpretation. A trademark licencing agreement dated 19 November 2014 (“the Licence”) provided that, notwithstanding any other provision of the Licence, Alaska (the licensee), might elect to perform the licensed activities without payment of royalties to Virgin (the licensor), so long as Alaska did not use the licensed trade marks whilst so doing. The issue is whether that provision overrides Alaska’s obligation under the Licence to pay a specified “Minimum Royalty” for each financial year of the Licence.
2. On 24 March 2023 Christopher Hancock KC, sitting as a deputy High Court judge (“the Judge”), for reasons set out in a reserved judgment handed down on 16 February 2023, made an order declaring that Alaska must pay Virgin at least the Minimum Royalty each financial year, even where Alaska derives no Gross Sales from the use of the trademarks. Alaska appeals that decision with permission granted by Males LJ.
3. For the reasons set out below, I consider that the judge’s interpretation of the Licence was correct and would dismiss the appeal. If I am right in that conclusion, it is unnecessary to decide two further issues, mentioned briefly below, which would arise only if the Judge was wrong on the primary question.

The background(i) The essential facts

4. On 20 July 2018 Virgin America Inc (“Virgin America”), an operator of an airline incorporated in the USA (but partly owned by companies in the Virgin group), merged with Alaska, also an American operator of what had been a competitor airline. Virgin America ceased to exist on that date and all its rights and obligations were assumed by Alaska.
5. Alaska thereby became party to the Licence, an agreement pursuant to which Virgin had granted Virgin America the exclusive use of certain Virgin names and trade marks (“the Names” and “the Marks”, together “the Virgin Brand”) for use by Virgin America in its airline operation. In exchange for those rights, Virgin America was to make royalty payments, with a Minimum Royalty initially set at US\$7,978,200 but increasing in line with a price index during the 25 year term of the Licence.
6. By 30 May 2019 Alaska had completed the process of “de-branding”, ceasing altogether to use the Virgin Brand in its airline operation. From 16 July 2019 Alaska made no further payments to Virgin, claiming that clause 3.7 (set out below) of the Licence justified that position, notwithstanding that the Licence had a further 20 years left to run.

(ii) The terms of the Licence

7. The Judge summarised the relevant terms of the Licence at [76] as follows:

(1) Clause 3.1 begins with the words: “*In consideration of the payment of Airline Royalties to [Virgin] by [Alaska], [Virgin] grants to [Alaska]*”

the right ... to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities”.

(2) The term “*Licensed Activities*” means, “*...the activities described in Schedule 1...*”.

(3) [Clause] 3.6 provides:

“Subject to Clause 3.7, [Alaska] undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.”

(4) Clause 3.7 provides:

“Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit [Alaska] at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as [Alaska] does not use the Names or Marks while undertaking such activities. [...]”

(5) Clause 8.1 provides as follows:

“In consideration of the Airline Rights granted pursuant to Clause 3, [Alaska] agrees to pay [Virgin]: (a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter; (b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of Gross Sales in respect of each Quarter or part of a Quarter; and (c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter In each case, subject to the requirement that [Alaska] will in each financial year during the Term pay at least the annual Minimum Royalty in accordance with Clause 8.6.”

(6) Clause 8.6 states:

“For the avoidance of doubt, [Alaska’s] obligation in respect of payment of royalties due to [Virgin] in each financial year of [Alaska] is to pay the greater of (a) a royalty based on a percentage of [Alaska’s] Gross Sales in the relevant period, at the rates set out in Clauses 8.1 and 8.3 above, and (b) the Minimum Royalty payment applicable for that period...”

(7) Minimum Royalty is a defined term, and is defined as follows:

*“**Minimum Royalty:** means in respect of each financial year of the Licensee, the amount of US\$7,978,200 (or a pro rata part of such*

amount in the case of a partial fiscal year); such amount to be adjusted annually on the Year 1 End Date and any anniversary thereof to increase (but not decrease) by the same percentage as the percentage change in USCPI over the relevant period..”

8. It is important to note that clause 3.1 also granted Alaska the right, subject to clause 3.7, to carry on the Licensed Activities only under the Names, including Virgin America and Virgin America Airways.
9. Further, clause 3.7 of the Licence continued with an important proviso in the following terms:

“Provided, however, that in the event [Alaska] ceases to use the Names or Marks in a material manner, which shall include but not be limited to where [Alaska] derives more than twenty percent of its operating revenues within the territories¹ without using the Names of Marks then [Virgin] will have the right to terminate the Licence after 45 days prior written notice and failure to cure by [Alaska]...”
10. Pursuant to clause 11.1, the Initial Term of the Licence was 25 years from 14 November 2014, the date of an Initial Public Offering of Virgin America shares. Thereafter the Licence was to be extended for further periods of 10 years unless terminated by either party giving not less than 3 months’ written prior notice.
11. It should also be noted (as it featured heavily in Alaska’s arguments) that the recitals to the Licence record that companies in the Virgin group had entered into previous trade mark licence agreements with Virgin Atlantic in 2005 and 2007 (with a revision in 2013), and that “this Licence amends and restates the Existing Licence in respect of the rights granted to [Alaska] by [Virgin]..” Relevant aspects of those earlier licence agreements are referred to below.

(iii) The history leading to the Licence

12. Although both parties’ primary position (at least on the appeal) was that the Licence could be interpreted simply by reading the words of the document, a considerable amount of documentary, oral and even expert evidence was adduced at the trial. That evidence related to events surrounding the formation and terms of earlier versions of the Licence and the involvement of the US Department of Transportation (“the DOT”) in considering and approving the terms of those versions and, indeed, of the Licence. Certification by the DOT was a pre-condition of operating a domestic airline in the US. The judge considered that evidence in detail in paragraphs [3] to [50] of his judgment.
13. In my judgment, the pertinent aspect of that background can be summarised as follows:
 - (1) A concern of the DOT, dating back to 2005 and the original trade mark licence agreement (“the 2005 TMLA”), was that Virgin America, as the operator of a US airline, should be a “Citizen of the United States”, free to operate entirely independently of Virgin, a “foreign citizen”. The requirement in the 2005 TMLA (imposed by the inclusion of clause 3.6 above) that Virgin America

¹ USA (including Puerto Rico), Canada, Mexico, the Caribbean islands and Bermuda.

should use the Names and the Marks in operating its airline was seen as keeping Virgin America “almost completely under the influence” of Virgin and therefore not a US citizen for these purposes.

- (2) On 9 April 2007, following a provisional decision by the DOT to that effect and subsequent correspondence, Virgin and Virgin America executed a revised licence (“the 2007 TMLA”)², introducing clause 3.7 in the same terms as now contained in the Licence. As Virgin America was now allowed to operate without using the Names and the Marks without royalty obligation in relation to such activities, the DOT made final orders on 18 May and 17 August 2007 certifying that Virgin America was a Citizen of the US.
- (3) In early 2014 Virgin America determined to make an initial public offering of its shares on the NASDAQ (“the IPO”). The effect of the proposed IPO would be significantly to decrease the ability of the Virgin group to stop Virgin America being acquired by or merged with another airline (by removing a series of veto rights, halving the Virgin group’s board representation and decreasing its holding of voting stock), and therefore to increase the likelihood that Virgin America would cease to use the Virgin Brand.
- (4) The IPO required changes to the 2007 TMLA, which was due to expire in 2022. In particular, it was agreed that the Licence would be for 25 years from the date of the IPO (14 November 2014) and that the Minimum Royalty would be introduced, based on 80% of Virgin America’s 2013 revenues.
- (5) The proposed terms of the Licence were sent to the DOT for approval. On 20 October 2014 the DOT issued a letter concluding that Virgin America would remain a US Citizen following the IPO, stating, in relation to the Licence as follows:

“The amended TMLA would also require Virgin America to pay the Virgin Group a minimum royalty payment if Virgin America’s royalty payment from licensing fees would otherwise be less than that minimum payment...You also note that the amended TMLA will continue to permit Virgin America the ability to operate independently of the “Virgin” names and marks without obligation to pay royalties.”

The judgment

14. In his lengthy and detailed judgment, the Judge considered the background to the Licence, including the witness evidence and expert evidence. At [160(3)] he concluded that it was clear that the DOT, after considering the Licence, understood that it provided for a Minimum Royalty. On the basis that the correspondence with the DOT therefore did not “really assist” in relation to the proper construction of the Licence, the Judge

² The first claimant was not a party to either the 2005 TMLA or the 2007 TMLA, as the relevant rights were then held by a different company in the Virgin group, named VALTM3. The first claimant had acquired those rights by the time the Licence was executed on 19 November 2014.

stated that “I must simply construe [the Licence] by reference to the words used by the parties”.

15. The Judge’s reasoning as to the proper interpretation of the Licence was contained in the following sub-paragraphs of [161]:

“(1) In my judgment, the start point must be the words of the [Licence], and in particular Clause 8. I have set out the relevant clauses above. I have concluded that these words are clear. The Minimum Royalty is a defined term, and is a set sum payable for every year of the contractual term, regardless of the level of usage of the Virgin Brand. That is clear from the definition of the term, and from the clauses setting out how that sum is to be calculated. Just as that minimum sum falls to be paid if some royalties (not a defined term) are earned in a year but fall short of the Minimum Royalty, so, if no royalties are earned, it remains the case that the minimum sum has to be paid.

(2) I do not think that the fact that the minimum sum is expressed as a “Minimum Royalty” means that it must be derived from royalties in fact earned. Alaska itself contended that for Virgin to be correct, the Minimum Royalty would have to be a flat fee rather than a royalty. In my judgment, that is exactly what the Minimum Royalty is. It is a flat fee payable for the right to use the Virgin Brand, whether or not that right is taken up...”.

16. The Judge did not deal expressly with clause 3.7 of the Licence and its alleged inconsistency with clause 8 in reaching his conclusion, but it is implicit in his reasoning that he considered that the phrase “without the payment of royalties” did not absolve Alaska of the obligation to pay the Minimum Royalty.

17. The Judge drew support from the factual matrix, and rejected Alaska’s contentions in that regard, in the further sub-paragraphs of [161] as follows:

“(3) In my judgment, this conclusion is supported by what I regard as the most important aspect of the factual matrix, namely the degree of uncertainty introduced by the other changes to the 2007 TMLA in 2014 and the risks undertaken by Virgin as a result of these changes. It is clear that, viewed from the perspective of Virgin America, the extension to the right to use the Virgin Brand was a valuable one. It is also clear that Virgin was losing a substantial number of rights of control and that there was, as a result, an enhanced risk of a de-brand. In these circumstances, I think that it is a reasonable commercial conclusion to reach that Virgin would wish to assure themselves of a guaranteed minimum income going forward.

(4) Conversely, I do not regard the factual background matters put forward by Alaska as of any great force, and indeed it is not clear what principle of construction is being relied on in this regard.

(a) The nub of the argument advanced appears to be that, in view of the difficulties that had been experienced in relation to the payment

of royalties in 2007, the parties would not have agreed any provision for ongoing royalties where the Virgin Brand was not used in 2014, and hence that, even if the agreement might have been construed in such a way, it should not be so construed, since this would mean that Virgin America and Virgin were to be treated as having agreed a provision that they knew might imperil the DOT approving the arrangement. As I understood the argument, it was that Virgin's construction was thereby rendered commercially unreasonable.

(b) I have already set out my factual findings as to what the DOT was in fact told in 2014. The factual position in 2014 was of course different from that which appertained in 2007. I have concluded that the full terms of the proposed TMLA were put before the DOT in 2014. In my judgment, the question of construction that remains for me is what, against the background of those facts, the proper construction of the [Licence] is. That is a matter of the consideration of the words used by the parties."

18. The Judge added the following further points at [162]:

"(1) First, I agree with Virgin that the question must be approached from the perspective of Virgin and Virgin America as at the date of the agreement, and not from the perspective of Alaska.

(2) Secondly, viewed against this background, it was clearly the case that Virgin America wished to continue to have the right to use the Virgin Brand, and was prepared to pay for this.

(3) Thirdly, it was in Virgin America's interests (and in those of its bankers) to have a long term relationship with Virgin.

(4) Fourthly, it was also relevant to note that Virgin would wish to have some form of comfort to ensure that it was remunerated for giving this approval.

(5) Fifthly, I accept that Virgin's ability to re-use the Virgin Brand in the US was limited, whereas Virgin America's right was established.

(6) Sixthly, I do not accept that there was any question of Virgin America acting in breach of its statutory obligations. As I have said, the approval of the DOT was necessary. The full terms of the [Licence] were put before the DOT, who approved that document. Their letter does, it is true, make reference to the right not to use the Virgin Brand; but it also makes reference to the fact that a Minimum Royalty is to be paid."

19. Virgin had also argued that, even if Alaska was right on the primary issue of interpretation, (i) Virgin was entitled to the Minimum Royalty for the whole of the last financial year in which Alaska used the Names and the Marks, not only the part of that year in which they were used; and (ii) Alaska was in breach of its obligation under clause 3.6 to make some use of the Names and Marks, and was therefore liable to Virgin

for damages in the amount of the Minimum Royalty. The Judge noted at [163] that it was not strictly necessary for him to deal with those issues, but he nevertheless determined both in favour of Virgin. Alaska challenged both of those findings on this appeal, but as indicted above, those challenges do not require determination if I am right that the Judge should be upheld on the primary issue of interpretation.

The proper interpretation

20. It was common ground that the process of contractual interpretation is a unitary exercise involving an iterative process by which each suggested interpretation is checked against the provisions of the contract and its commercial consequences: see Lord Clarke JSC in *Rainy Sky SA v Kookmin Bank* [2011] UKSC 50, [2011] 1 WLR 2900 at [21] and Lord Hodge in *Wood v Capita* [2017] AC 1173 at [11]. Lord Hodge went on to say in that paragraph that:

“...once one has read the language in dispute and the relevant part of the contract that provide its context, it does not matter whether the more detailed analysis commences with the factual background and the implications of rival constructions or a close examination of the relevant language in the contract, so long as the court balances the indications given by each.”
21. Alaska, in particular, emphasised the dictum of Lord Wilberforce in *Prenn v Simmonds* [1971] 1 WLR 1381 at 1385H, referred to in both *Arnold v Britton* [2015] AC 1619 and *Wood v Capita*, holding that while evidence of the parties’ intentions or their negotiations was inadmissible, “...evidence of the factual background known to the parties at or before the date of the contract, including evidence of the ‘genesis’ and objectively the ‘aim’ of the transaction” was admissible.
22. In that context, Alaska contended that its interpretation of the Licence, that the Minimum Royalty was not payable if Alaska made no use at all of the Names or Marks, was supported by the language of clause 3.7, the admissible factual matrix and considerations of commercial sense.
23. As for the language, Alaska emphasised that clause 3.7 expressly provides that it is entitled to operate without using the Virgin Brand and to do so without paying royalties in respect of such operation. The suggestion that Alaska should nonetheless have to pay a sum by way of a Minimum Royalty despite none being payable for actual usage, is inconsistent with Alaska’s express entitlement. Such inconsistency is readily resolved in favour of Alaska’s entitlement to operate free of royalties by virtue of not just one but two phrases giving primacy to that entitlement, namely: “Notwithstanding any other provision of this Licence...” and “...nothing in this Licence shall prohibit”. It follows, submitted Alaska, that as a simple matter of the language used, where Alaska does not use the Name or Marks at all, the Minimum Royalty is not payable. Alaska recognised that its reading rendered clause 3.6 surplusage, because on its case it was entitled to cease using the Virgin Brand completely, in direct conflict with that clause. But Alaska submitted that was not a powerful objection given the clear opening words of clause 3.7, inserted in the 2007 TMLA with the express purpose of qualifying the effect of clause 3.6 which had troubled the DOT.

24. That reading of the Licence is supported, Alaska argued, by the factual matrix formed by the regulatory background, well known and understood by the parties to the Licence. That resulted in the inclusion of clause 3.7 in the 2007 TMLA, itself referenced in the recital to the Licence. The DOT required that Virgin America should be entitled to operate free of the control of the Virgin group, including being able to operate without using the Virgin brand on a royalty-free basis. That requirement would be undermined, Alaska contended, if, in operating without using the Virgin brand, it had to pay the equivalent of 80% of the royalties (as of 2013) which would have been payable if it had used the brand.
25. As for commercial considerations, Alaska pointed to the fact that the possibility of a de-brand was firmly in mind when the Licence was executed, such that it would not have made commercial sense for Virgin America (now Alaska) to agree to pay a substantial sum to Virgin for rights it might not use for a significant part of the term of the Licence. On the other side of the equation, Virgin's position in the event of a de-brand (or material decrease in the use of the Virgin Brand) was recognised and protected by its option to terminate the Licence in that event, enabling it to re-license the Virgin Brand to a third party.
26. In my judgment there is no merit in any of the above contentions: the language of the Licence, the factual matrix and commercial considerations all point firmly to Virgin being entitled to at least the Minimum Royalty in exchange for the rights Alaska holds for the remainder of the term of the Licence.
27. It is appropriate to start with and accord particular weight to the language of the Licence given that it is a professionally drawn contract between commercial parties. That is all the more so in circumstances where the parties knew and intended (i) that its terms would be reviewed and had to satisfy a regulator and (ii) a third party might well acquire or merge with Virgin America and assume its rights and obligations under the Licence.
28. In my judgment Alaska's approach to the wording of the Licence was misconceived, taking clause 3.7 as a starting point and seeking to rely upon its introductory words as rendering clause 3.6 surplusage and clauses 8.1 and 8.6 (providing for payment of the Minimum Royalty) inapplicable. The correct approach, at least in the first instance, is to seek to read all provisions of the Licence together, so as to understand the overall meaning and effect of the contract. Words giving primacy to one provision must of course be given effect where appropriate, but only to the extent that there would be an inconsistency or conflict between that provision and another.
29. Read in context, clause 3.7 entitles Alaska to conduct some (or indeed most) of its operations without using the Virgin Brand (derogating from the general requirement to use and promote the Virgin Brand in clause 3.6) and not to pay royalties on those operations. The *quid pro quo* is that Virgin has the option to terminate the Licence in the event that usage of the Virgin Brand and therefore royalties drop materially, using a 20% drop as a benchmark. It is clear (and Alaska does not assert the contrary) that the Minimum Royalty would continue to be paid even if usage of the Virgin Brand dropped to a minimal level.
30. What clause 3.7 does not provide is that Alaska can cease all usage of the Virgin Brand (thereby removing any meaning from clause 3.6) and at the same time avoid paying the Minimum Royalty or indeed any sum at all in respect of the rights it would continue to

hold, if not use. Clause 3.7 can and should be understood consistently with the rest of the Licence, reading it as obliging Alaska to continue at least some usage of the Virgin Brand, or at any rate to pay the Minimum Royalty for its right to do so. Whilst deploying the word “royalty” in the definition, it is clear that the Minimum Royalty is not in fact a sum calculated by reference to actual usage (or a “royalty” at all) but a minimum payment Alaska must pay to Virgin for the Airline Rights granted under clause 3 of the Licence. The wording of clause 8.6 makes it plain that Alaska must pay the greater of the Minimum Royalty and the amount of actual royalties: that is entirely consistent with and encompasses the fact that actual royalties may not be payable at all due to the effect of clause 3.7.

31. The factual matrix, to the extent it is helpful at all, in my view supports rather than undermines the above reading. Clause 3.7 was introduced in the 2007 TMLA to permit Virgin America to operate without using the Virgin Brand and without paying royalties to that extent. At that point there was no Minimum Royalty provision, but one was introduced (and noted and approved by the DOT) in 2014 for inclusion in the Licence. Its inclusion at that point can only be read as providing protection for Virgin in circumstances where it was giving up its corporate control over Virgin America and in the context that it was therefore exposed to the risk of a complete de-brand. The parties plainly did not super-impose a minimum payment obligation in that context with the intention that it would be defeated by a complete de-brand, leaving Virgin with no recompense for licensing its rights.
32. The commercial considerations also strongly favour Virgin’s interpretation. There is a strong presumption that commercial parties do not intend to provide something for nothing, but Alaska’s contention is that it should be entitled to hold (and effectively “sterilise”) valuable intellectual property rights for up to 25 years, and yet pay nothing. If nothing else, it is plainly of value to Alaska that the well-known Virgin Brand should not be used by one of its competitors in the US airline marketplace. It is not appropriate to consider the adequacy or otherwise of that consideration, but it is plain that some payment would be expected and indeed required.
33. Alaska’s response is that Virgin is protected against the commercially absurd situation of receiving nothing for its rights by the inclusion in clause 3.7 of an option to terminate, enabling it to exploit its rights elsewhere. The immediate answer is that it was common ground that it would by no means be easy for Virgin to re-license the rights to a third party airline (and indeed actual attempts to do so have not succeeded). But more fundamentally, if Alaska’s interpretation were right, Virgin would have no choice but to terminate upon de-branding, effectively inverting the option by providing Alaska with the right to end the Licence at any time with no penalty, despite its 25 year term and the recent addition of the new concept of a minimum annual payment. The Licence did not, of course, give Alaska an express option to terminate at any time, and it is difficult to see why Virgin would have agreed to enter the 25 year Licence on that basis or how Virgin America could have insisted on such a right. Further, if Alaska’s interpretation were right, it is unclear how Virgin could sensibly decide whether to exercise its option during a partial de-branding, not knowing whether at some unknown point Alaska might completely de-brand and cease to be obliged to pay anything. It makes far more commercial sense for the exercise of the option to be considered against the backdrop of the Minimum Royalty (matching the 80% threshold in the option) being payable in any event.

34. Yet further, as Mr Toledano KC pointed out on behalf of Virgin, Alaska's interpretation entails that there would be a huge and unjustifiable difference between the use of a single Name or Mark in any part of Alaska's operation (perhaps by mistake), which would trigger the Minimum Royalty payment of nearly US\$8m, and a complete de-brand, where nothing would be payable. There is no commercial or rationale justification for such an arbitrary distinction with huge financial consequences, which cannot have been intended by the parties.
35. Whilst upholding the Judge's decision, I would express some cautious concern that the trial of a straightforward issue of contractual interpretation took five Commercial Court days and involved such extensive evidence. Perhaps due to that process, the Judge delivered a 59 page judgment, which only identified the issues in paragraph 51 and the relevant contractual terms in paragraph 78. In the end the Judge's analysis of the contract terms occupied just two sub-paragraphs in which he did not refer to the central provision, clause 3.7 of the Licence. I am sure that the case looked different at first instance, but would suggest that, in future, both judges and parties take care, in commercial cases, to focus intently on the contract and the detailed analysis of its terms.

Lady Justice Andrews

36. I agree.

Sir Geoffrey Vos, Master of the Rolls

37. I also agree.

EXHIBIT 7

Amended on 1 July 2024 pursuant to CPR rule 17.1(2)(a)

Claim No. CL-2022-000507

IN THE HIGH COURT OF JUSTICE

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

KING'S BENCH DIVISION

COMMERCIAL COURT

BETWEEN:

**ALASKA AIRLINES INC (formerly VIRGIN
AMERICA INC)**

Claimant

-and-

**(1) VIRGIN AVIATION TM LIMITED
(2) VIRGIN ENTERPRISES LIMITED**

Defendants

DEFENCE AND AMENDED COUNTERCLAIM

DEFENCE

1. In this Defence:

- (1) references to paragraphs are references to the paragraphs of the Particulars of Claim unless otherwise stated.
- (2) headings and defined terms used in the Particulars of Claim are adopted without admission; and
- (3) save as expressly admitted, the Defendants join issue with each of the allegations in the Particulars of Claim.

A. INTRODUCTION

2. Paragraphs 1 to 3 are admitted.

B. THE CURRENT TMLA

3. Paragraph 4 is admitted, and Virgin will likewise refer to the terms of the Current TMLA for their full meaning and effect.

C. ALLEGED BREACH AND/OR TERMINATION OF THE CURRENT TMLA BY VIRGIN

4. Hereafter, for convenience, passenger flights on any route for which all points of arrival and/or departure are within the Mainland Territory are referred to as “**US Domestic Flights**”¹ and an airline operating US Domestic Flights is referred to as a “**US Domestic Airline**”.
5. As to paragraph 5, as a matter of true construction of the Current TMLA:
- (1) Paragraphs 5.1 and 5.2 are admitted, save that AAI’s rights as exclusive licensee are subject to the terms of the Current TMLA including the exceptions defined in Clause 3.2 and Clause 3.4.
- (2) As to paragraph 5.3:
- (a) The Licensed Activities include the right to operate a US Domestic Airline.
- (b) The Licensed Activities also include all activities incidental to the operation of a US Domestic Airline and all activities which would ordinarily be regarded as part of the business of a US Domestic Airline, provided that such activities are in fact being carried out incidentally to or as part of the business of operating a US Domestic Airline. In other words, the Current TMLA grants the right, and the exclusive right, to use the Marks in connection with the operation of a US Domestic Airline and all that the operation of a US Domestic Airline ordinarily entails, but does not grant the right, or the exclusive right, to use the Marks in

¹ This definition excludes flights operated pursuant to ‘cabotage’ or fifth freedom rights and codesharing operations, as described in paragraphs 3.2.1 and 3.2.2 to 3.2.4 of the Current TMLA.

connection with any particular activity in isolation from the operation of a US Domestic Airline.

(c) Save as consistent with the foregoing, paragraph 5.3 is denied.

(3) As to paragraph 5.4:

(a) From the perspective of any given airline, wherever operating and including but not limited to a US Domestic Airline (“**Airline A**”):

(i) The operation of a customer loyalty programme whereby customers earn points by purchasing flights operated by Airline A for cash consideration is an ordinary part of Airline A’s operation of an airline and/or is incidental to Airline A’s operation of an airline.

(ii) The entry into commercial alliances and/or joint ventures with other airlines (wherever such airlines operate) is an ordinary part of Airline A’s operation of an airline and/or is incidental to Airline A’s operation of an airline (the “**Alliance Activity**”).

(iii) The Alliance Activity frequently or ordinarily includes an arrangement whereby the respective airlines allow their customers to redeem loyalty points earned through their respective loyalty programmes on flights operated by the other airlines in the alliance.

(b) To the extent that such activities are actually being carried out as part of and/or incidentally to the operation of a US Domestic Airline carried on by AAI, the activities described in subparagraph (a) above are Licensed Activities.

(c) It is admitted that entering into and carrying out codesharing arrangements with other airlines, including by the sale of tickets on US Domestic Flights operated by another US Domestic Airline, in the course of the operation of a US Domestic Airline is a Licensed Activity pursuant to and subject to the restrictions contained in paragraph 2.3 of Schedule 1 of the Current TMLA.

(d) Save as set out in subparagraphs (a) to (c) above, paragraph 5.4 is denied.

6. In the alternative, clause 3.4 of the Current TMLA provides that the rights granted to AAI pursuant to the Current TMLA “*are subject to and shall not include any rights granted by*

VEL to third parties”. On a true construction of clause 3.4, any right in respect of the Marks granted by VEL (directly or indirectly) to any third party prior to 19 November 2014 was excepted from the scope of the exclusivity in respect of the right to use the Marks granted to AAI under the Current TMLA (the “**Excepted Rights**”).

7. Virgin Atlantic’s current and subsisting license to use certain of the Marks (the “**Virgin Atlantic Licence**”) was executed on 5 March 2014 (and therefore prior to 19 November 2014) between VEL, Virgin Aviation, Virgin Atlantic and VAL TM Limited. All rights granted pursuant to the Virgin Atlantic Licence are Excepted Rights. As a result, to the extent that AAI has been *prima facie* granted any right pursuant to the Current TMLA which overlaps with a right granted to Virgin Atlantic pursuant to the Virgin Atlantic Licence, such right is, at least, not exclusive insofar as Virgin Atlantic is concerned.
8. As to paragraph 6:
 - (1) It is admitted that Virgin granted a license to Virgin Atlantic which included certain rights to use certain of the Marks, including in connection with a loyalty rewards programme for Virgin Atlantic’s customers (namely, the Virgin Atlantic Licence).
 - (2) It is admitted Virgin Atlantic’s loyalty programme permits Virgin Atlantic’s customers to obtain, *inter alia*, US Domestic Flights operated by Delta by redeeming Virgin Atlantic loyalty points (the “**Partner Loyalty Programme**”). Virgin Atlantic’s Partner Loyalty Programme is part of its Alliance Activity with Delta and is incidental to and/or forms an ordinary part of Virgin Atlantic’s operation of an international airline.
 - (3) It is admitted that the Virgin Atlantic Licence includes within its scope the right to operate the Partner Loyalty Programme using certain of the Marks. Further, the Virgin Atlantic Licence includes within its scope the right to conduct Alliance Activity using certain of the Marks.
 - (4) It is denied that there has been any breach of any of Virgin’s obligations under the Current TMLA:
 - (a) Virgin Atlantic does not operate and has never operated US Domestic Flights or a US Domestic Airline. Paragraphs 5(2)(b) and 5(3)(b) above are repeated. Further, Virgin Atlantic’s Alliance Activity with Delta is not (and is not alleged to be) a Licensed Activity and the Partner Loyalty Programme forms part of that

Alliance Activity. Any construction of the Current TMLA which cut across Virgin Atlantic's pre-existing alliance with Delta would make no commercial sense and cannot have been objectively intended. In the premises, neither the Partner Loyalty Programme, nor any other of Virgin Atlantic's activities, were or are Licensed Activities on a true construction of the Current TMLA.

- (b) Further and in any event, the redemption of loyalty points for a US Domestic Flight is not a 'sale' of that US Domestic Flight. In the premises, even on the premise of AAI's allegation, paragraph 6 is denied.
- (c) In any event, Virgin Atlantic's right to operate the Partner Loyalty Programme, and Virgin Atlantic's right to conduct the Alliance Activity with Delta, are Excepted Rights. Accordingly, they do not fall within the scope of AAI's exclusive license under the Current TMLA.

(5) The final sentence is not admitted.

(6) Save as aforesaid, paragraph 6 is denied.

9. In support of Virgin's construction of the Current TMLA as set out in paragraphs 5 to 8 above, Virgin will rely on the following facts and matters which were each known or reasonably available to the parties at the date of the Current TMLA (and subsequently):

- (1) The facts set out in paragraph 5(3)(a). The activities described in paragraph 5(3)(a) were entirely commonplace and well-known in the airline industry.
- (2) Virgin Atlantic in particular was an existing international airline and had the right to carry out the business of an international airline (and all activities incidental to and ordinarily forming part of the business of an international airline, including the Alliance Activity) using certain of the Marks. The parties objectively intended that the Current TMLA would not in any way abrogate Virgin Atlantic's rights in respect of the Marks.
- (3) Virgin Atlantic was (and remains) ultimately owned and controlled as to 49% by Delta Air Lines, Inc. ("**Delta**"), and operated (and still operates) its business in close co-operation with Delta. Virgin Atlantic's commercial alliance with Delta involves a joint venture made public in December 2012. Following regulatory clearance, Delta acquired its 49% stake in Virgin Atlantic in 2013, and the joint venture relationship took full effect from 1 January 2014. Virgin Atlantic's arrangements with Delta are

Alliance Activity. Virgin Atlantic's partnership with Delta was explicitly recognised in the Current TMLA, where Delta is defined as the "JV Partner".

- (4) From at least July 2013 onwards, Virgin Atlantic's arrangements with Delta have permitted the possibility of members of the Virgin Atlantic loyalty club (known as the "**Flying Club**") redeeming Virgin Atlantic loyalty points on Delta US Domestic Flights. Such a possibility was known widely, including by the public and airline industry, from that date onwards.
- (5) Virgin America was itself an airline partner of the Virgin Atlantic Flying Club from around 2013 until around 2016. As a result, Virgin America was at all times aware of the possibility of redeeming Virgin Atlantic Flying Club points to acquire US Domestic Flights, not least because members of the Flying Club could redeem Virgin Atlantic loyalty points on flights operated by Virgin America itself in the period 2013 to 2016. Further, it is inferred that Virgin America was at all times aware of the possibility of redeeming Virgin Atlantic points on Delta US Domestic Flights through its participation in the Flying Club.
- (6) The Licensed Activities were incapable of being performed by any entity or person who was not a US citizen for the purposes of US Federal Regulation 49 USC 41102. AAI admitted this fact in paragraph 14 of its Rejoinder in Claim No. CL-2019-000742 dated 4 May 2020. Virgin Atlantic was not and has never been a US citizen (for the purposes of 49 USC 41102 or otherwise).

10. Paragraph 7 is denied:

- (1) The commencement and pursuit of Claim No. CL-2019-000742 did not constitute a written notice under any clause of the Current TMLA, whether of the matters alleged in paragraph 7.1 or at all. It was not intended by Virgin or understood by AAI to be a written notice as alleged, nor would any reasonable person have understood it to be so. AAI never suggested that this was so at the time Claim No. CL-2019-000742 was issued, served or at any other time before 14 July 2022 (on which date it shared with Virgin's solicitors a draft Re-Amended Defence and Counterclaim in Claim No. CL-2019-000742, which included this allegation in draft paragraph 56C).
- (2) Virgin has not licensed the Marks inconsistently with its obligations under the Current TMLA. Paragraph 9 above is repeated.

- (3) In any event, Virgin licensed certain of the Marks to Virgin Atlantic on 5 March 2014, prior to the commencement of Claim No. CL-2019-000742, and prior even to the date of the Current TMLA. In the premises, granting the Virgin Atlantic Licence was not an unequivocal overt act by Virgin which was inconsistent with the subsistence of the Current TMLA. Further, the granting of the Virgin Atlantic Licence in March 2014 necessarily could not have been an act of election to terminate the Current TMLA pursuant to clauses 3.7 and/or 11.3, nor would it have been even if it had post-dated the Current TMLA. It was not intended by Virgin or understood by AAI to be an election as alleged, nor would any reasonable person have understood it to be so.
- (4) In the premises, paragraph 7 is flawed in fact and law and is denied.

11. As to paragraph 8:

- (1) Paragraph 8 is a true alternative to paragraph 7: the Current TMLA cannot have been terminated twice.
- (2) The first sentence is denied. The Virgin Atlantic Licence is consistent with, and not in breach of, the Current TMLA. Paragraphs 9 and 10(3) above are repeated.
- (3) As to the second sentence, it is admitted that Virgin has denied, including in its letter dated 2 August 2022, that the Virgin Atlantic Licence, and the Partner Loyalty Programme in particular, are inconsistent with, or in breach of the Current TMLA. However, it is denied that Virgin has “*asserted that it will continue to act in the manner identified in paragraph 6 above*”. Virgin explained in its letter of 2 August 2022 that it will not take any action with respect to Virgin Atlantic’s Partner Loyalty Programme unless its denial of breach of the Current TMLA is held to be incorrect by a court of competent jurisdiction. Virgin also explained in that letter that it considered that the Current TMLA subsists, that it had no intention to terminate the Current TMLA and that it remains bound by the terms of the Current TMLA.
- (4) It is denied that Virgin has evinced an intention no longer to be bound by the terms of the Current TMLA and is, as a result, in repudiatory breach thereof. Virgin has at all times made clear that it considers itself bound by the terms of the Current TMLA. The fact that Virgin disagrees with AAI’s interpretation of the Current TMLA does not mean that Virgin has no intention to be bound by its terms.

- (5) In the premises, paragraph 8 is flawed in fact and law and is denied.
12. Further and in any event, the claims in respect of the alleged breach of contract are limitation barred and/or barred by laches. Since the Virgin Atlantic Licence pre-dates the Current TMLA, on the premise of AAI's case, Virgin breached the Current TMLA on the day it was executed, 19 November 2014, and AAI's cause of action accrued on that day. Pursuant to s.5 of the Limitation Act 1980, any claim in respect of such breach should have been brought within six years, that is by 19 November 2020. These proceedings were issued on 23 September 2022. In the premises, the claims in respect of breach of contract are limitation barred and/or barred by laches.
13. Further still, AAI is estopped from asserting its claims for breach of contract:
- (1) Prior to the Current TMLA, Virgin and Virgin America entered into a trade mark licence agreement dated 9 April 2007, which contained a materially identical definition of Licensed Activities to the Current TMLA.
 - (2) Paragraphs 5(3)(a) and paragraphs 9(1) to 9(6) are repeated.
 - (3) At no time between December 2012 (when the Virgin Atlantic joint venture with Delta was made public) and 19 November 2014 did Virgin America ever state or suggest that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme, or the offering of US Domestic Flights for redemption to Virgin Atlantic loyalty customers constituted a Licensed Activity under the 2007 TMLA. On the contrary, Virgin America participated in the Virgin Atlantic Flying Club during that period, and negotiated the Current TMLA without raising any material concerns as to Virgin Atlantic's operations.
 - (4) In the premises, by 19 November 2014 at the latest, Virgin America represented (impliedly and/or by the conduct described in subparagraph (3) above), and/or the parties shared a common assumption for which Virgin America assumed an element of responsibility, that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme, and/or the offering of US Domestic Flights for redemption to Virgin Atlantic loyalty customers were not Licensed Activities under the 2007 TMLA, nor would they be under the Current TMLA to the extent the Current TMLA repeated the same definition of Licensed Activities.

- (5) On 19 November 2014 Virgin relied on those representations to its detriment by entering the Current TMLA with Virgin America on terms which, on the premise of AAI's case, cut across the terms of the existing Virgin Atlantic Licence. In the circumstances, it would be unconscionable to allow AAI to resile from its representation, conduct and/or common assumption.
- (6) In the premises, AAI is estopped (by representation and/or convention) from alleging that Virgin Atlantic's Alliance Activity with Delta, the Partner Loyalty Programme and/or the Virgin Atlantic License are Licensed Activities under the Current TMLA. Absent such an allegation, AAI's claims for breach of contract fail.

D. RELIEF

14. As to paragraph 9:

- (1) The first sentence is admitted.
- (2) AAI's right to the declarations sought is denied for the reasons set out in this Defence.

15. Paragraph 10 is denied. The Partner Loyalty Programme has not caused AAI any loss or damage, and none has been particularised. AAI has asserted in its response to a request for further information dated 10 March 2023 that it will seek "*negotiating damages*". The entitlement to claim damages on such a basis is also denied.

16. Paragraph 11 is denied for the reasons set out in this Defence. Further, the entitlement to an injunction is denied, and Virgin will argue that the court should grant damages in lieu of an injunction in all the circumstances of the case. In this connection, in addition to the matters pleaded above, Virgin will rely on the following further facts (without limitation):

- (1) The Partner Loyalty Programme is an established part of Virgin Atlantic's business which began operating publicly by at least July 2013.
- (2) Prior to June 2022, AAI has never previously suggested that the Partner Loyalty Programme constituted a breach of the Current TMLA, despite it being public knowledge in the airline industry.
- (3) AAI asserts, including in its skeleton argument for permission to appeal in Claim No. CL-2019-000742 dated 13 April 2023, that it has not used the Marks since 30 May 2019, and does not intend to use the Marks in the future.

17. The claim to interest in paragraph 12 is denied.

AMENDED COUNTERCLAIM

18. Under the terms of the Current TMLA:

- (1) AAI must pay at least the Minimum Royalty to Virgin Aviation in respect of each and every financial year of AAI for the duration of the Current TMLA even where AAI derives no Gross Sales from use of the Virgin brand during that year or part of that year.
- (2) Pursuant to clause 3.6 of the Current TMLA, for so long as AAI continues to provide the Licensed Activities, it is bound to do so using the Virgin brand and must not cease such use entirely. If, at any time prior to the expiry or termination of the Current TMLA, AAI entirely ceases at any time during the Term to use the Virgin brand in connection with the Licensed Activities, Virgin Aviation is entitled to claim damages for AAI's breach of clause 3.6 of the Current TMLA equal to the Minimum Royalty each year, unless and until AAI resumes its use of the Virgin brand in connection with the Licensed Activities.

19. The matters set out in paragraph 18 above were declared by order of Christopher Hancock KC sitting as Deputy High Court judge dated 24 March 2023, following the trial in Claim No. CL-2019-000742 (the "Trial Order"). The Trial Order was upheld on appeal by an order of the Court of Appeal dated 11 June 2024.

20. In breach of the Current TMLA:

- (1) Since 31 December 2018, AAI has not paid the Minimum Royalty to Virgin Aviation, save that AAI paid Virgin Aviation (a) US\$3,574,839 in respect of its royalty obligations for the 2019 financial year by way of two instalments on or around 16 April 2019 and 16 July 2019 respectively, and (b) a further US\$6,089,976.05 on or around 19 May 2023 in respect of its royalty obligations for the 2019 and 2020 financial years (and interest owing in respect of such royalties)²; and

² AAI in fact paid Virgin Aviation US\$6,370,012.59 on or around 19 May 2023. However, AAI subsequently stated that this was an overpayment made in mistake and requested a partial refund. Strictly without prejudice to its position that such sums are due and owing, Virgin agreed to Virgin Aviation repaying US\$280,036.54 to AAI, which Virgin Aviation did on or around 30 June 2023.

- (2) Since 31 May 2019 AAI has ceased entirely to use the Virgin brand in connection with the Licensed Activities.

21. In consequence, Virgin Aviation is entitled to and hereby claims:

- (1) ~~US\$32,007,160~~ US\$36,747,118 as a debt (which converts to ~~£25,663,213.60~~ £29,067,487.74 using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024³), being the Minimum Royalty due for the period 1 January 2019 to 31 December ~~2022~~ 2023 less the amount already paid by AAI as described in paragraph 20(1) above.
- (2) Alternatively ~~US\$32,007,160~~ US\$36,747,118 (which converts to ~~£25,663,213.60~~ £29,067,487.74 using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024) as damages for breach of contract.
- (3) Interest pursuant to clause 8.8 of the Current TMLA from the date on which the sums fell due under the Current TMLA until judgment or sooner payment, at a rate of 4% above the base rate of Lloyds TSB Bank plc from time to time. As of ~~the date of this Defence and Counterclaim~~ 20 June 2024, the interest accrued (minus amounts already paid on account of interest) amounts to ~~US\$2,546,601~~ US\$4,910,845 (which converts to ~~£2,041,854.55~~ £3,884,547.54 using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024) and is accruing at a daily rate of ~~US\$7,234~~ US\$9,287 (which converts to ~~£5,800.19~~ £7,346.15 using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024).
- (4) Alternatively pursuant to s.35A of the Senior Courts Act 1981 from the date on which the sums fell due under the Current TMLA until judgment or sooner payment, at a rate of 2% over the Bank of England base rate from time to time. As of ~~the date of this Defence and Counterclaim~~ 20 June 2024, the interest accrued (minus amounts already paid on account of interest) amounts to ~~US\$1,619,440~~ US\$3,301,481 (which converts to ~~£1,298,460.55~~ £2,611,517.96 using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024) and is accruing at a daily rate of ~~US\$5,481~~ US\$7,279

³ Published at

<https://www.bankofengland.co.uk/boeapps/database/Rates.asp?TD=26&TM=Apr&TY=2023&into=GBP&rateview=D>
<https://wwwtest.bankofengland.co.uk/boeapps/database/Rates.asp?TD=28&TM=Jun&TY=2024&into=GBP&rateview=D>

(which converts to ~~£4,394.64~~ £5,757.79 ~~as at 27 April 2023~~ using the Bank of England daily spot exchange rate for ~~26 April 2023~~ 28 June 2024).

AND THE DEFENDANTS COUNTERCLAIM

- (1) ~~US\$32,007,160~~ US\$36,747,118 as a debt.
- (2) Alternatively, ~~US\$32,007,160~~ US\$36,747,118 as damages.
- (3) Interest in the amount of ~~US\$2,546,601~~ US\$4,910,845, accruing at a daily rate of ~~US\$7,234~~ US\$9,287 pursuant to the clause 8.8 of the Current TMLA.
- (4) Alternatively, interest in the amount of ~~US\$1,619,440~~ US\$3,301,481, accruing at a daily rate of ~~US\$5,481~~ US\$7,279 pursuant to s.35A of the Senior Courts Act 1981.
- (5) Costs.
- (6) Such further or other relief as the court deems appropriate.

DANIEL TOLEDANO KC

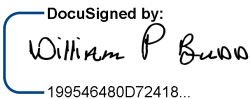
JOSHUA CROW

DANIEL TOLEDANO KC

JOSHUA CROW

STATEMENT OF TRUTH

I believe that the facts stated in this Defence and Amended Counterclaim are true. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Signed:  199546480D72418...

Name: William P Budd

Position: Director

Date: 01 July 2024

Served on 27 April 2023 by Slaughter and May, One Bunhill Row, London, EC1Y 8YY (Solicitors for the Defendants)

Served on 1 July 2024 by Slaughter and May, One Bunhill Row, London, EC1Y 8YY (Solicitors for the Defendants)

EXHIBIT 8

Amended on 22 July pursuant to CPR r.17.1(2)(a)

Claim No: CL-2022-000507

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
KING'S BENCH DIVISION
COMMERCIAL COURT

BETWEEN:

ALASKA AIRLINES, INC

Claimant

-and-

(1) VIRGIN AVIATION TM LIMITED

(2) VIRGIN ENTERPRISES LIMITED

Defendants

REPLY AND AMENDED DEFENCE TO COUNTERCLAIM

REPLY

1. Unless otherwise indicated:

- (1) References to numbered paragraphs are to the numbered paragraphs in the Defendants' Defence and Amended Counterclaim dated 1 July 2024 ~~27 April 2023~~.
- (2) Terms defined in the Particulars of Claim, and the Defence and Counterclaim, are adopted below, in the latter case without any admissions being made thereby.

2. Save insofar as it consists of admissions and save as set out expressly in this document, the Claimant joins issue with the Defendants on its Defence and Counterclaim, and each and every allegation therein.

Breach and/or Termination of the Current TMLA by the Defendants

3. Paragraph 4 is noted.
4. As to paragraph 5(2):
 - (1) Paragraph 5(2)(a) is admitted.
 - (2) Paragraph 5(2)(b) is denied. The Current TMLA, in particular Schedule 1, does not define the term “Licensed Activities” so as to include the proviso which the Defendants plead, and which is contrary to business common-sense and produces an unreasonable result.
5. As to paragraph 5(3)(a):
 - (1) Paragraph 5(3)(a)(i) and (ii) are admitted.
 - (2) As to paragraph 5(3)(a)(iii), the Respondents are put to proof that it was frequently or ordinarily the case, at any time prior to the conclusion of the Current TMLA, that airlines would allow their customers, via their website, to redeem loyalty points earned through their respective loyalty programmes on all or the vast majority of flights operated by other airlines with whom they were in an alliance.
6. As to paragraph 5(3)(b) it is denied (if it be alleged) that the activities described in paragraph 5(3)(a) are not Licensed Activities if they are performed by a person (including Virgin Atlantic) who does not operate a US Domestic Airline.
7. As to paragraph 6:
 - (1) The first sentence is admitted.

- (2) On a true construction of Clause 3.4, alternatively by virtue of a term implied for reasons of business efficacy and/or to give effect to the obvious but unexpressed intentions of the parties, the rights granted to AAI under the Current TMLA were only subject to rights granted by VEL which Virgin America knew of at the time the Current TMLA was concluded, and which the Defendants had specifically advised Virgin America of.
- (3) In the premises, the second sentence is denied.

8. As to paragraph 7:

- (1) The first sentence is admitted, save that AAI is unable to admit or deny whether Virgin Atlantic's current and subsisting licence is the licence executed on 5 March 2014. The Defendants are put to proof.
- (2) The second and third sentences are denied. In particular, Virgin America did not know at the time of concluding the Current TMLA, and had not been told by the Defendants, that the Defendants had granted Virgin Atlantic the right to sell tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's customers for, at least some, stand-alone US Domestic Flights operated by Delta.

9. Paragraph 8(4) is denied. Specifically:

- (1) On the proper construction of Clause 3.2 and/or 3.3 Current TMLA, and/or by virtue of a term implied for reasons of business efficacy and/or to give effect to the obvious but unexpressed intentions of the parties, the Defendants were obliged to ensure that Virgin America was the exclusive licensee of the Marks in relation to the provision of the Licensed Activities, to the exclusion of all others (subject to the defined exceptions in Clause 3.2 and 3.4 of the Current TMLA). In breach of that obligation, the Defendants:

- (a) granted Virgin Atlantic the right to sell tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's customers for, at least some, stand-alone US Domestic Flights operated by Delta; and
 - (b) failed to stop Virgin Atlantic from using the Marks in that way, and thereby failed to ensure that Virgin America was the exclusive licensee of the Marks in relation to the provision of the Licensed Activities, to the exclusion of all others.
- (2) As to paragraph 8(4)(a):
 - (a) The relevance of the first sentence is denied. Paragraphs 4(2) and 6 above are repeated.
 - (b) As to the third sentence:
 - (i) Whether particular Alliance Activity by Virgin Atlantic infringed the exclusive rights which were granted under the Current TMLA to AAI depended on the nature of that activity, and the use of the Marks in it.
 - (ii) Enabling Virgin Atlantic's customers to search for and/or purchase on Virgin Atlantic's website, at least some, stand-alone US Domestic Flights operated by Delta is a Licensed Activity.
 - (c) In the premises the fourth and fifth sentences are denied.
- (3) Paragraph 8(4)(b) is denied. The redemption of loyalty points in return for an airline ticket is a 'sale' of that airline ticket. In any event, whatever the precise characterisation of the transaction by which users of Virgin Atlantic's website were able to acquire tickets for US Domestic Flights operated by Delta, the Defendants' licensing of the Marks to Virgin Atlantic for use on its website for the performance of those transactions, and/or their failure to stop Virgin Atlantic's use of the Marks in that way, was a breach of their obligations in Clauses 3.2 and/or 3.3 Current TMLA.
- (4) Paragraph 8(4)(c) is denied. Paragraphs 7 & 8 above are repeated.

10. As to paragraph 9:

(1) As to paragraph 9(1), paragraph 5 above is repeated.

(2) As to paragraph 9(2):

(a) Save that it is admitted that at the date of the Current TMLA Virgin Atlantic was an existing international airline, the first sentence is denied. It is specifically denied that Virgin America knew, or had been told by the Defendants, at any time prior to concluding the Current TMLA that the Defendants had granted Virgin Atlantic the right to sell tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's customers for, at least some, stand-alone US Domestic Flights operated by Delta.

(b) The second sentence is denied. The very fact of entering into the Current TMLA was an abrogation of (some of) the rights of Virgin Atlantic in relation to the Marks. Moreover, Virgin America had no knowledge of the full extent and terms of Virgin Atlantic's rights in respect of the Marks at any time prior to concluding the Current TMLA. It is therefore denied that the parties objectively intended that the Current TMLA would not abrogate Virgin Atlantic's rights in respect of the Marks which Virgin America did not know of, and had not been specifically told of by the Defendants.

(3) Paragraph 9(3) is admitted, save to the extent inconsistent with paragraph 5 above.

(4) Paragraph 9(4) is not admitted and the Defendants are put to proof.

(5) As to paragraph 9(5):

(a) It is admitted that Virgin America was an airline partner of the Flying Club from around 2013 until around 2016.

(b) It is denied that Virgin America knew, or had been told by the Defendants, at any time prior to concluding the Current TMLA that the Defendants had granted Virgin Atlantic the right to sell tickets via Virgin Atlantic's website,

using the Marks, to Virgin Atlantic's customers for, at least some, stand-alone US Domestic Flights operated by Delta.

(c) The second and third sentences are not admitted, and the Defendants are put to proof.

(6) As to paragraph 9(6):

(a) The first sentence is denied. Certain of the Licensed Activities, including the selling of tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's customers for US Domestic Flights operated by Delta Air Lines, can be performed by a person who is not a US citizen for the purposes of US Federal Regulation 49 USC 41102.

(b) As to the second sentence:

(i) In Claim No. CL-2019-000742, AAI admitted that, "*Virgin could not use the Names and Marks itself in connection with the Licensed Activities, because it is not a US citizen*". That admission was made in the context of a dispute as to whether Virgin could, on terminating the Current TMLA, either readily use the Names or Marks itself in a similar manner to AAI (so as to be able to generate comparable value from them), or immediately re-license them to a third-party.

(ii) It is accordingly denied that AAI's admission in Claim No. CL-2019-000742 (insofar as that admission is of any probative value in these proceedings, which is not admitted), properly interpreted, was an admission that a non-US Citizen was incapable of performing any Licensed Activities (as opposed to being an admission that a non-US Citizen was incapable of performing the Licensed Activities to the same extent as Virgin America).

11. As to paragraph 10(3), Virgin's continuous and ongoing failure to ensure that Virgin America was the exclusive licensee of the Marks in relation to the provision of the Licensed

Activities to the exclusion of all others, inconsistently with its obligations under the Current TMLA, were unequivocal overt acts by Virgin Aviation and/or VEL inconsistent with the subsistence of the Current TMLA. By that conduct Virgin elected to, and did, terminate the Current TMLA under Clause 3.7 and/or 11.3 Current TMLA.

12. Paragraph 12 is denied. Specifically:

- (1) The Defendants' obligation to ensure that Virgin America was the exclusive licensee of the Marks in relation to the provision of the Licensed Activities to the exclusion of all others was an on-going, continuous obligation. The Defendants' breaches of those obligations were on-going and continuous ones. In the premises, AAI is entitled to terminate and claim damages in respect of so much of the continuing breaches as occurred within the six years prior to these proceedings being brought.
- (2) AAI's claim for injunctive relief is not subject to any statutory limitation by virtue of s.36 Limitation Act 1980. It is denied that AAI's claim to that relief is barred by laches: it is not unconscionable for AAI to assert its contractual rights now nor is there any circumstance which makes it inequitable for AAI's rights to be enforced.

13. As to paragraph 13:

- (1) It is denied that AAI is estopped from asserting its claims for breach of contract.
- (2) Paragraph 13(1) is admitted.
- (3) As to paragraph 13(2), paragraphs 5 and 10 above are repeated.
- (4) As to paragraph 13(3):
 - (a) The first sentence is admitted.
 - (b) As to the second sentence, it is admitted that Virgin America participated in the Flying Club. It is, however, denied that Virgin America's participation in the Flying Club meant that it actually knew that the Defendants had granted Virgin Atlantic the right to use the Marks on the pages of Virgin

Atlantic's website where Virgin Atlantic's customers could search for and/or purchase, at least some, US Domestic Flights operated by Delta. Furthermore the Defendants are put to proof that such offerings were available to Virgin Atlantic's customers via its website as at 19 November 2014 or prior to that date.

- (5) Paragraph 13(4) is accordingly denied. In circumstances where Virgin America did not know that the Defendants had granted Virgin Atlantic the right to use the Marks on the pages of Virgin Atlantic's website where Virgin Atlantic's customers could search for and/or purchase, at least some, US Domestic Flights operated by Delta, it is denied that Virgin America made the representation or shared the assumption alleged.
- (6) In the premises paragraphs 13(5) and (6) are denied.

Relief

14. As to paragraph 16:

- (1) Clause 19 of the Current TMLA provided, "*The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence*".
- (2) In the premises Virgin is contractually estopped from disputing that damages would not be an adequate remedy for its breaches of Clauses 3.2 and/or 3.3 Current TMLA.
- (3) Further or alternatively, it is denied that the matters in paragraphs 16(1) to (3), either individually or cumulatively, would justify the grant of damages in lieu of an injunction. As to the specific matters averred in paragraphs 16(1) to (3):
 - (a) The relevance of paragraphs 16(1) & (2) is denied.
 - (i) AAI does not seek to injunct the Defendants from licensing the Marks to Virgin Atlantic, insofar as the Marks are used by Virgin Atlantic in

the Partner Loyalty Programme in general. Rather AAI seeks to injunct the Defendants from licensing the Marks to Virgin Atlantic, such that Virgin Atlantic can use the Marks on the pages of Virgin Atlantic's website where Virgin Atlantic's customers can search for and/or purchase, at least some, US Domestic Flights operated by Delta.

- (ii) Until June 2022 AAI did not know that the Defendants had granted Virgin Atlantic the right to sell tickets via Virgin Atlantic's website, using the Marks, to Virgin Atlantic's customers for, at least some, US Domestic Flights operated by Delta Air Lines. Upon discovering this conduct AAI immediately identified it to the Defendants as a breach of the Current TMLA. In those circumstances, it is denied that the fact that prior to June 2022 AAI had never identified to the Defendants' their breach of contract is a justification for the refusal of injunctive relief.

- (b) Paragraph 16(3) is admitted.

AMENDED DEFENCE TO COUNTERCLAIM

- 15. As to paragraphs 18 to 20:

(1) ~~AAI has sought permission to appeal the order of Christopher Hancock KC ("the Judge") dated 24 March 2023. AAI denies that the Judge correctly interpreted the Current TMLA, and therefore that, on its true construction, the Current TMLA has the effect pleaded in paragraph 18.~~ **Paragraph 18 is admitted.**

- (2) Paragraph 19 is admitted.

- (3) As to paragraph 20:

- (a) The facts pleaded in paragraphs 20(1) and (2) are admitted, save that on 19 May 2023 AAI paid Virgin (without prejudice to its application for permission to appeal the Judge's order dated 24 March 2023) for the sums

due in respect of the Minimum Royalty, and interest, for the period 31 May 2019 to 16 January 2020.

- (b) ~~It is denied that the facts pleaded in paragraphs 20(1) and (2) establish that AAI is in breach of the Current TMLA, as alleged in paragraph 20. Paragraph 15(1) above is repeated.~~
- (c) ~~In any event, for~~ For the reasons in AAI's Particulars of Claim the Current TMLA was terminated by Virgin on 16 January 2020, alternatively by AAI on 23 September 2022. It is denied that, following the termination of the Current TMLA, AAI was in breach of the Current TMLA, or had any further obligation under that contract to pay the Minimum Royalty or any other sum. AAI having now paid ~~(without prejudice to its application for permission to appeal the Judge's order dated 24 March 2023)~~ the Minimum Royalty, plus interest, due to Virgin for the period up to 16 January 2020, it is denied that AAI has any further liability in respect of the Minimum Royalty.

16. In the premises, paragraph 21 is denied. Further:

- (1) As to paragraphs 21(1) and (2): the most to which Virgin Aviation could be entitled is US\$~~36,747,118~~ ~~32,007,160~~ less the sum due for the period 31 May 2019 to 16 January 2020, which AAI has already paid.
- (2) As to paragraphs 21(3) and (4), in the event that, contrary to the above, interest is payable to Virgin by AAI, then:
 - (a) AAI admits interest would be due on the basis set out in Clause 8.8 Current TMLA.
 - (b) The amount due in interest would have to reflect the payment made by AAI on 19 May 2023.

TOM WEISSELBERG K.C.

EDWARD HO

9 June 2023

TOM WEISSELBERG K.C.

EDWARD HO

22 July 2024

Statement of Truth

The Claimant believes that the facts stated in this Reply and Defence to Counterclaim are true. I am duly authorised by the Claimant to sign this statement. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Rebecca Swindells

.....

Name: Rebecca Swindells

Position: Partner – Jones Day (Solicitors to the Claimant)

Date: 22 July 2024

SERVED this 9th day of June 2023 by Jones Day of 21 Tudor St, Temple, London EC4Y 0DJ,
Solicitors for the Claimant

**RE-SERVED this 22nd day of July 2024 by Jones Day of 21 Tudor St, Temple, London EC4Y
0DJ, Solicitors for the Claimant**

EXHIBIT 9

IN THE HIGH COURT OF JUSTICE

Claim No. CL-2019 - 000742

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMMERCIAL COURT (QBD)

BETWEEN:

(1) VIRGIN AVIATION TM LIMITED

(2) VIRGIN ENTERPRISES LIMITED

Claimants

-and-

**ALASKA AIRLINES INC (formerly VIRGIN
AMERICA INC)**

Defendant

PARTICULARS OF CLAIM

Summary

1. In this claim, the Claimants seek a declaration as to the proper interpretation of a contract between the Claimants and the Defendant (the “Current TMLA”, as defined in paragraph 25 below). The Current TMLA was entered into in the circumstances set out in paragraphs 12 to 24 below.
2. By the Current TMLA, the First Claimant licenses to the Defendant the exclusive 25-year right to use certain trade marks (the “**Virgin brand**”) in connection with the operation of an airline in the United States of America (the “Licensed Activities”, as defined in the Current TMLA, see paragraph 26 below).
3. The Defendant has stated in correspondence with the Claimants that it has entirely ceased to derive any revenue in connection with the Licensed Activities (“Gross Sales” as

defined in the Current TMLA) from use of the Virgin brand. This fact is not admitted by the Claimants (as set out in paragraph 37 below).

4. Following the Defendant's statement that it has entirely ceased to use the Virgin brand, a dispute has arisen between the Claimants and the Defendant as to the Defendant's royalty obligations under the Current TMLA (as described in full in paragraphs 30 to 38 below). In particular:
 - (1) The Claimants contend that, on a true construction of the Current TMLA, the Defendant is obliged to pay royalties (and in particular at least the "Minimum Royalty" as defined in the Current TMLA) each year to the First Claimant for the duration of the Current TMLA in consideration of the exclusive rights granted thereunder, irrespective of whether the Defendant uses the Virgin brand or not.
 - (2) The Defendant contends that it is no longer obliged to pay any royalty to the First Claimant under the terms of the Current TMLA because it has ceased entirely to use the Virgin brand in connection with the Licensed Activities.
5. It is the Claimants' position that, should the Defendant fail to pay at least the Minimum Royalty in any given year, the First Claimant would be entitled to seek the Minimum Royalty as a debt from the Defendant irrespective of whether the Defendant had ceased to use the Virgin brand or not. The Claimant's position as to the interpretation of the Current TMLA is set out in full in paragraph 27 below.
6. The Claimants therefore seek a declaration (as set out in paragraphs 39 and 40 below) that:

The Defendant must pay at least the Minimum Royalty to the First Claimant in respect of each and every financial year of the Defendant for the duration of the Current TMLA even where the Defendant derives no Gross Sales from use of the Virgin brand during that year or part of that year.

7. In the event that the Claimants' interpretation as set out above is rejected, in the alternative the Claimants seek a declaration that pursuant to clause 3.6 of the Current TMLA, for so long as the Defendant continues to provide the Licensed Activities, it is bound to do so using the Virgin brand and must not cease such use entirely, and that

breach of this obligation gives rise to a claim for damages (as set out in paragraph 41 below).

8. Capitalised terms used in these Particulars of Claim are as defined herein, or, unless the context otherwise requires, as defined in the Current TMLA

Parties

9. The First Claimant (“**Virgin Aviation**”) is a company incorporated in England and Wales with company number 8865672. Virgin Aviation holds the rights to license certain trade marks beneficially owned by the Second Claimant.
10. The Second Claimant (“**VEL**”) is a company incorporated in England and Wales with company number 01073929. VEL and Virgin Aviation together are referred to in these Particulars of Claim as “**Virgin**”. VEL and Virgin Aviation are both companies in the Virgin group of companies, a group founded by Sir Richard Branson (the “**Virgin Group**”).
11. The Defendant is a company incorporated in Alaska, the United States of America (“**US**”). The Defendant is the legal successor to Virgin America Inc. The Defendant and Virgin America were merged together on 20 July 2018, at which time Virgin America Inc ceased to exist and all of its rights and obligations were assumed by the Defendant. In this regard:
 - (1) References hereafter to “**Virgin America**” are references to Virgin America Inc, the separate entity existing before 20 July 2018;
 - (2) References hereafter to “**AAI/Virgin America**” are references to the Defendant at any time after 20 July 2018 (i.e. the entity surviving the merger);
 - (3) References hereafter to “**AAI**” are references to the Defendant at any time before 20 July 2018.

Background

12. Virgin America was formed in January 2004 by a small consortium of investors including companies in the Virgin Group. Those investors intended to use Virgin America to launch an airline operating in the US under the Virgin brand.

13. To that end, on 4 February 2005 a trade mark licence agreement (“**TMLA**”) was entered into between VEL, VAL Trademark Three Limited (“**VALTM3**”) (which at the time held the rights to license the relevant trade marks now held by Virgin Aviation), and Virgin America (at the time, known as Best Air Holdings) (the “**2005 TMLA**”). By the 2005 TMLA, VEL and VALTM3 granted to Virgin America the exclusive right to use the Virgin brand in connection with the Licensed Activities (as defined in the 2005 TMLA).
14. In order to operate an airline in the US, it was necessary to obtain certification by the US Department of Transportation (the “**DOT**”). Virgin America applied for DOT certification on 8 December 2005.
15. Under United States Code, 2006 Edition, Supplement 5, Title 49 – Transportation (49 U.S.C. § 41102 General, temporary, and charter air transportation certificates of air carriers), the DOT could only grant the necessary airline certification to US citizens. By Order 2006-12-23 issued on 27 December 2006, the DOT made a tentative finding that Virgin America had failed to establish that it was a US citizen. In particular, by Order 2006-12-23, the DOT expressed its concerns that Virgin America could be controlled through various means by non-US citizens, including, in particular, entities in the Virgin Group. One such alleged means of control was the 2005 TMLA, and the DOT observed that it was necessary to preserve Virgin America’s ability to exist outside the Virgin franchise.
16. Following the DOT’s Order 2006-12-23, Virgin America resubmitted its application on 18 January 2007 to the DOT having made various proposed changes to a number of legal agreements, including the 2005 TMLA. In relation to the 2005 TMLA, Virgin America proposed to add a clause as follows:

Notwithstanding any other provision of this License nothing in this License shall prohibit the User at any time during the Term from electing to perform the Licensed Activities without in any way using the [Virgin] Names or Marks, so long as the User continue to pay the Royalties in full as and when due and on the basis set out in this License.

17. By Order 2007-3-16 served on 20 March 2007, the DOT tentatively found that Virgin America was a US citizen, subject to a number of further conditions. In relation to the

proposed amendments to the 2005 TMLA, the DOT found that the additional clause was satisfactory subject to the following:

However, we see no reason why [Virgin America's] operations outside of the license should still be subject to a royalty obligation to the Virgin Group. Payment of "royalties" on revenues not derived from use of the brand name would undermine [Virgin America's] independence; therefore we propose to condition [Virgin America's] certificate on an amendment to the license that allows such activities to occur without royalty obligation.

18. Accordingly, on 9 April 2007, Virgin America entered into a further trade mark licence agreement with VEL and VALTM3 (the "**2007 TMLA**"). The 2007 TMLA is appended to these Particulars of Claim as Appendix A.
19. The 2007 TMLA contained the following provisions:

- (1) The recitals stated:

[...]

B The Licensor [VALTM3]... has agreed to grant the User [Virgin America] a sublicence to use the Marks in the form of the Names (as defined below) on the terms and conditions of this Licence.

[...]

D On the 14 November 2005 Best Air Holdings Inc changed its name to Virgin America Inc. The parties to this Licence agree that this Licence amends and restates the [2005 TMLA].

- (2) Clause 1 contained the following definitions:

In this Licence and unless the context requires otherwise:

***Affiliates:** means the parent or subsidiary companies of the User;*

[...]

Gross Sales: means the total amount received by the User, its Affiliates and/or its sublicensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User and/or its sublicensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

Initial Term: the period from today's date until the fifteenth anniversary thereof;

Licensed Activities: means the activities described in Schedule 1 in connection with which the User and its subsidiaries are each permitted to use the Marks pursuant to this Licence;

[...]

Marks: means the Trade Marks and the Signature;

[...]

Royalties: means the payments described in Clause 8;

(3) Clause 3 granted the right to use the Marks:

3 Grant

3.1 In consideration of the payment of Royalties to the Licensor by the User, the Licensor grants to the User the right:

3.1.1 to use the Marks [...]

3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that [...]

3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities. [...]

3.6 Subject to Clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.

3.7 *Notwithstanding any other provision of this Licence, nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licenced Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. [...]*

- (4) Clause 4 provided Virgin America with an option to extend the Initial Term by 15 years in the event that the average of annual Gross Sales exceeded USD 2 billion.
- (5) Clause 8 set out the obligation to pay Royalties:

8 *Payment of royalties*

8.1 *User agrees to pay Licensor a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter during this Agreement. All amounts payable pursuant to this Clause shall accompany the quarterly statement to be provided by User to Licensor in accordance with Clause 8.2.1.*

8.2 *User shall supply to Licensor:*

8.2.1 *a quarterly statement of the Gross Sales within ten (10) days of the end of each Quarter; and*

8.2.2 *a statement showing Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor.*

- (6) Clause 19.5 provided that the 2007 TMLA was governed by English law and subject to English exclusive jurisdiction:

This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

- (7) Schedule 1 defined the Licensed Activities. The Licensed Activities included the operation of an airline, and any activity incidental to such operation, on any routes

within the USA, Canada and Mexico and on any routes between those countries and the Caribbean.

20. Clause 3.7 as set out in paragraph 19(3) above was added to the 2007 TMLA in order to meet the DOT's concerns regarding Virgin America's ability to operate independently of the Virgin brand and regarding the payment of royalties as set out in paragraphs 15 to 17 above. The wording previously suggested, as set out in paragraph 16 above, was not included in the 2007 TMLA. Pursuant to clause 3.7, Virgin America was permitted to carry on Licensed Activities without using the Virgin brand should it wish to do so, and no royalties were due in respect of revenues derived from such operations. In the premises, the effect of clauses 3.6 and 3.7 of the 2007 TMLA was that:

- (1) Pursuant to clause 3.6, for so long as Virgin America continued to provide the Licensed Activities, it was bound to do so using the Virgin brand;
- (2) Notwithstanding clause 3.6, Virgin America could also conduct Licensed Activities without using the Virgin brand relying on clause 3.7 but must not cease using that brand altogether otherwise it would be in breach of clause 3.6; and
- (3) Any Gross Sales derived without use of the Virgin brand were not to be taken into account in calculating the level of royalty payable under clause 8.

21. Further, from 21 November 2005 onwards until the date of the IPO described in paragraph 23 below, the Virgin Group (through its shareholder entity) held a veto right under Virgin America's bylaws (as amended from time to time) and under the Virgin America Stockholders Agreement (as amended from time to time) (the "**SHA**") in respect of any sale or merger of Virgin America to a US airline operator. In this regard:

- (1) The Bylaws of Virgin America as amended from time to time (the "**Bylaws**") stated at Section 6(b):

At all meetings of the Board of Directors, if any of the following matters are presented for approval, such approval shall be denied without the affirmative vote of at least ... one [Virgin Group designated board member] unless ... [the Virgin Group shareholder] ... shall have waived in writing its right to have

its [designated board members] present for the transaction of business referred to in the notice of meeting:

[...]

(ii) merge or consolidate with or into, or sell, lease, transfer, assign, exchange, mortgage, pledge, hypothecate or otherwise dispose of a material portion of the assets of [Virgin America] to, a U.S. Airline Operator (as defined in the Stockholders Agreement).

(2) The SHA stated at Section 20(e)(1):

Unless each Initial Stockholder waives in writing its right to have its [designated board member] present for the transaction of business referred to in the notice of meeting, [Virgin America] shall not, and shall not permit any subsidiary of [Virgin America] to, without the approval of the Board of Directors and ... at least one Virgin [designated board member]:

[...]

(B) merge or consolidate with or into, or sell, lease, transfer, assign, exchange, mortgage, pledge, hypothecate or otherwise dispose of a material portion of the assets of [Virgin America] to, a U.S. Airline Operator (as defined in the Stockholders Agreement).

(3) The definition of U.S. Airline Operator in the SHA was as follows:

any Person directly or indirectly operating a U.S. airline or any holder or Group of holders of five percent or more of the outstanding voting power of any Person directly or indirectly operating a US airline (each a “U.S. Airline Operator”).

The Current TMLA

22. Following execution of the 2007 TMLA, Virgin America’s rights to use the Virgin brand were extended and amended by three side agreements between VALTM3, VEL and Virgin America dated 24 November 2008, 13 April 2010 and 1 March 2013 (the “**Side Agreements**”). With effect from 5 March 2014, VALTM3 transferred the necessary licensing rights to Virgin Aviation.

23. Further, in early 2014, Virgin America decided to make an initial public offering of Virgin America's shares (the "**IPO**") on the NASDAQ. In this regard:

- (1) In the course of the IPO, Virgin America would issue new voting shares to the market. As such, the effect of the IPO would be to dilute the Virgin Group's voting shareholding in Virgin America from 25% to approximately 19%. Moreover, following the IPO, the Virgin Group would be precluded from acquiring further shares to take its voting interest above 20% of the total voting shares by an agreement made in a side letter between certain Virgin Group entities and Virgin America sent to Virgin America on/signed by Virgin America on or about 11 November 2014. By contrast, following the IPO, approximately 32% of voting shares would float on the market. Accordingly, the control the Virgin Group was able to exercise over Virgin America's business and commercial activities would be diluted by virtue of the IPO.
- (2) Moreover, concurrently with the IPO, the Virgin Group would lose the rights it previously held under the SHA and the Bylaws to appoint members of Virgin America's board and to veto sales and mergers of Virgin America to US Airline Operators as described in paragraph 21 above. In particular, as part of the IPO:
 - (a) The SHA would be terminated pursuant to a Recapitalization Agreement, which was in the event executed on 13 November 2014; and
 - (b) The Bylaws would be amended to remove any right of veto previously held by the Virgin Group. The amended Bylaws were in the event adopted on 14 November 2014.
- (3) As such, the IPO and associated amendments to the legal agreements mentioned in the previous subparagraph would make it possible:
 - (a) For third parties, including competitor US Airline Operators, to acquire shares in Virgin America from the market without the Virgin Group's consent; and/or
 - (b) For Virgin America and/or its assets to be merged with or sold to a competitor US Airline Operator without the Virgin Group's consent.

- (4) In the premises, the IPO materially increased the likelihood of Virgin America deciding to decrease or cease its use of the Virgin brand (to “**de-brand**”). In particular, the IPO materially increased the likelihood that Virgin America might be acquired by a competitor airline and then de-branded, and the Virgin Group had no control over when or whether this would occur.
 - (5) Both Virgin and Virgin America were aware of the material alteration in the risk of a de-brand, as is shown by, in particular, the following:
 - (a) the fact that Virgin Group’s veto rights were to be removed from Virgin America’s own Bylaws; and
 - (b) the fact that this issue was recognised and discussed on a call between Mr Charlie Everitt on behalf of Virgin and Mr John Varley on behalf of Virgin America on or about 2 July 2014.
24. Further still, pursuant to the terms of the 2007 TMLA and in particular clause 4, Virgin America had no right to extend the term of the licence beyond 2022 save where average annual Gross Sales met the relevant threshold of USD 2 billion before that date. Virgin America’s annual Gross Sales in the period between 2011 and 2014 averaged only USD 1.313 million. In the premises, it was unlikely that Virgin America would ever obtain the right to extend the term of the licence beyond 2022 pursuant to the terms of the 2007 TMLA.
25. Against the background set out in paragraphs 12 to 24 above, of which both parties were or ought reasonably to have been aware, Virgin and Virgin America negotiated amendments to the 2007 TMLA. By those amendments, Virgin obtained the right to increased royalties and to a minimum royalty per year, and in exchange Virgin America obtained a consolidated agreement with an extended (exclusive licence) term of 25 years. The amendments were set out in a revised and amended TMLA between Virgin Aviation, VEL and Virgin America entered into on 19 November 2014 (the “**Current TMLA**”). A copy of the Current TMLA is appended to these Particulars of Claim as Appendix B.

26. The following are the express terms of the Current TMLA:¹

- (1) The recitals record the history of the Current TMLA and state:

The parties agree that [...] this Licence amends and restates the [2007 TMLA] in respect of the rights granted to the User [Virgin America] by the Licensor [Virgin Aviation] [...]

- (2) Clause 1 contains the following definitions (which apply save where the context otherwise requires):

***Airline Rights:** means the rights granted by the Licensor to the User pursuant to clause 3 of this agreement;*

***Airline Royalties:** means the royalty payments payable by the User in consideration for the grant of the Airline Rights, as more particularly described in clause 8.1;*

[...]

***Effective Date:** means the date the User consummates the initial public offering ("IPO") of its common stock pursuant to a registration statement filed with the U.S. Securities and Exchange Commission [being 14 November 2014];*

[...]

***Gross Sales:** means the total amount received by the User, its Affiliates and/or its sub-licensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction [...]; any such amounts received or receivable by the User and/or its sub-licensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;*

*~~**Initial Term:** the period from today's date until the fifteenth anniversary thereof;~~*

***Licensed Activities:** means the activities described in schedule 1 in connection with which the User and its subsidiaries are*

¹ Underlined text is text that did not appear in the 2007 TMLA. Struck through text is text that appeared in the 2007 TMLA but not in the Current TMLA.

~~each~~ permitted to use the Marks pursuant to ~~this Licence~~ the grant of the Airline Rights under clause 3 below of this Licence;

[...]

Marks: means the Trade Marks and the Signature;

Minimum Royalty: means, in respect of each financial year of the Licensee [assumed to be a reference to the 'User'], the amount of US\$7,978,200 (or a pro rata part of such amount in the case of a partial fiscal year); such amount to be adjusted annually on the Year 1 End Date and any anniversary thereof to increase (but not decrease) by the same percentage as the percentage change in USCPI over the relevant period;

[...]

Quarter: means ~~the period of three months from 4 February 2005~~ from the Effective Date until the day before the next Quarter Day, and each subsequent period of three months after that (each commencing on a Quarter Day), save that the final Quarter of the Term will commence on the applicable Quarter Day and end on the final day of the Term;

Quarter Day: means 1 January, 1 April, 1 July or 1 October;

~~Royalties: means the payments described in Clause 8;~~

[...]

Term: shall commence on ~~today's date~~ the Effective Date and, subject to earlier termination in accordance with this Licence, shall continue for ~~the Initial Term or, in the event that the Term Extension applies, until the thirtieth anniversary of today's date~~ [at least 25 years];

[...]

Trigger Date: means the date on which the User's reported Gross Sales for any period of four consecutive Quarters, exceed US\$ 4,500,000,000.

(3) Clause 3 states as follows:

3 **Grant of Airline Rights**

3.1 *In consideration of the payment of Airline Royalties to the Licensor by the User, the Licensor grants to the User the right:*

3.1.1 *to use the Marks [...]*

3.2 *The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that [...]*

3.3 *The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities. [...]*

3.6 *Subject to ~~Clause~~ 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.*

3.7 *Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing ~~agreements, blocked space arrangements, or any form of marketing agreements~~ arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. [...]*

(4) In view of the definition of the “Term” as set out in subparagraph 26(2) above, clause 4 of the 2007 TMLA regarding the extension of the term does not appear in the Current TMLA. Clause 4 of the Current TMLA is irrelevant in the context of the present claim.

(5) Clause 8 sets out Virgin America’s payment obligations.²

8 ***Payment of royalties***

8.1 ~~*User agrees to pay Licensor a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part*~~

² The numbering of the sub-clauses within Clause 8 changed between the 2007 TMLA and the Current TMLA. For ease of comprehension, such changes, which are immaterial, are not reflected in the mark-up.

~~of a Quarter during this Agreement. All amounts payable pursuant to this Clause shall accompany the quarterly statement to be provided by User to Licensor in accordance with Clause 8.2.1.~~

In consideration of the Airline Rights granted pursuant to clause 3, User agrees to pay Licensor:

(a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter;

(b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of Gross Sales in respect of each Quarter or part of a Quarter; and

(c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter

In each case, subject to the requirement that the User will in each financial year during the Term pay at least the annual Minimum Royalty in accordance with clause 8.6.

[...]

8.3 Notwithstanding Clause 8.1 above, where the User exercises its rights under paragraph 2.3.2 of Schedule 1 to enter into codesharing arrangements (as marketing carrier) in relation to any Listed Routes, the royalty payable by the User in relation to activity shall at all times be limited to 0.5% of the Gross Sales attributable to such codesharing arrangements.

8.4 All amounts payable pursuant to this clause 8 shall accompany the quarterly statement to be provided by User to Licensor and VEL in accordance with clause 8.5.1.

8.5 User shall supply to Licensor:

8.5.1 a quarterly statement of the Gross Sales [...] within ten (10) days of the end of each Quarter; and

8.5.2 a statement showing Gross Sales [...] for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor and VEL, together with a reconciliation between Gross Sales [...] and the quarterly statements provided under clause 8.5.1 (the "Reconciliation Statement").

8.6 For the avoidance of doubt, the User's obligation in respect of payment of royalties due to the Licensor in each financial year of the User is to pay the greater of (a) a royalty based on a percentage of the User's Gross Sales in the relevant period, at the rates set out in clauses 8.1 and 8.3 above, and (b) the Minimum Royalty payment applicable for that period. Where the Reconciliation Statement reveals an underpayment of any amount due to the Licensor, the amount of such underpayment shall be paid in full by the User within 20 days following receipt of a relevant invoice from the Licensor. [...]

- (6) Clause 19.5 provides for English law and jurisdiction in identical terms to the 2007 TMLA quoted in paragraph 19(6) above.
 - (7) The definition of Licensed Activities in Schedule 1 is materially the same as Schedule 1 of the 2007 TMLA for the purposes of the Particulars of Claim.
27. On a true construction of the Current TMLA against the background set out in paragraphs 12 to 24 above:³
- (1) Clauses 3.6 and 3.7 of the Current TMLA are materially identical to clauses 3.6 and 3.7 of the 2007 TMLA and have the same effect. In the premises, the effect of clauses 3.6 and 3.7 is that:
 - (a) Pursuant to clause 3.6, for so long as AAI/Virgin America continues to provide the Licensed Activities, it is bound to do so using the Virgin brand;
 - (b) Notwithstanding clause 3.6, AAI/Virgin America can also conduct Licensed Activities without using the Virgin brand relying on clause 3.7 but must not

³ This paragraph does not address the royalty obligations in respect of the Affinity Product Rights, which are also set out in clause 8 of the Current TMLA, because those provisions are not relevant in the context of the present dispute.

cease using that brand altogether otherwise it will be in breach of clause 3.6;
and

- (c) Any Gross Sales derived without use of the Virgin brand are not to be taken into account in calculating the level of royalty payable under clause 8.
- (2) The obligation to pay a royalty in consideration of the Airline Rights set out in clause 8 is materially altered in the Current TMLA as compared to the 2007 TMLA. The operation of clause 8 of the Current TMLA is as set out in the following paragraphs.
 - (3) Pursuant to clause 8.5.1, AAI/Virgin America must within 10 days of the end of every quarter during the Term (as defined in the Current TMLA) provide to Virgin Aviation a statement of the Gross Sales derived from use of the Virgin brand during the relevant quarter (the “**Quarterly Reporting Obligation**”).
 - (4) Pursuant to clauses 8.1, 8.3 and 8.4, AAI/Virgin America must make in every quarter during the Term a payment to Virgin Aviation (which must accompany the quarterly statements) equal to:
 - (a) 0.5% or 0.7% (depending on the period in question) of Gross Sales not derived through codesharing arrangements; plus
 - (b) 0.5% of any Gross Sales derived through codesharing arrangements;

where, by virtue of clause 3.7 (see paragraph 20(1) above), such Gross Sales include only Gross Sales derived from use of the Virgin brand (the “**Quarterly Payment Obligation**”).
 - (5) Pursuant to clause 8.5.2, within one month of the end of each of AAI/Virgin America’s financial years during the Term, AAI/Virgin America must supply a Reconciliation Statement to Virgin Aviation showing:
 - (a) The total of the Gross Sales derived from use of the Virgin brand during the relevant financial year; and
 - (b) A reconciliation between this total and the quarterly statements;

(the “**Reconciliation Statement Obligation**”).

(6) Pursuant to clauses 8.1 and 8.6, in each financial year for the duration of the Current TMLA, AAI/Virgin America must pay to Virgin Aviation in consideration of the Airline Rights the greater of:

(a) The sum of the quarterly payments due pursuant to the Quarterly Payment Obligation; and

(b) The Minimum Royalty;

(the “**Royalty Obligation**”).⁴

(7) Pursuant to clause 8.6, in the event the total amount actually paid by AAI/Virgin America to Virgin Aviation in any financial year during the Term is lower than the amount due pursuant to the Royalty Obligation, the amount of the underpayment shall be paid to Virgin within 20 days of Virgin issuing an invoice to AAI/Virgin America in respect of such underpayment (the “**Top Up Payment Obligation**”).

(8) The obligations set out in subparagraphs (3) to (7) above are together referred to as the “**Obligations**”.

(9) The Obligations, and in particular the Royalty Obligation, bind AAI/Virgin America for the duration of the Current TMLA irrespective of:

(a) The total amount of Gross Sales derived from use of the Virgin brand, if any, during any given period; and

(b) The total amount of Gross Sales made without use of the Virgin brand, if any, during any given period.

(10) In the premises, AAI/Virgin America must pay at least the Minimum Royalty to Virgin Aviation in respect of each and every financial year for the duration of the

⁴ In the event the Term ends part way through a financial year, the Royalty Obligation is modified pro rata in respect of the final part-year.

Current TMLA even where AAI/Virgin America derives no Gross Sales from use of the Virgin brand during that year (or part of that year).

28. Further and in any event, if, contrary to Virgin's primary case as set out in subparagraphs 27(9) and 27(10) above, the obligation to pay at least the Minimum Royalty ceases in the event AAI/Virgin America entirely ceases at any time during the Term of the Current TMLA to use the Virgin brand in connection with the Licensed Activities (and so ceases to derive any Gross Sales from use of the Virgin brand):
 - (1) Such total cessation of use would be a breach of clause 3.6 of the Current TMLA;
 - (2) In respect of that breach, Virgin would be entitled to claim damages to put it in the position it would have been in if AAI/Virgin America had continued to perform its obligation under clause 3.6;
 - (3) If AAI/Virgin America were to continue to perform its obligation under clause 3.6, it would continue to use the Virgin brand in connection with the Licensed Activities at least to some extent. Accordingly, it would continue to derive at least some Gross Sales from use of the Virgin brand and, as such, it would be obliged to pay at least the Minimum Royalty to Virgin Aviation in respect of every financial year for the duration of the Current TMLA;
 - (4) In the premises, if AAI/Virgin America entirely ceases to use the Virgin brand in connection with the Licensed Activities, Virgin is entitled to claim damages equal to the Minimum Royalty each year, unless and until AAI/Virgin America resumes its use of the Virgin brand in connection with the Licensed Activities at which point, even on AAI/Virgin America's case, at least the Minimum Royalty would again be payable.

Events Following Execution of the Current TMLA

29. At no time since the Effective Date of the Current TMLA have Virgin America's or AAI/Virgin America's Gross Sales derived from use of the Virgin brand in a period of four consecutive quarters exceeded USD 4.5 billion. It follows that the Trigger Date as defined in the Current TMLA has not been reached such that clause 8.1(b) rather than 8.1(c) is currently applicable as regards the payment of quarterly royalties.

30. On 1 April 2016, the board of directors of Virgin America approved an acquisition of Virgin America by Alaska Air Group Inc (“AAG”) via a merger with a subsidiary of AAG. After Virgin America’s shareholders approved the merger and US antitrust approval was received, the merger closed on 14 December 2016, with Virgin America as the surviving corporation of that merger. Thus, Virgin America became a wholly-owned subsidiary of AAG on 14 December 2016.
31. On 22 March 2017, AAG announced that it intended to wind down its use of the Virgin brand (i.e. to de-brand).
32. On 23 March 2017, Virgin Aviation wrote to Virgin America and AAG noting:

We also understand that it has been suggested that Virgin America is not obliged to continue paying royalties under the TMLA if it ceases to use the VIRGIN brand. This is not correct. Under clause 8.6 of the TMLA, Virgin America is obliged to pay [Virgin Aviation] at least the Minimum Royalty in each financial year during the Term, regardless of whether it makes any use of the VIRGIN brand. If you believe otherwise, we would invite you to clarify the basis for that belief.
33. On 28 March 2017, AAG responded to Virgin Aviation, but did not provide any explanation in relation to its position on the obligation to pay at least the Minimum Royalty.
34. On 6 April 2017, Virgin Aviation again requested confirmation that Virgin America would comply with its obligation to pay at least the Minimum Royalty for the duration of the Current TMLA and requested an explanation of AAG’s position if it disagreed. AAG did not respond to that letter or set out an explanation of its position despite further request from Virgin that it do so.
35. On 20 July 2018, AAI and Virgin America were merged. AAI was the surviving entity, assuming all of Virgin America’s rights and obligations. AAI and AAI/Virgin America have at all material times been subsidiaries of AAG.
36. Between the Effective Date and 31 December 2018, Virgin America and/or AAI/Virgin America paid at least the Minimum Royalty to Virgin Aviation in respect of each

financial year (or, in the case of 2014, part financial year). No quarterly Gross Sales figure was provided to Virgin Aviation for Quarter 4 2018 (nor for any period in 2019).

37. In 2019:

- (1) Virgin understands that AAI/Virgin America's Gross Sales derived from the use of the Virgin brand have been significantly lower than the level which would trigger a payment higher than the Minimum Royalty. In the premises, the Royalty Obligation for 2019 is very likely to constitute an obligation to pay the Minimum Royalty and not a greater sum.
- (2) For Quarter 1 2019, AAI/Virgin America paid USD 2,154,373.
- (3) On 15 July 2019:
 - (a) Mr Sean Tate on behalf of AAI/Virgin America emailed Ms Cara Pannell on behalf of Virgin stating that the total number of "*Days Branded Use*" in Q2 2019 had been 60, and explaining that "*As of [30 May 2019] VirginAmerica.com redirected to Virgin.com and thus no further revenue being derived through that channel*".
 - (b) Mr Tate also stated that the total due for Q2 2019 under the Current TMLA was USD 1,420,446, which was calculated based on Mr Tate's claim that AAI/Virgin America had only derived revenues from use of the Virgin brand on 60 of the 91 days in Q2 2019. On Mr Tate's calculations, one quarter of the Minimum Royalty for 2019 is USD 2,154,373. USD 1,420,446 is USD 2,154,373 multiplied by 60 and divided by 91.
 - (c) It is to be inferred from Mr Tate's email that AAI/Virgin America do not intend to pay the full Minimum Royalty in 2019 or in respect of any period in which they do not use the Virgin brand to generate Gross Sales. Rather, AAI/Virgin America intend to pay a proportion of the Minimum Royalty in respect of 2019 based on the total number of days on which they used the Virgin brand to generate Gross Sales.

- (d) AAI/Virgin America's approach of pro rating the Minimum Royalty by reference to the days on which the Virgin brand has been used to generate Gross Sales is contrary to the terms of the Current TMLA as set out in paragraph 27 above. As set out in paragraph 27(10) above, AAI/Virgin America is obliged to pay the full Minimum Royalty in every year for the duration of the Current TMLA, even where there are no Gross Sales derived from the use of the Virgin brand during that year or part of that year.
 - (e) For the avoidance of doubt, Virgin does not admit, if it is alleged, that AAI/Virgin America did in fact cease to derive any revenue from the Virgin brand on 30 May 2019.
- (4) By email from Ms Pannell to Mr Tate dated 17 July 2019, Virgin repeated that the Minimum Royalty was due in full in every year for the duration of the Current TMLA, regardless of the use made of the Virgin brand. In response, Mr Tate directed Ms Pannell to AAI/Virgin America's legal team.
 - (5) On 16 July 2019, AAI/Virgin America made a payment of USD 1,420,446 to Virgin in respect of Quarter 2 2019.
 - (6) Since 16 July 2019, no further payments have been made by AAI/Virgin America to Virgin.
 - (7) AAI/Virgin America has continued to provide the Licensed Activities.
 - (8) Virgin continued to debate the nature of the obligations under the Current TMLA with AAI/Virgin America in email correspondence in August and September 2019. In particular:
 - (a) By email dated 4 September 2019 from Mr Kyle Levine on behalf of AAI/Virgin America to Mr Ian Woods on behalf of Virgin, Mr Levine stated that AAI/Virgin America relied on clause 3.7 as exempting AAI/Virgin America from the payment of the Minimum Royalty in the event its usage of the Virgin brand ceased.

- (b) By email dated 9 September 2019, Mr Woods responded to Mr Levine disputing AAI/Virgin America's argument as to the effect of clause 3.7.
- (9) The parties exchanged pre-action correspondence through their respective solicitors on 20 September 2019, 4 October 2019, 22 October 2019 and 5 November 2019. In that correspondence:
 - (a) Virgin asserted its rights to continued payment of at least the Minimum Royalty regardless of the level of use of the Virgin brand by AAI/Virgin America; and
 - (b) AAI/Virgin America continued to deny Virgin's right to the payment of the Minimum Royalty, relying on the alleged effect of clause 3.7.
- 38. In the premises, there is a real and present dispute between the parties to the Current TMLA as to whether AAI/Virgin America is obliged to pay at least the Minimum Royalty to Virgin Aviation for each year for the duration of the Current TMLA, in circumstances where AAI/Virgin America ceases to derive Gross Sales from use of the Virgin brand.

Claim for Declaration

- 39. As set out in paragraph 27(10) above, on a true construction of the Current TMLA, AAI/Virgin America must pay at least the Minimum Royalty to Virgin Aviation in respect of each and every financial year for the duration of the Current TMLA even where AAI/Virgin America derives no Gross Sales from use of the Virgin brand during that year or part of that year.
- 40. In view of the dispute that has arisen between the parties to the Current TMLA as summarised in paragraphs 30 to 38 above, Virgin is entitled to and claims a declaration as to AAI/Virgin America's obligations under the Current TMLA in the terms set out in paragraph 27 and in particular as set out in subparagraph 27(10) above, namely that:

The Defendant must pay at least the Minimum Royalty to the First Claimant in respect of each and every financial year of the Defendant for the duration of the Current TMLA even where the Defendant derives no Gross Sales from use of the Virgin brand during that year or part of that year.

41. In the alternative, if, contrary to the above, the obligation to pay at least the Minimum Royalty ceases in the event AAI/Virgin America entirely ceases at any time during the Term of the Current TMLA to use the Virgin brand in connection with the Licensed Activities (and so ceases to derive any Gross Sales from use of the Virgin brand), Virgin is entitled to and claims a declaration that:

Pursuant to clause 3.6 of the Current TMLA, for so long as the Defendant continues to provide the Licensed Activities, it is bound to do so using the Virgin brand and must not cease such use entirely.

If the Defendant entirely ceases at any time during the Term to use the Virgin brand in connection with the Licensed Activities, the First Claimant is entitled to claim damages for the Defendant's breach of clause 3.6 of the Current TMLA equal to the Minimum Royalty each year, unless and until the Defendant resumes its use of the Virgin brand in connection with the Licensed Activities.

42. Virgin estimates that the total value of this claim is in the region of USD 160 million.

DANIEL TOLEDANO QC
JOSHUA CROW

Statement of Truth

The First Claimant believes that the facts stated in this claim form and the particulars of the claim attached to this claim form are true.

I am duly authorised by the First Claimant to sign this statement

Full name IAN WOOD

Name of claimant: Virgin Aviation TM Limited

signed 

position or office held DIRECTOR

Claimant (if signing on behalf of firm, company or corporation)

The Second Claimant believes that the facts stated in this claim form and the particulars of the claim attached to this claim form are true.

I am duly authorised by the Second Claimant to sign this statement

Full name IAN WOODS

Name of claimant: Virgin Enterprises Limited

signed 

position or office held DIRECTOR

Claimant (if signing on behalf of firm, company or corporation)

Appendix A

DATE **2007**

VAL TRADEMARK THREE LIMITED

VIRGIN AMERICA INC

VIRGIN ENTERPRISES LIMITED

TRADE MARK LICENCE

Macfarlanes
10 Norwich Street
London EC4A 1BD

April 2007

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2	The Signature
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TRADE MARK LICENCE

DATE 2007

PARTIES

- 1 **VAL TRADEMARK THREE LIMITED** a company incorporated in England and Wales under company number 5150741 whose registered office is at 120 Campden Hill Road, London W8 7AR (the “Licensor”)
- 2 **VIRGIN AMERICA INC** (formerly known as Best Air Holdings Inc) whose registered office is at 533 Airport Boulevard, Burlingame, California 94010 (the “User”)
- 3 **VIRGIN ENTERPRISES LIMITED** a company incorporated in England and Wales under company number 01073929 whose registered office is at 120 Campden Hill Road, London W8 7AR (“VEL”)

WHEREAS

- A VEL is the beneficial owner of the goodwill associated with the word “Virgin” and is the beneficial and registered proprietor of the Trade Marks.
- B The Licensor is licensed to use and grant sublicences of the Marks (as defined below) and has agreed to grant the User a sublicense to use the Marks in the form of the Names (as defined below) on the terms and conditions of this Licence.
- C VEL is the owner and head licensor of the Marks and the parties wish VEL to have the obligation to police certain rights granted by the Licensor and to undertake the obligation to uphold certain other obligations to upkeep the Marks.
- D On the 14 November 2005 Best Air Holdings Inc changed its name to Virgin America Inc. The parties to this Licence agree that this Licence amends and restates the licence agreement between the parties dated 4 February 2005.

IT IS AGREED as follows:

1 **Definitions**

In this Licence and unless the context requires otherwise:

Affiliates: means the parent or subsidiary companies of the User;

Brand Guidelines: means the brand guidelines issued by VEL from time to time, the current version of which is set out in Schedule 3;

Caribbean Territory: means all Caribbean islands and Bermuda;

Gross Sales: means the total amount received by the User, its Affiliates and/or its sublicensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User and/or its sublicensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User’s then standard accounting practices;

Initial Term: the period from today's date until the fifteenth anniversary thereof;

Licensed Activities: means the activities described in Schedule 1 in connection with which the User and its subsidiaries are each permitted to use the Marks pursuant to this Licence;

Mainland Territory: means the United States of America (including Puerto Rico), Canada and Mexico;

Marks: means the Trade Marks and the Signature;

Measurement Period: means the period commencing at the beginning of the Quarter immediately prior to the tenth anniversary of today's date and terminating at the end of the penultimate Quarter of the Term;

Measurement Year: means each consecutive period of twelve months, the first of which begins on commencement of the Measurement Period and the fifth of which ends at the end of the Measurement Period;

Name and Names: shall bear the meanings set out in Clause 3.1.2

Permitted Third Party: any airline licensed to operate flights under the "Virgin" brand to and from single destinations within the Territories from or to the RoW;

Quarter: means the period of three months from 4 February 2005 and each subsequent period of three months;

RoW: any geographical area which is not within either (i) the U.K. or (ii) the Territories;

Royalties: means the payments described in Clause 8;

Signature: means the signature set out in Schedule 2;

"subsidiary", "wholly-owned subsidiary" and "holding company": shall bear the meanings ascribed to them by section 736 of the Companies Act 1985 (set out for completeness in Schedule 4);

Term: shall commence on today's date and, subject to earlier termination in accordance with this Licence, shall continue for the Initial Term or, in the event that the Term Extension applies, until the thirtieth anniversary of today's date;

Term Extension: means an additional period of fifteen years beyond the expiry of the Initial Term;

Term Extension Threshold: shall have the meaning ascribed to it in Clause 4.2;

Territory/Territories: one of or both of the Mainland Territory and the Caribbean Territory, as the context may require;

Trade Marks: means those registered trade marks and trade marks for which applications for registration have been made, short details of which are contained in Part 2 of Schedule 2, together with any other trade marks relevant to the business of

the User which the Licensor and VEL may agree shall be added to this Licence from time to time;

USCPI: the monthly index of U.S. consumer prices maintained by the U.S. Bureau of Labor Statistics (or by such other body upon which duties in connection with such index shall have been devolved from time to time), provided that if (i) such index ceases to be published or (ii) the basis on which it is compiled is amended such that it is no longer a measure of general consumer price inflation in the United States, such index shall be replaced by such other index as may most closely resemble the USCPI as at today's date;

Virgin: means Virgin Group Investments Limited, incorporated in the British Virgin Islands;

Virgin Atlantic: means the airline currently branded "Virgin Atlantic" and currently operated by Virgin Atlantic Airways Limited and any successor to such business;

Virgin Group: means Virgin, each other company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding company, and all or any of them.

2 Acknowledgement

2.1 Each of the parties acknowledges that all worldwide right, title and interest in and to the Marks and all rights worldwide to use the mark "Virgin" as a trade, business or corporate name, all goodwill symbolised by such Marks, all copyright subsisting therein and the benefit of all registrations or applications for registration thereof are vested in and owned by VEL subject to any licences granted by VEL in respect of the Marks.

2.2 VEL acknowledges that the Licensor has the rights to grant the User the licence granted hereunder.

3 Grant

3.1 In consideration of the payment of Royalties to the Licensor by the User, the Licensor grants to the User the right:

3.1.1 to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities;

3.1.2 subject to Clause 3.7, to carry on the Licensed Activities only under the trading or business names:

3.1.2.1 "Virgin America";

3.1.2.2 "Virgin America Airways";

3.1.2.3 "Virgin America Cargo";

3.1.2.4 any other name incorporating the word "Virgin" which the Licensor may from time to time permit in writing; and

3.1.2.5 any other name incorporating the words "Virgin America" provided that the word or words added to "Virgin America" (i) describe a geographical area (connected to the USA but excluding the word "Atlantic"), or (ii) are ordinarily used in connection with an airline

business and are used to describe a business carried on by the User under that description;

(each a “Name”, together the “Names”)

PROVIDED THAT the User shall have no right to use any name that contains the word “Virgin” (i) the rights to use of which have been granted by VEL to a third party licensee in respect of the activities other than the Licensed Activities, or (ii) not falling within Clause 3.1.2 above, without VEL’s and the Licensor’s prior written consent.

- 3.1.3 to do and authorise the doing of all acts the doing of which is restricted by the copyright in the Signature or in any other work the copyright in which is licensed to the Licensor pursuant to Clause 6.2 only in connection with and in the ordinary course of carrying on the Licensed Activities and in accordance with the terms of this Licence; and
- 3.1.4 to grant sublicences of the rights granted by this Licence to each of its wholly-owned subsidiaries (for as long as such company remains a wholly owned subsidiary), subject to the User giving prior notice to the Licensor, provided that, in each case:
 - 3.1.4.1 the User shall conclude a written agreement with the sublicensee under which the sublicensee is obliged to comply with standards of quality no lower than those set out in Clause 5.1 and to comply with provisions equivalent to those in the remainder of Clause 5;
 - 3.1.4.2 the User shall be responsible to the Licensor for the acts and omissions of the sublicensee as if those acts and omissions were its own; and
 - 3.1.4.3 the User shall procure that the sublicensee complies with standards of quality no lower than those set out in Clause 5.1 and complies with other provisions equivalent to those in Clause 5.
- 3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that:
 - 3.2.1 Virgin Atlantic may operate its own aircraft on point-to-point routes within the Territories only in the context of “cabotage” or fifth freedoms, i.e. only where such overall service has at least three arrival/departure points, one of which is outside the Territories, and
 - 3.2.2 Virgin Atlantic and/or any Permitted Third Party may, in relation to the Territories, market and operate “codeshare” routes having three arrival/departure points in conjunction with another airline, provided that:
 - 3.2.2.1 such route is marketed primarily as a route between a point within either of the Territories to a point within the UK or the RoW so that the intermediate point of arrival and departure is incidental; and
 - 3.2.2.2 the part of the route which is provided by the other airline links with and feeds passengers to and/or accepts passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party.

- 3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities.
- 3.4 The rights granted to the User shall be subject to and shall not include any rights granted by VEL to third parties.
- 3.5 The permission under Clause 3.1 shall commence with effect from 4 February 2005 and shall continue for the Term unless and until this Licence is terminated in accordance with Clause 11.
- 3.6 Subject to Clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.
- 3.7 Notwithstanding any other provision of this Licence, nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where Licensee derives more than twenty percent of its operating revenues within the Territories without using the Names or Marks, then Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories.

4 **Option for Term Extension**

- 4.1 Provided that the mean average of the Gross Sales in each Measurement Year was equal to or in excess of the Threshold, the User may by giving one month's written notice to the Licensor and to VEL, such notice to expire no later than the end of the Initial Term, extend the Term for the Term Extension.
- 4.2 For the purposes of this Clause 4, the "Threshold" shall be the amount of two billion U.S. Dollars (US\$2,000,000,000) increased by a percentage equal to the percentage increase in the USCPI over the period between today's date and the beginning of the last Measurement Year.
- 4.3 "Gross Sales" in Clause 4.1 shall be measured on the same basis as set out in Clause 8.2.1 and certified by a qualified auditor approved by the Licensor. The nominal dollar amount of the Gross Sales in each Measurement Year shall, for the purposes of the calculation of the mean average as set out in Clause 4.1, be increased by the percentage equal to the percentage increase in the USCPI over the period between the beginning of that Measurement Year and the beginning of the final Measurement Year.

5 **Standards of Quality**

- 5.1 The standard of quality of the Licensed Activities shall at all times comply with the following standards of the Licensor (the “Standards of Quality”), which the User covenants to VEL and Licensor at all times to maintain:
- 5.1.1 the User shall ensure that the Licensed Activities are at all times carried on in a manner which complies with all those standards imposed on it by applicable law or regulation, including (without limitation) those imposed or monitored by the Federal Aviation Authority, which for the time being apply to the User (whether pursuant to any licence granted to the User or otherwise) and that the Licensed Activities and the manner of use of the Marks are in accordance with standards no lower than the Brand Guidelines;
- 5.1.2 the User shall ensure that the marketing, advertisement and promotion of the Licensed Activities complies with all laws and regulations in force within the territories in which marketing, advertisement and promotion is carried on;
- 5.1.3 the User shall obtain all necessary consents and licences and fulfil the terms of any legislation applicable to, and all other formalities required in connection with, the carrying on of the Licensed Activities; and
- 5.1.4 the Marks shall not be used in any manner which damages the goodwill of the Virgin Group or the Licensor or which in any way disparages the reputation, marks or business of any of them.
- 5.2 For the purposes of enabling VEL to satisfy itself that the Standards of Quality are being maintained, the User undertakes to provide VEL and the Licensor promptly with details of any litigation, arbitration or administrative proceedings which are in progress or threatened or pending against the User concerning the provision of the Licensed Activities and of any governmental or official investigation or inquiry concerning the User and relating to the Licensed Activities.
- 5.3 If requested by any party, VEL and the Licensor shall meet with representatives of the User at least once in each calendar year in order to discuss such aspects of the use of the Marks as may appear relevant to each party, including maintenance of the Standards of Quality and any requests the User may have to extend the coverage of registrations of the Marks, and the User shall, as soon as reasonably practicable following VEL’s or the Licensor’s request, produce to VEL and the Licensor such records and materials of the User as VEL or the Licensor may reasonably request in order to assess whether the Standards of Quality are being maintained.
- 5.4 If at any time it appears to VEL or the Licensor that the User is using any of the Marks in connection with goods or services or in a manner which do not comply with the Standards of Quality, VEL or the Licensor shall promptly notify the User and the parties shall discuss appropriate steps to be taken to ensure that those goods or services or the User’s manner of use do comply with such Standards. The User shall take any action agreed by the parties to be reasonably necessary to remedy any non-compliance with the Standards of Quality.

6 **Reservation of Rights**

- 6.1 All use of the Marks by the User under this Licence shall be deemed to be use by VEL and shall be deemed not to be use by the User for any purpose whatsoever. All

use by the User of the Trade Marks, and any of them shall inure to the benefit of VEL and all goodwill symbolised by the Trade Marks all registrations and future applications for registration thereof shall accrue to VEL.

- 6.2 The copyright in the Signature and any future copyright in any artistic work which incorporates any use of the Signature or the Marks and any of them shall belong to, and remain vested in, VEL.
- 6.3 This Licence shall operate solely as a permission for the User to use the Marks in the manner herein defined and shall not be deemed to confer upon the User any further or greater right in the Marks or any of them.
- 6.4 The User will not in any way, directly or indirectly, be a party to anything and will not permit any person under its control to do, or be in any way directly or indirectly a party to, anything which results in some person other than the User using the Marks or having any rights in any such Marks (except where otherwise expressly permitted under this Licence).

7 **Registrations**

- 7.1 Where it is possible to do so in any jurisdiction, VEL shall, at its own cost take all reasonable action necessary to register or record the rights granted to the User by this Licence on the trade mark register of that jurisdiction. The User shall provide all reasonable assistance to VEL, and where necessary itself may take all action, required to effect the registration or recordal described above.
- 7.2 Subject to Clause 7.3, all rights to register, maintain or renew any of the Marks are strictly reserved to VEL. The User will not seek any registration of any trade mark, service mark, copyright or analogous right that is confusingly similar or identical to the Marks in any country in the world, except, with the prior written consent of VEL, as the Licensor's licensee or registered user of any Marks in connection with the Licensed Activities.
- 7.3 VEL shall, at its own cost, continue to maintain and renew the registrations of the Marks and prosecute applications forming part of the Marks. The User shall have the right to maintain or renew any of the Marks and prosecute applications forming part of the Marks, in each case in the name of VEL, in the event that VEL fails to do so.
- 7.4 The User agrees that it will, at the request and expense of VEL, provide its full assistance in connection with the protection and maintenance by VEL of its rights in and to the Marks (and any other trade marks, service marks, copyright or analogous rights relating to the business, products or services for the time being of the Virgin Group which may for the time being subsist) ("Rights") and with any application by or on behalf of any member of the Virgin Group for registration of any such Rights in such territories as VEL may from time to time, in its entire discretion, determine and, in particular, that the User will, to the extent not inconsistent with the terms of this Licence, execute such documents, complete such formalities and provide such information as may be required for the purposes of such registration.
- 7.5 As and when during the currency of this Licence, application to register any of the Marks shall have been granted to any member of the Virgin Group in any territory, the User will, at the request and expense of the applicant, promptly execute and assist fully in the registration, at VEL's entire discretion, of a separate formal licence or registered user agreement for that territory, each such licence to be upon and subject

to the terms and conditions of this Licence and coterminous with the permission granted to the User pursuant to Clause 3.

8 Payment of royalties

8.1 User agrees to pay Licensor a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter during this Agreement. All amounts payable pursuant to this Clause shall accompany the quarterly statement to be provided by User to Licensor in accordance with Clause 8.2.1.

8.2 User shall supply to Licensor:

8.2.1 a quarterly statement of the Gross Sales within ten (10) days of the end of each Quarter; and

8.2.2 a statement showing Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor.

8.3 Any obligation to make a payment under this Agreement has been expressed exclusive of value added or similar tax. If such tax is chargeable by reference to anything done under this Agreement, the payment shall be increased to include an amount representing such tax.

8.4 In the event of any payment to be made by the User under this Agreement not being received by Licensor on or before the date of payment, interest shall become payable on such payment at the rate of four (4) percent above the base rate of Lloyds TSB Bank PLC from the due date for payment to the date when payment is actually received (both before and after any court judgement).

8.5 Sums due under this Agreement shall be subject to the following provisions:

8.5.1 All sums payable to the Licensor under or in connection with this Agreement shall be paid in full without any set-off or counterclaim whatsoever and free and clear of all deductions or withholdings whatsoever, save only as may be required by law.

8.5.2 The User shall promptly upon becoming aware that any deductions or withholdings are required by law to be made from such amounts notify the Licensor accordingly.

8.5.3 If any deductions or withholdings are required by law to be made from such amounts, the User shall make such deduction or withholding in the minimum amount required by law and shall make any payment required in connection with such deduction or withholding within the time period and in the amount required by law.

8.5.4 If any deduction or withholding is required by law, the amount of the payment due from the User shall be increased to an amount which ensures that, after the making of the deduction or withholding, the Licensor receives on the due date and retains (free from any liability in respect of such withholding or deduction) a net sum equal to the amount it would have been entitled to receive and retain in the absence of any such requirement to make a deduction or withholding.

8.5.5 Within 30 days after making any deduction or withholding, or a payment required in connection with a deduction or withholding, the User shall deliver to the Licensor evidence reasonably satisfactory to the Licensor that the deduction or withholding has

been made and that any payment which is required in connection with such deduction or withholding has been made to the relevant authority.

8.5.6 If the User makes an increased payment pursuant to Clause 8.5.4 and the Licensor determines that:

8.5.6.1 a tax credit is attributable either to the additional amount of the payment or to the increased payment itself; and

8.5.6.2 the Licensor has obtained, utilised and retained that tax credit,

the Licensor shall pay an amount to the User which the Licensor determines will leave it (after that payment) in the same after-tax position as it would have been in had no such deduction or withholding been made.

8.6 The User shall keep suitable records and accounts in order to demonstrate that the correct royalty payments have been made pursuant to the terms of the Agreement. and shall make all such records and accounts available for inspection by Licensor (or its duly authorised representative) on seven (7) days' prior written notice. If any such inspection or audit reveals a discrepancy in the royalties paid, any shortfall shall be paid immediately and in the event that the shortfall is more than five (5) percent of the correct figure due in the audited period, the reasonable professional costs of the audit or inspection shall also be payable by the User.

9 **Assignment**

9.1 The rights granted to the User by this Licence are personal to the User and the User shall not delegate or assign those rights, except that, provided it has given prior notice to VEL and the Licensor the User may delegate or assign:

9.1.1 subject to Clause 9.4, to wholly-owned subsidiaries of the User;

9.1.2 to third parties, but only as part of a transfer of all or substantially all of the business of the User forming part of the Licensed Activities; or

9.1.3 by way of security.

9.2 The User may, with prior notice to VEL and the Licensor, mortgage or charge the rights granted to the User by this Licence.

9.3 For the avoidance of doubt, nothing in Clause 9.1 shall prevent the User from sub-contracting the manufacture of promotional goods or the provision of services in the course of carrying on the Licensed Activities.

9.4 If a wholly-owned subsidiary of the User subsequently ceases to be a wholly owned subsidiary, the User shall procure that prior to such event the wholly owned subsidiary shall assign back to the User any rights assigned to it pursuant to Clause 9.1.1.

10 **Obligations of the User**

The User hereby undertakes and agrees with VEL and the Licensor that it will at all times during the continuance in force of this Licence, observe and perform the terms and conditions of this Licence and in particular:

10.1 only reproduce and use the Marks in connection with the Licensed Activities and not otherwise and, in particular but without limitation, not use any of the Marks in connection with any business (other than the Licensed Activities) of the same kind as from time to time carried on by VEL or any of its third party licensees; and

10.2 indemnify and hold each of the Licensor and VEL harmless from and against all costs, actions, proceedings, claims, demands and damages arising directly or indirectly out of this Licence (except insofar as the same may be shown to be attributable to the act or default of VEL or the Licensor) and made or claimed by third parties and in particular, but without limitation, out of or in connection with the carrying on of the Licensed Activities.

11 **Termination**

11.1 This Agreement shall expire automatically without need for further notice on the expiration of the Term.

11.2 The User shall have the right to terminate this Licence at any time by giving one month's notice in writing to the Licensor if the "Virgin" brand is materially damaged as a result of one or more events which have a material adverse effect on the use of Marks by User unless such damage is attributable to any action or inaction of the User.

11.3 Licensor shall have the right, by giving notice in writing to the User, to terminate this Agreement immediately if:

11.3.1 Licensor's right to license any of the Marks to the User under this Agreement is successfully challenged by any third party;

11.3.2 VEL has reasonable grounds to believe that the use of the Marks by the User has been or is likely to be materially damaging to the Marks, or their reputation or goodwill;

11.3.3 the User commits a material breach of any term or condition of this Agreement and such breach continues unremedied for more than ten (10) Business Days after Licensor has served a notice in writing on the User requiring remedy of the breach;

11.3.4 the User passes a resolution for its winding up or a court of competent jurisdiction makes an order for the User to be wound up or dissolved or the User is otherwise dissolved;

11.3.5 an administrator is appointed or, an administration order is made in relation to the User or a receiver or administrative receiver is appointed, or an encumbrancer takes possession of or sells, the whole or part of the User's undertaking, assets, rights or revenue;

11.3.6 the User is unable to pay its debts as they become due, is adjudicated bankrupt or insolvent, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;

11.3.7 the User makes an assignment for the benefit of, or enters into an arrangement, compromise or composition in satisfaction of its debts with, its creditors or any class of them;

- 11.3.8 the User files or is subject to any petition under the bankruptcy or insolvency laws, takes steps to obtain a moratorium or makes an application to a court of competent jurisdiction for protection from its creditors;
- 11.3.9 any event similar to those specified in Clauses 11.3.4 to 11.3.7 inclusive occurs in any jurisdiction;
- 11.3.10 the User and its sublicensees and assignees have each ceased to carry on the Licensed Activities for a period of at least ninety (90) days;
- 11.3.11 the User challenges the validity of or the entitlement of Licensor or any of its superior licensors to use or license the use of any of the Marks; or
- 11.3.12 the User is in breach of Clause 7.2.
- 11.4 Upon the termination of this Licence pursuant to Clause 11:
- 11.4.1 the User shall (and shall procure that all its subsidiary and holding companies and subsidiaries of such holding companies shall) as soon as practicable and without delay take such of the following steps as the Licensor or VEL shall direct:
 - 11.4.1.1 cease to carry on business under the name “Virgin America” or any other name which incorporates the word “Virgin”;
 - 11.4.1.2 cease to use any of the Marks; and
 - 11.4.1.3 deliver up to the Licensor all materials in its possession or under its control which reproduce the Marks or give the Licensor satisfactory evidence of their destruction or of their alteration so that they can no longer be used to reproduce the Marks;
- 11.4.2 the User shall be responsible to the Licensor for any damage caused by the unauthorised use of such materials which are not delivered up or destroyed or thus altered; and
- 11.4.3 the User shall change its name to a name that does not incorporate the word “Virgin”.
- 11.5 Termination of this Licence shall be without prejudice to the rights of VEL and/or the Licensor against the User (and vice versa) which may have accrued up to the date of such termination.
- 11.6 The Licensor waives any rights it may have at law to terminate this Licence or to treat it as at an end.

12 **Infringements**

- 12.1 The User shall promptly notify VEL and the Licensor if it becomes aware at any time of any infringement or suspected infringement of the Marks or of any passing off or of any act or thing which might vitiate or prejudice the rights of any member of the Virgin Group in and to the Marks, giving particulars thereof.
- 12.2 VEL shall have the right in its sole discretion and at its sole expense to take whatever action it believes necessary and proper in connection with any infringement, suspected infringement, passing off, or other unlawful interference with the rights of

any member of the Virgin Group in and to the Marks. For the purposes of section 31 of the UK Trade Marks Act 1994, the User shall have the rights and remedies set out in that section as if the licence had been an assignment, and in any other jurisdiction the User shall have rights and remedies equivalent to those set out in that section. However the User (i) shall not exercise such rights unless VEL shall have failed or refused to take action in respect of any particular suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks following a request from the User that it do so and (ii) shall not exercise such rights if VEL, acting reasonably, has in response to a request from the User, required it not to do so.

13 **Waiver**

Except as set out in this Licence, none of the rights of either of the parties (whether arising under this Licence or under the general law) shall be capable of being waived or varied otherwise than by an express waiver or variation in writing and in particular any failure to exercise or delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such right shall not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on its part or on its behalf shall in any preclude it from exercising any such right or constitute the suspension or any variation of any such rights.

14 **Modifications**

No amendment or modification to this Licence will be effective or binding unless it is in writing signed on behalf of the parties and refers to this Licence.

15 **Invalidity**

If at any time any one or more of the provisions of this Licence become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16 **Notices**

Any notice or communication required or authorised to be given by any party to any of the others shall be sent by facsimile or first class post to the address given above of the party to whom the notice is to be given (or such other address as the recipient may have notified the other parties in writing) and any notice so sent shall be deemed if sent by facsimile (and a valid transmission report produced) to have been served on the date of transmission (if transmitted during the normal business hours of the sender) or (if not) on the next business day thereafter and if posted to have been served 48 hours following the date of posting.

17 **EXCLUSION OF LIABILITY**

17.1 NOTHING IN THIS LICENCE SHALL BE OR BE DEEMED TO BE A REPRESENTATION OR WARRANTY AS TO THE EXISTENCE, OWNERSHIP, VALIDITY OR ENFORCEABILITY OF ANY OF THE RIGHTS INCLUDING BUT NOT LIMITED TO, THE COPYRIGHT LICENSED HEREUNDER.

17.2 VEL will be responsible for filing for renewal of the Trade Marks licensed hereunder but it will not, in any circumstances, be liable for any failure to maintain in existence any of such Marks or registrations by virtue of non-use of any of such Marks. The User agrees that this exclusion of liability satisfies the requirement of reasonableness within the meaning of the Unfair Contract Terms Act 1977.

18 **Remedies**

18.1 The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence.

19 **General**

19.1 The Headings of this Licence or any clause hereof are inserted only for the purpose of convenience and shall not affect the construction hereof.

19.2 Each of the parties shall execute and do, and shall procure that all other necessary persons to execute and do, all documents acts and things as may be necessary or desirable for giving effect to this Licence and for procuring the registration thereof in respect of each of the Marks and the cancellation of such registration upon the termination of this Licence.

19.3 This Licence represents the entire understanding between the parties in relation to the licensed use by the User and supersedes all previous representations, understandings, licences or agreements, whether oral or written, in relation thereto.

19.4 Nothing in this Licence shall be construed to constitute any party the partner, joint venturer, agent or employee of any other party, or to create any relationship other than that of independent contractors, and, except as expressly provided herein, no party by virtue of this Licence has authority to transact any business in the name of the other party or on its behalf or incur any liability for or on behalf of any other party.

19.5 This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

As witness this Licence has been signed by the duly authorised representatives of the parties the day and year first above written.

SCHEDULE 1

The Licensed Activities

- 1 The Licensed Activities means, subject to paragraphs 2 and 3:
 - 1.1 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Mainland Territory; and
 - 1.2 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which the point of arrival is in one Territory and the point of departure is in the other Territory (including any route with three or more points of arrival and/or departure where all intermediate points of arrival/departure are within the Territories);but for the avoidance of doubt shall not include the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Caribbean Territory.
- 2 The licensed activities referred to in paragraph 1 above shall include without limitation:
 - 2.1 all activities which are incidental to those activities;
 - 2.2 all activities (including the manufacture of promotional goods, the subcontracting of such manufacture and the provision of promotional marketing and public relations services) which would ordinarily be regarded as part of the business of an airline, and/or an aviation cargo and air freight carrier; and
 - 2.3 the right to enter into codesharing arrangements (i) as marketing carrier and/or operating carrier with Virgin Atlantic provided that it does not operate as operating carrier outside the Territories; and (ii) as either operating carrier or marketing carrier within the Territories.
- 3 Notwithstanding any other provision in this Agreement, nothing shall prohibit the User from performing any activities of its choosing, including but not limited to, operating international flights, entering into code-sharing agreements or other marketing arrangements with other airlines, and engaging in all activities covered by the Licensed Activities so long as the User does not use the Name or Mark while undertaking such activities.
- 4 The Licensed Activities shall not include the use of aircraft with accommodation for twenty (20) passengers or fewer and shall not include the use of aircraft with an operational ceiling in excess of 85,000 feet.
- 5 The Licensed Activities shall not include the right to enter into codesharing arrangements (i) as a marketing carrier anywhere in the world outside the Territories except with Virgin Atlantic; or (ii) as an operating carrier outside the Territories.

SCHEDULE 2

Part 1

The Signature

Part 2

Trade Marks

SCHEDULE 3

Brand Guidelines

SCHEDULE 4

Subsidiary & Holding Company

Definitions

1. **“Subsidiary”, “holding company” and “wholly-owned subsidiary”**

A company is a “subsidiary” of another company, its “holding company”, if that other company-

- (a) holds a majority of the voting rights in it, or
- (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or
- (c) is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in its,

or if it is a subsidiary of a company which is itself a subsidiary of that other company.

2. A company is a “wholly-owned subsidiary” of another company if it has no members except that other and that other’s wholly-owned subsidiaries or persons acting on behalf of that other or its wholly-owned subsidiaries.

SIGNED by **Julie Southern,**
for and on behalf of **Director**)
VAL TRADEMARK THREE LIMITED)
LIMITED in the presence of:)

Ian de Sousa
Company Secretary

SIGNED by **Fred Reid, CEO**)
for and on behalf of VIRGIN AMERICA)
INC in the presence of: **Dan Yuen,**)
Deputy GC

SIGNED by)
for and on behalf of VIRGIN)
ENTERPRISES LIMITED in the)
presence of:)

SIGNED by)
for and on behalf of)
VAL TRADEMARK THREE LIMITED)
LIMITED in the presence of:)

SIGNED by)
for and on behalf of VIRGIN AMERICA)
INC in the presence of:)

SIGNED by JOSHUA BAYLUS)
for and on behalf of VIRGIN)
ENTERPRISES LIMITED in the)
presence of:)



IAN WOODS
70 STAMBAWS AV
LONDON
W4 5TR

Appendix B

Date 19 NOVEMBER 2014

VIRGIN AVIATION TM LIMITED

VIRGIN AMERICA INC

VIRGIN ENTERPRISES LIMITED

AMENDED AND RESTATED VIRGIN AMERICA TRADE MARK LICENCE

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DATE

19 NOVEMBER

2014

PARTIES

- 1 **VIRGIN AVIATION TM LIMITED** (company number 8865672) a company incorporated in England whose registered office is at The Battleship Building, 179 Harrow Road, London W2 6NB (the "**Licensor**");
- 2 **VIRGIN AMERICA INC** (formerly known as Best Air Holdings Inc) whose registered office is at 533 Airport Boulevard, Burlingame, California 94010 (the "**User**");
- 3 **VIRGIN ENTERPRISES LIMITED** a company incorporated in England and Wales under company number 01073929 acting through its Geneva branch known as "Virgin Enterprises Limited, London, Geneva Branch", registered in Geneva with number CH-660-2129011-5, and located at 13-15 Cours de Rive, 1204 Geneva, Switzerland ("**VEL**")

each a "**party**" and together the "**parties**".

BACKGROUND

- A VEL is the beneficial owner of the goodwill associated with the word "Virgin" and is the beneficial owner and registered proprietor of the Trade Marks.
- B VAL Trademark Three Limited ("**VALTM3**"), the User and VEL entered into a trade mark licence on 4 February 2005 which was amended on 9 April 2007 and 1 March 2013 (the "**Existing Licence**"), pursuant to which VALTM3 granted the User a sub-licence to use the Marks in the form of the Names in consideration for the payment of the Airline Royalties (as defined below). The Existing Licence was supplemented by a letter agreement dated 24 November 2008 between VEL and the User (among others), subsequently amended by a letter agreement dated 13 April 2010 (together, the "**Credit Card Licence**"), under which the User was granted a licence to promote and offer, in the USA only, a Virgin America branded credit card and certain related credit card products. On 13 October 2014, the rights to act as licensor under the Credit Card Licence were assigned to VEL.
- C With effect from 5 March 2014, VALTM3 transferred certain of its business and assets to the Licensor, and as such the Licensor now holds the necessary rights from VEL to license the Airline Rights to the User on the terms of this agreement (the "**Licence**").
- D The parties agree that (conditional upon and with effect from the Effective Date) this Licence amends and restates the Existing Licence in respect of the rights granted to the User by the Licensor, and amends and restates the Credit Card Licence in respect of the rights granted to the User by VEL.

AGREEMENT1 **Definitions and interpretation**

- 1.1 In this Licence (except where the context otherwise requires), the following words shall have the following meanings:

Affiliates: means the parent or subsidiary companies of the User;

Activities: means the Licensed Activities, together with the activities described in clause 4.1;

Affinity Products: means the following products which are promoted and offered in the USA only, for the purposes of enhancing and further broadening the User's Elevate frequent flyer program

- i) a Virgin America branded credit card, bearing the "Virgin America" and/or "Virgin America Airways" names and the Marks; and
- ii) to holders of unexpired Virgin America branded credit cards only, in connection with their use of such credit card, related credit card products typically offered by a credit card issuer to its credit card holders, including debt cancellation products and credit insurance, in each case which do not bear the "Virgin America" and/or "Virgin America Airways" names and/or the Marks;

Affinity Product Rights: means the rights granted by VEL to the User relating to the Affinity Products, pursuant to clause 4 of this agreement;

Affinity Products Gross Sales: shall mean the total amount received by the User in connection with the provision of the Affinity Products, exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction; any such amounts received or receivable by the User in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

Affinity Product Royalties: means the royalty payments payable by the User in consideration for the grant of the Affinity Product Rights, as more particularly described in clause 8.2;

Airline Rights: means the rights granted by the Licensor to the User pursuant to clause 3 of this agreement;

Airline Royalties: means the royalty payments payable by the User in consideration for the grant of the Airline Rights, as more particularly described in clause 8.1;

Board: means the board of directors of the relevant party from time to time or the directors present at a duly convened meeting of the directors at which a quorum is present;

Brand Guidelines: means the brand guidelines issued by VEL from time to time, the current version of which is set out in schedule 3;

Caribbean Territory: means all Caribbean islands and Bermuda;

Effective Date: means the date the User consummates the initial public offering ("IPO") of its common stock pursuant to a registration statement filed with the U.S. Securities and Exchange Commission;

Europe/FSR: means the Member Countries of the European Union (other than the UK and Eire) at the date of this Deed together with the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Iceland, Kazakhstan, Kosovo, Kyrgyzstan, Liechtenstein, Moldova, Monaco, Montenegro, Norway, Republic of Macedonia, Russian Federation, San Marino, Serbia, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan;

Gross Sales: means the total amount received by the User, its Affiliates and/or its sub-licensees and assignees in connection with the carrying on of the Licensed Activities exclusive of VAT, sales and departure taxes and any other similar taxes or duties in any jurisdiction, and for the avoidance of doubt, exclusive of the Affinity Product Gross Sales; any such amounts received or receivable by the User and/or its sub-licensees and assignees in currencies other than US dollars shall be converted into US dollars in accordance with the User's then standard accounting practices;

JV Partner: means Delta Air Lines, Inc. and its affiliates that are controlled by or under common control with Delta Air Lines, Inc. (and including its affiliated US commuter carriers operating under the "DL" code);

Licensed Activities: means the activities described in schedule 1 in connection with which the User and its subsidiaries are permitted to use the Marks pursuant to the grant of the Airline Rights under clause 3 below of this Licence;

Listed Routes: means the non-stop airline routes listed in Schedule 5;

Mainland Territory: means the United States of America (including Puerto Rico), Canada and Mexico;

Marks: means the Trade Marks and the Signature;

Minimum Royalty: means, in respect of each financial year of the Licensee, the amount of US\$7,978,200 (or a pro rata part of such amount in the case of a partial fiscal year); such amount to be adjusted annually on the Year 1 End Date and any anniversary thereof to increase (but not decrease) by the same percentage as the percentage change in USCPI over the relevant period;

Name and Names: shall bear the meanings set out in clause 3.1.2;

Permitted Third Party: any airline licensed to operate flights under the "Virgin" brand to and from single destinations within the Territories from or to the RoW;

Quarter: means the period from the Effective Date until the day before the next Quarter Day, and each subsequent period of three months after that (each commencing on a Quarter Day), save that the final Quarter of the Term will commence on the applicable Quarter Day and end on the final day of the Term;

Quarter Day: means 1 January, 1 April, 1 July or 1 October;

RoW: any geographical area which is not within either (i) the U.K. or (ii) the Territories;

Signature: means the signature set out in schedule 2 part 2;

Strategic Partner: means, in relation to a Virgin Carrier or the User, an airline from time to time with which that Virgin Carrier or the User (as the case may be) has an alliance arrangement which has been granted ATI status (or which enjoys equivalent status under the competition laws and regulations governing the Virgin Carrier). For the avoidance of doubt, a Strategic Partner alliance involves co-operative marketing initiatives beyond those commonly agreed with Codeshare partners including those relating to ticket sales, flight scheduling and marketing. The definition of "Strategic Partner" includes such airline's affiliated US commuter carriers operating under the Strategic Partner's two-letter airline designator code);

Term: shall commence on the Effective Date and subject to earlier termination in accordance with this Licence, shall continue for the period set out in clause 11.1;

Territory/Territories: one of or both of the Mainland Territory and the Caribbean Territory, as the context may require;

Trade Marks: means those registered trade marks and trade marks for which applications for registration have been made, short details of which are contained in schedule 2 part 2, together with any other trade marks relevant to the business of the User which the Licensor and VEL may agree shall be added to this Licence from time to time;

Transatlantic Routes: means airline routes operated between (i) any point in the UK/Eire, France or the Netherlands and (ii) any point in the Territories;

Trigger Date: means the date on which the User's reported Gross Sales for any period of four consecutive Quarters, exceed US\$ 4,500,000,000.

USA: the United States of America;

USCPI: the monthly index of U.S. consumer prices maintained by the U.S. Bureau of Labor Statistics (or by such other body upon which duties in connection with such index shall have been devolved from time to time), provided that if (i) such index ceases to be published or (ii) the basis on which it is compiled is amended such that it is no longer a measure of general consumer price inflation in the United States, such index shall be replaced by such other index as may most closely resemble the USCPI as at the Effective Date;

User Exclusive Route: means a non-stop airline route which the Licensor is prevented from licensing for operation under the "Virgin" brand due to the rights granted to the User under this Licence including all routes (i) within the Mainland Territory and (ii) between the Mainland Territory and the Caribbean Territory;

Virgin: means Virgin Group Holdings Limited;

Virgin Atlantic: means the airline currently branded "Virgin Atlantic" and currently operated by Virgin Atlantic Airways Limited and any successor to such business;

Virgin Australia: means Virgin Australia Holdings Pty Limited and its related bodies corporate, Virgin Australia Airlines Pty Limited, Virgin Australia International Airlines Pty Ltd, Virgin Australia Airlines (NZ) Ltd and Virgin Australia Airlines (SE Asia) Pty Ltd;

Virgin Carrier: means either Virgin Atlantic or a Permitted Third Party;

Virgin Group: means Virgin, each other company which is for the time being a subsidiary of Virgin, a holding company of Virgin or a subsidiary of that holding company, and all or any of them.

Year 1 End Date: means the date that is the last day of the fifth Quarter;

1.2 In this Licence (unless the context otherwise requires):

1.2.1 any reference to a statute, statutory provision or subordinate legislation ("**legislation**") shall (except where the context requires otherwise) be construed as referring to:

1.2.1.1 such legislation as amended and in force from time to time and to any legislation which (either with or without modification) re-enacts, consolidates or enacts in rewritten form any such legislation;

1.2.1.2 any former legislation which it re-enacts, consolidates or enacts in rewritten form; and

a reference to a statute includes all subordinate legislation made pursuant to that statute from time to time;

1.2.2 any gender includes a reference to all other genders;

1.2.3 the words "subsidiary", "wholly-owned subsidiary" and "holding company" have the meanings given to them by s.1159 Companies Act 2006;

1.2.4 any reference to the background section, a clause or schedule is to the background section, a clause or schedule (as the case may be) of or to this Licence; and

1.2.5 any reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be

deemed to include that which most nearly approximates in that jurisdiction to the English legal term.

2 Acknowledgement

- 2.1 Each of the parties acknowledges that all worldwide right, title and interest in and to the Marks and all rights worldwide to use the mark "Virgin" as a trade, business or corporate name, all goodwill symbolised by such Marks, all copyright subsisting therein and the benefit of all registrations or applications for registration thereof are vested in and owned by VEL subject to any licences granted by VEL in respect of the Marks.
- 2.2 VEL acknowledges that the Licensor has the rights to grant the User the Airline Rights granted under clause 3.
- 2.3 The parties acknowledge that VEL has the rights to grant the User the Affinity Product Rights granted under clause 4 and further acknowledge that such rights do not fall within the definition of Licensed Activities and as such, that the Affinity Product Royalties are not duplicative of the Airline Royalties.

3 Grant of Airline Rights

- 3.1 In consideration of the payment of Airline Royalties to the Licensor by the User, the Licensor grants to the User the right:
- 3.1.1 to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities;
- 3.1.2 subject to clause 3.7, to carry on the Licensed Activities only under the trading or business names:
- 3.1.2.1 "Virgin America";
- 3.1.2.2 "Virgin America Airways";
- 3.1.2.3 "Virgin America Cargo";
- 3.1.2.4 any other name incorporating the word "Virgin" which the Licensor may from time to time permit in writing; and
- 3.1.2.5 any other name incorporating the words "Virgin America" provided that the word or words added to "Virgin America" (i) describe a geographical area (connected to the USA but excluding the word "Atlantic"), or (ii) are ordinarily used in connection with an airline business and are used to describe a business carried on by the User under that description;
- (each a "**Name**", together the "**Names**")
- PROVIDED THAT the User shall have no right to use any name that contains the word "Virgin" (i) the rights to use of which have been granted by VEL to a third party licensee in respect of the activities other than the Licensed Activities, or (ii) not falling within clause 3.1.2 above, without VEL's and the Licensor's prior written consent.
- 3.1.3 to do and authorise the doing of all acts the doing of which is restricted by the copyright in the Signature or in any other work the copyright in which is licensed to the Licensor pursuant to clause 6.2 only in connection with and in the ordinary course of carrying on the Licensed Activities and in accordance with the terms of this Licence; and

- 3.1.4 to grant sub-licences of the rights granted by this Licence to each of its wholly-owned subsidiaries (for as long as such company remains a wholly owned subsidiary), subject to the User giving prior notice to the Licensor, provided that, in each case:
- 3.1.4.1 the User shall conclude a written licence with the sub-licensee under which the sub-licensee is obliged to comply with standards of quality no lower than those set out in clause 5.1 and to comply with provisions equivalent to those in the remainder of clause 5;
 - 3.1.4.2 the User shall be responsible to the Licensor for the acts and omissions of the sub-licensee as if those acts and omissions were its own; and
 - 3.1.4.3 the User shall procure that the sub-licensee complies with standards of quality no lower than those set out in clause 5.1 and complies with other provisions equivalent to those in clause 5.
- 3.2 The User shall be the exclusive licensee of the Marks in relation to the provision of the Licensed Activities by it and its wholly-owned subsidiaries to the exclusion of the Licensor and all others save that:
- 3.2.1 Virgin Atlantic may operate its own aircraft on point-to-point routes within the Territories only in the context of "cabotage" or fifth freedoms, i.e. only where such overall service has at least three arrival/departure points, one of which is outside the Territories, and
 - 3.2.2 Virgin Atlantic and/or any Permitted Third Party may, in relation to the Territories, market and operate "codeshare" routes having three arrival/departure points in conjunction with another airline, provided that:
 - 3.2.2.1 such route is marketed primarily as a route between a point within either of the Territories to a point within the UK or the RoW so that the intermediate point of arrival and departure is incidental; and
 - 3.2.2.2 the part of the route which is provided by the other airline links with and feeds passengers to and/or accepts passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party.
 - 3.2.3 The requirement in Section 3.2.2.2 that the part of the route provided by the other airline link with and feed passengers to and/or accept passengers from the part of the route operated by Virgin Atlantic or the Permitted Third Party shall be deemed to be satisfied if that second part of the route is operated by a Strategic Partner (or, in the case of Virgin Atlantic, by the JV Partner) and is marketed and sold under the two letter designator code of a Virgin Carrier.
 - 3.2.4 The codesharing rights granted under clauses 3.2.2 and 3.2.3 shall also entitle Virgin Atlantic or the Permitted Third Party to act as the marketing carrier on a further flight route within the Territories operated by a Strategic Partner (or, in the case of Virgin Atlantic, by the JV Partner) where that flight route links with and feeds passengers to and/or accepts passengers from the first part of the route referred to in clause 3.2.3.
- 3.3 The Licensor shall not grant any further licences to use the Marks in respect of the Licensed Activities.

- 3.4 The rights granted to the User shall be subject to and shall not include any rights granted by VEL to third parties.
- 3.5 This Licence shall come into effect on the Effective Date.
- 3.6 Subject to clause 3.7, the User undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.
- 3.7 Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where Licensee derives more than twenty percent of its operating revenues within the territories without using the Names or Marks then Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories.
- 3.8 For the avoidance of doubt, in relation to any international routes outside the Territories on which the User is entitled to enter into codesharing arrangements as marketing carrier under schedule 1 paragraph 2.3 of this Licence, those rights are non-exclusive in relation to the Marks (but exclusive in relation to the Names listed in clause 3.1.2 of this Licence).
- 3.9 Where the User is the marketing carrier on an international route pursuant to a codeshare arrangement between the User and a third party airline operating carrier, and another Virgin Carrier is operating flights under the Marks on that route, the User shall make clear in all its pre-flight service communications relating to those flights (whether oral, electronic or in writing, including without limitation booking confirmations and promotional communications) that the codeshare flight marketed by the User on that route is operated by the operating carrier.
- 4 Grant of Affinity Product rights**
- 4.1 In consideration of the payment of the Affinity Product Royalties to VEL by the User, VEL grants to the User for the Term the right to use the "Virgin America" and "Virgin America Airways" names and the Marks, subject to the provisions of clause 4.4 below, in relation to the offering and promotion of the Affinity Products in the USA on the terms and conditions set forth herein, including, subject to the provisions of clauses 4.3 and 4.4 below, the right to sub-license to any co-branding and/or other affinity partner for use solely in connection with the Affinity Products.
- 4.2 The User agrees that the Affinity Products shall be marketed to existing and potential members of the User's Elevate frequent flyer program only in the USA; provided that no Affinity Products shall be issued or provided to any person that is not already a member of the User's Elevate frequent flyer program or does not become a member of the User Elevate frequent flyer program.
- 4.3 VEL agrees that the User may sub-license its rights under this clause 4 to any co-branding and/or other affinity partner provided that:
- 4.3.1 on VEL's written request, the User gives written notice to VEL of any sub-licence it has entered into;

- 4.3.2 all sub-licences must be in writing on terms and conditions no less onerous than those imposed on the User by this Licence;
 - 4.3.3 the sub-licensee shall not have the right to sub-license its rights under the sub-licence to any third party;
 - 4.3.4 the permission to grant sub-licences (and all sub-licences granted) under this clause 4 shall terminate automatically on termination or expiration of this Licence;
 - 4.3.5 the User shall be liable for all acts and omissions of its sub-licensees related to any sub-licences granted, pursuant to this clause 4, which shall be deemed to be the acts and omissions of the User for the purposes of this clause 4;
 - 4.3.6 the User shall at all times and at its own cost enforce compliance by the sub-licensee with the terms of the sub-licence; and
 - 4.3.7 the User shall not sub-contract the whole of its business operations to a third party.
- 4.4 The User's and its sub-licensees' use of the Marks in relation to the Affinity Products shall at all times comply with VEL's Brand Guidelines. VEL, or any party nominated by it, shall be entitled to make reasonable requests for copies of any marketing, advertising or promotional materials relating to the Affinity Products to ensure compliance with VEL's Brand Guidelines; VEL or its assignee shall pay the User's reasonable out of pocket expenses for such copies; and the User shall itself comply and ensure sub-licensees' compliance with any reasonable recommendations relating to VEL's Brand Guidelines and made thereto. The User and its sub-licensees shall be permitted to use the Marks alone on credit cards in the form of the Virgin tailfin logo attached at schedule 4, provided that such use otherwise complies with VEL's Brand Guidelines and that such use is always in conjunction with and in close proximity to the names Virgin America and/or Virgin America Airways. For the avoidance of doubt, any use in advertising or other promotional materials issued by the User or its sub-licensees of the Virgin tailfin logo set out in schedule 4 as depicted in images of the credit card issued by the User as part of the Affinity Program and/or images of any Virgin America aircraft shall not be a breach of the terms of this clause 4. The User agrees that it shall submit any future credit card designs to VEL, or any party nominated by it, with a reasonable amount of notice for prior written approval (not to be unreasonably withheld).
- 4.5 The User's right to use the Marks in the form of the names "Virgin America" and/or "Virgin America Airways" in relation to the Affinity Products in the USA will be exclusive; provided that nothing in this clause 4 shall prevent VEL's other licensees and sub-licensees of the Marks including, but not limited to, Virgin Atlantic and Virgin Money USA, from using the Marks in relation to their licensed activities or own co-branded credit card efforts in the Territories, so long as such parties use of the Marks does not include the names "Virgin America" and/or "Virgin America Airways". Whilst the User's rights to use and sub-license the Marks does not extend to the branding of the related credit card products referred to in the definition of 'Affinity Products', the Marks may be used as permitted under this clause 4 to the extent necessary to identify that such related credit card products are being made available in conjunction with the Virgin America branded credit card.
- 4.6 The User and VEL each agree to use reasonable efforts to partner with each other and each of their licensees and sub-licensees in the USA including, but not limited to, Virgin Atlantic and Virgin Money USA, for mutually beneficial purposes such as cross promotion, marketing and referral of the credit card issued by the User as part of the Affinity Products with equivalent or similar products, services or programs of such parties and, in particular, in relation to the redemption and transfer of points and credits.
- 4.7 The User agrees, that to the extent permissible, credit cards issued by the User as part of the Affinity Products shall be cancelled if there is no activity on such card from the last

qualifying event for three (3) years and the credit card issued by the User has reached expiration regardless of Elevate frequent flyer member status.

- 4.8 Provided that the User has applied for the requisite regulatory approval to commence commercial private passenger flights in any jurisdiction within the Territories, VEL agrees that the User may enter into discussions with a credit card partner in relation to the offering and promotion of the Affinity Products in such other jurisdiction, and may disclose to and record in the memorandum of understanding with such credit card partner that in the event that the following conditions are met the User will receive a licence from VEL on substantially similar terms to those set out in this clause 4:

4.8.1 the User and such credit card provider have entered into a final and binding agreement in relation to the offering and promotion of the Affinity Products in such other jurisdiction;

4.8.2 the Affinity Products shall not have been marketed, offered, promoted or sold in the relevant jurisdiction before the User has received the requisite regulatory approval and commenced commercial private passenger flights in that jurisdiction; and

4.8.3 the User is in compliance with the terms of this clause 4.

- 4.9 VEL hereby agrees that in the event that the User fulfils each and all of the criteria set out above in this clause 4 that it will grant a licence to the User on substantially similar terms to that set out in this clause 4 to permit the User to use the names "Virgin America" and/or "Virgin America Airways" and/or, subject to the provisions of clause 4.4 above, the Marks, in relation to the offering and promotion of the Affinity Products in the relevant jurisdiction(s) other than the USA. For the avoidance of doubt, the User shall not be permitted to market or promote the offering of any of the Affinity Products in the relevant jurisdiction until such time as it has received the requisite regulatory approval and commenced commercial private passenger flights in that jurisdiction;

- 4.10 VEL agrees that it shall consider in good faith any request made by the User to provide a debit card bearing the names "Virgin America" and/or "Virgin America Airways" and/or, subject to the provisions of clause 4.4 above, the Marks, to its Elevate frequent flyer customer base in the Territories, and negotiate any agreement for the same, in good faith, provided that the decision as to whether to grant such right and enter into such agreement shall be in VEL's absolute discretion.

5 **Standards of Quality**

- 5.1 The standard of quality of the Activities shall at all times comply with the following standards of the Licensor (the "Standards of Quality"), which the User covenants to VEL and Licensor at all times to maintain:

5.1.1 the User shall ensure that the Activities are at all times carried on in a manner which complies with all those standards imposed on it by applicable law or regulation, including (without limitation) those imposed or monitored by the Federal Aviation Authority, which for the time being apply to the User (whether pursuant to any licence granted to the User or otherwise) and that the Activities and the manner of use of the Marks are in accordance with standards no lower than the Brand Guidelines;

5.1.2 the User shall ensure that the marketing, advertisement and promotion of the Activities complies with all laws and regulations in force within the territories in which marketing, advertisement and promotion is carried on;

5.1.3 the User shall obtain all necessary consents and licences and fulfil the terms of any legislation applicable to, and all other formalities required in connection with, the carrying on of the Activities; and

5.1.4 the Marks shall not be used in any manner which damages the goodwill of the Virgin Group, VEL or the Licensor or which in any way disparages the reputation, marks or business of any of them.

5.2 For the purposes of enabling VEL to satisfy itself that the Standards of Quality are being maintained, the User undertakes to provide VEL and the Licensor promptly with details of any litigation, arbitration or administrative proceedings which are in progress or threatened or pending against the User concerning the provision of the Activities and of any governmental or official investigation or inquiry concerning the User and relating to the Activities.

5.3 If requested by any party, VEL and the Licensor shall meet with representatives of the User at least once in each calendar year in order to discuss such aspects of the use of the Marks as may appear relevant to each party, including maintenance of the Standards of Quality and any requests the User may have to extend the coverage of registrations of the Marks, and the User shall, as soon as reasonably practicable following VEL's or the Licensor's request, produce to VEL and the Licensor such records and materials of the User as VEL or the Licensor may reasonably request in order to assess whether the Standards of Quality are being maintained.

5.4 If at any time it appears to VEL or the Licensor that the User is using any of the Marks in connection with goods or services or in a manner which do not comply with the Standards of Quality, VEL or the Licensor shall promptly notify the User and the parties shall discuss appropriate steps to be taken to ensure that those goods or services or the User's manner of use do comply with such Standards. The User shall take any action agreed by the parties to be reasonably necessary to remedy any non compliance with the Standards of Quality.

6 **Reservation of Rights**

6.1 All use of the Marks by the User under this Licence shall be deemed to be use by VEL and shall be deemed not to be use by the User for any purpose whatsoever. All use by the User of the Trade Marks, and any of them shall inure to the benefit of VEL and all goodwill symbolised by the Trade Marks all registrations and future applications for registration thereof shall accrue to VEL.

6.2 The copyright in the Signature and any future copyright in any artistic work which incorporates any use of the Signature or the Marks and any of them shall belong to, and remain vested in, VEL.

6.3 This Licence shall operate solely as a permission for the User to use the Marks in the manner herein defined and shall not be deemed to confer upon the User any further or greater right in the Marks or any of them.

6.4 The User will not in any way, directly or indirectly, be a party to anything and will not permit any person under its control to do, or be in any way directly or indirectly a party to, anything which results in some person other than the User using the Marks or having any rights in any such Marks (except where otherwise expressly permitted under this Licence).

7 **Registrations**

7.1 Where it is possible to do so in any jurisdiction, VEL shall, at its own cost, take all reasonable action necessary to register or record the rights granted to the User by this Licence on the trade mark register of that jurisdiction. The User shall provide all reasonable assistance to VEL, and where necessary itself may take all action, required to effect the registration or recordal described above.

- 7.2 Subject to clause 7.3, all rights to register, maintain or renew any of the Marks are strictly reserved to VEL. The User will not seek any registration of any trade mark, service mark, copyright or analogous right that is confusingly similar or identical to the Marks in any country in the world, except, with the prior written consent of VEL, as VEL's or the Licensor's licensee or registered user of any Marks in connection with the Activities.
- 7.3 VEL shall, at its own cost, continue to maintain and renew the registrations of the Marks and prosecute applications forming part of the Marks. The User shall have the right to maintain or renew any of the Marks and prosecute applications forming part of the Marks, in each case in the name of VEL, in the event that VEL fails to do so.
- 7.4 The User agrees that it will, at the request and expense of VEL, provide its full assistance in connection with the protection and maintenance by VEL of its rights in and to the Marks (and any other trade marks, service marks, copyright or analogous rights relating to the business, products or services for the time being of the Virgin Group which may for the time being subsist) ("Rights") and with any application by or on behalf of any member of the Virgin Group for registration of any such Rights in such territories as VEL may from time to time, in its entire discretion, determine and, in particular, that the User will, to the extent not inconsistent with the terms of this Licence, execute such documents, complete such formalities and provide such information as may be required for the purposes of such registration.
- 7.5 As and when during the currency of this Licence, application to register any of the Marks shall have been granted to any member of the Virgin Group in any territory, the User will, at the request and expense of the applicant, promptly execute and assist fully in the registration, at VEL's entire discretion, of a separate formal licence or registered user agreement for that territory, each such licence to be upon and subject to the terms and conditions of this Licence and coterminous with the permission granted to the User pursuant to clause 3 or clause 4.1 as appropriate.

8 Payment of royalties

- 8.1 In consideration of the Airline Rights granted pursuant to clause 3, User agrees to pay Licensor:
- (a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter;
 - (b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of Gross Sales in respect of each Quarter or part of a Quarter; and
 - (c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter

In each case, subject to the requirement that the User will in each financial year during the Term pay at least the annual Minimum Royalty in accordance with clause 8.6.

- 8.2 In consideration of the Affinity Product Rights granted pursuant to clause 4, the User agrees to pay VEL:
- (a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter;
 - (b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter; and

- (c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of the User's Affinity Products Gross Sales in respect of each Quarter or part of a Quarter.
- 8.3 Notwithstanding Clause 8.1 above, where the User exercises its rights under paragraph 2.3.2 of Schedule 1 to enter into codesharing arrangements (as marketing carrier) in relation to any Listed Routes, the royalty payable by the User in relation to activity shall at all times be limited to 0.5% of the Gross Sales attributable to such codesharing arrangements.
- 8.4 All amounts payable pursuant to this clause 8 shall accompany the quarterly statement to be provided by User to Licensor and VEL in accordance with clause 8.5.1.
- 8.5 User shall supply to Licensor:
 - 8.5.1 a quarterly statement of the Gross Sales and the Affinity Products Gross Sales within ten (10) days of the end of each Quarter; and
 - 8.5.2 a statement showing Gross Sales and Affinity Products Gross Sales for each financial year of User within one month after the end of such period certified by a qualified auditor approved by Licensor and VEL, together with a reconciliation between Gross Sales and Affinity Products Gross Sales and the quarterly statements provided under clause 8.5.1 (the "Reconciliation Statement").
- 8.6 For the avoidance of doubt, the User's obligation in respect of payment of royalties due to the Licensor in each financial year of the User is to pay the greater of (a) a royalty based on a percentage of the User's Gross Sales in the relevant period, at the rates set out in clauses 8.1 and 8.3 above, and (b) the Minimum Royalty payment applicable for that period. Where the Reconciliation Statement reveals an underpayment of any amount due to the Licensor, the amount of such underpayment shall be paid in full by the User within 20 days following receipt of a relevant invoice from the Licensor. Where the Reconciliation Statement reveals an overpayment of any amount due to the Licensor, the amount of such overpayment shall be set off against royalties due for the following Quarter.
- 8.7 Any obligation to make a payment under this Licence has been expressed exclusive of value added or similar tax. If such tax is chargeable by reference to anything done under this Licence, the payment shall be increased to include an amount representing such tax.
- 8.8 In the event of any payment to be made by the User under this Licence not being received by Licensor or VEL respectively on or before the date of payment, interest shall become payable on such payment at the rate of four (4) percent above the base rate of Lloyds TSB Bank PLC from the due date for payment to the date when payment is actually received (both before and after any court judgement).
- 8.9 Sums due under this Licence shall be subject to the following provisions:
 - 8.9.1 All sums payable to the Licensor or VEL (as appropriate) under or in connection with this Licence shall be paid in full without any set-off or counterclaim whatsoever and free and clear of all deductions or withholdings whatsoever, save only as may be required by law.
 - 8.9.2 The User shall promptly upon becoming aware that any deductions or withholdings are required by law to be made from such amounts notify the Licensor or VEL (as appropriate) accordingly.
 - 8.9.3 If any deductions or withholdings are required by law to be made from such amounts, the User shall make such deduction or withholding in the minimum amount required by law and shall make any payment required in connection

with such deduction or withholding within the time period and in the amount required by law.

- 8.9.4 If any deduction or withholding is required by law, the amount of the payment due from the User shall be increased to an amount which ensures that, after the making of the deduction or withholding, the Licensor or VEL (as appropriate) receives on the due date and retains (free from any liability in respect of such withholding or deduction) a net sum equal to the amount it would have been entitled to receive and retain in the absence of any such requirement to make a deduction or withholding.
- 8.9.5 Within 30 days after making any deduction or withholding, or a payment required in connection with a deduction or withholding, the User shall deliver to the Licensor or VEL (as appropriate) evidence reasonably satisfactory to the Licensor or VEL (as appropriate) that the deduction or withholding has been made and that any payment which is required in connection with such deduction or withholding has been made to the relevant authority.
- 8.10 If the User makes an increased payment pursuant to clause 8.9.4 and the Licensor or VEL (as appropriate) determines that:
 - 8.10.1 a tax credit is attributable either to the additional amount of the payment or to the increased payment itself; and
 - 8.10.2 the Licensor or VEL (as appropriate) has obtained, utilised and retained that tax credit,

the Licensor or VEL (as appropriate) shall pay an amount to the User which the Licensor or VEL (as appropriate) determines will leave it (after that payment) in the same after-tax position as it would have been in had no such deduction or withholding been made.

- 8.11 The User shall keep suitable records and accounts in order to demonstrate that the correct royalty payments have been made pursuant to the terms of the Licence and shall make all such records and accounts available for inspection by Licensor or VEL (as appropriate) (or its duly authorised representative) on seven (7) days' prior written notice. If any such inspection or audit reveals a discrepancy in the royalties paid, any shortfall shall be paid immediately and in the event that the shortfall is more than five (5) percent of the correct figure due in the audited period, the reasonable professional costs of the audit or inspection shall also be payable by the User.

9 **Assignment**

- 9.1 The rights granted to the User by this Licence are personal to the User and the User shall not delegate or assign those rights, except that, provided it has given prior notice to VEL and the Licensor the User may delegate or assign:
 - 9.1.1 subject to clause 9.4, to wholly-owned subsidiaries of the User;
 - 9.1.2 to third parties, but only as part of a transfer of all or substantially all of the business of the User forming part of the Activities; or
 - 9.1.3 by way of security.
- 9.2 The User may, with prior notice to VEL and the Licensor, mortgage or charge the rights granted to the User by this Licence.
- 9.3 For the avoidance of doubt, nothing in clause 9.1 above shall prevent the User from sub contracting the manufacture of promotional goods or the provision of services in the course of carrying on the Activities.

9.4 If a wholly-owned subsidiary of the User subsequently ceases to be a wholly owned subsidiary, the User shall procure that prior to such event the wholly owned subsidiary shall assign back to the User any rights assigned to it pursuant to clause 9.1.1.

9.5 For the avoidance of doubt, the User may sub-license its rights in accordance with clause 4.3.

10 **Obligations of the User**

10.1 The User hereby undertakes and agrees with VEL and the Licensor that it will at all times during the continuance in force of this Licence, observe and perform the terms and conditions of this Licence and in particular:

10.1.1 only reproduce and use the Marks in connection with the Activities and not otherwise and, in particular but without limitation, not use any of the Marks in connection with any business (other than the Activities) of the same kind as from time to time carried on by VEL or any of its third party licensees; and

10.1.2 indemnify and hold each of the Licensor and VEL harmless from and against all costs, actions, proceedings, claims, demands and damages arising directly or indirectly out of this Licence (except insofar as the same may be shown to be attributable to the act or default of VEL or the Licensor) and made or claimed by third parties and in particular, but without limitation, out of or in connection with the carrying on of the Activities.

10.2 The User hereby agrees that the Licensor may appoint one director to the Board of Directors of the User at any time if a Virgin Group company, including any affiliate of a Virgin Group company, no longer has an officer, director, employee, agent, or other representative on the Board of the User. This right shall remain in effect until the earlier of (a) the date that this Agreement is terminated or (b) the latest date permitted by laws, regulations or rulings applicable to User, including any rules, regulations or rulings by the U.S. Department of Transportation or the stock exchange where the User's shares are listed for trading. For purposes of this clause 10.2, an "affiliate" shall include a parent, subsidiary and any other person or entity which, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with a Virgin Group company where "control" means the possession of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise; provided, that for purposes of this clause 10.2, the User shall not be deemed an affiliate of any Virgin Group company.

11 **Termination**

11.1 This Licence shall come into effect on the Effective Date and shall continue for a period of 25 years (the "Initial Term"). Upon expiry of the Initial Term, this Licence shall be automatically extended (without limit in time) by further periods of 10 years (each an "Extension Period") unless terminated by the Licensor or the User by the giving of not less than 3 months prior written notice in advance of the expiry of the Initial Term or any subsequent Extension Period.

11.2 The User shall have the right to terminate this Licence at any time by giving one month's notice in writing to the Licensor and VEL if the "Virgin" brand is materially damaged as a result of one or more events which have a material adverse effect on the use of Marks by User unless such damage is attributable to any action or inaction of the User.

11.3 Licensor shall have the right to terminate this Licence immediately in respect of the Airline Rights only, and VEL shall have the right to terminate this Licence immediately in respect of the Affinity Product Rights only (provided that in each case, written notice is given to the User) if:

- 11.3.1 Licensor's or VEL's right (as appropriate) to license any of the Marks to the User under this Licence is successfully challenged by any third party;
 - 11.3.2 VEL has reasonable grounds to believe that the use of the Marks by the User has been or is likely to be materially damaging to the Marks, or their reputation or goodwill;
 - 11.3.3 the User commits a material breach of any term or condition of this Licence and such breach continues unremedied for more than ten (10) Business Days after Licensor or VEL has served a notice in writing on the User requiring remedy of the breach;
 - 11.3.4 the User passes a resolution for its winding up or a court of competent jurisdiction makes an order for the User to be wound up or dissolved or the User is otherwise dissolved;
 - 11.3.5 an administrator is appointed or, an administration order is made in relation to the User or a receiver or administrative receiver is appointed, or an encumbrancer takes possession of or sells, the whole or part of the User's undertaking, assets, rights or revenue;
 - 11.3.6 the User is unable to pay its debts as they become due, is adjudicated bankrupt or insolvent, or is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;
 - 11.3.7 the User makes an assignment for the benefit of, or enters into an arrangement, compromise or composition in satisfaction of its debts with, its creditors or any class of them. For the avoidance of doubt, the parties acknowledge that the Licensor shall not have the right to terminate in the event the User enters into a consensual arrangement, compromise or composition with one or more of its shareholders in regard to the satisfaction of outstanding shareholder debt or obligations, including any such transaction that is completed in conjunction with a private or public issuance of debt, warrants, options, bonds, or any other derivatives, securities or future financial obligations of the User;
 - 11.3.8 the User files or is subject to any petition under the bankruptcy or insolvency laws, takes steps to obtain a moratorium or makes an application to a court of competent jurisdiction for protection from its creditors;
 - 11.3.9 any event similar to those specified in clauses 11.3.4 to 11.3.7 inclusive occurs in any jurisdiction;
 - 11.3.10 the User and its sub-licensees and assignees have each ceased to carry on the Activities for a period of at least ninety (90) days;
 - 11.3.11 the User challenges the validity of or the entitlement of Licensor or VEL or any of its superior licensors to use or license the use of any of the Marks; or
 - 11.3.12 the User is in breach of clause 7.2.
- 11.4 Upon the termination of this Licence pursuant to clause 11:
- 11.4.1 the User shall (and shall procure that all its subsidiary and holding companies and subsidiaries of such holding companies shall) as soon as practicable and without delay take such of the following steps as the Licensor or VEL shall direct:

- 11.4.1.1 cease to carry on business under the name "Virgin America" or any other name which incorporates the word "Virgin";
- 11.4.1.2 cease to use any of the Marks; and
- 11.4.1.3 deliver up to the Licensor and/or VEL (as appropriate) all materials in its possession or under its control which reproduce the Marks or give the Licensor and/or VEL (as appropriate) satisfactory evidence of their destruction or of their alteration so that they can no longer be used to reproduce the Marks;
- 11.4.2 the User shall be responsible to the Licensor and/or VEL (as appropriate) for any damage caused by the unauthorised use of such materials which are not delivered up or destroyed or thus altered; and
- 11.4.3 the User shall change its name to a name that does not incorporate the word "Virgin".
- 11.5 Termination of this Licence shall be without prejudice to the rights of VEL and/or the Licensor against the User (and vice versa) which may have accrued up to the date of such termination.
- 11.6 The Licensor and VEL each waive any rights they may have at law to terminate this Licence or to treat it as at an end.

12 **Infringements**

- 12.1 The User shall promptly notify VEL and the Licensor if it becomes aware at any time of any infringement or suspected infringement of the Marks or of any passing off or of any act or thing which might vitiate or prejudice the rights of any member of the Virgin Group in and to the Marks, giving particulars thereof.
- 12.2 VEL shall have the right in its sole discretion and at its sole expense to take whatever action it believes necessary and proper in connection with any infringement, suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks. For the purposes of section 31 of the UK Trade Marks Act 1994, the User shall have the rights and remedies set out in that section as if the licence had been an assignment, and in any other jurisdiction the User shall have rights and remedies equivalent to those set out in that section. However the User (i) shall not exercise such rights unless VEL shall have failed or refused to take action in respect of any particular suspected infringement, passing off, or other unlawful interference with the rights of any member of the Virgin Group in and to the Marks following a request from the User that it do so and (ii) shall not exercise such rights if VEL, acting reasonably, has in response to a request from the User, required it not to do so.

13 **Waiver**

- 13.1 Except as set out in this Licence, none of the rights of any of the parties (whether arising under this Licence or under the general law) shall be capable of being waived or varied otherwise than by an express waiver or variation in writing and in particular any failure to exercise or delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right. Any defective or partial exercise of any of such right shall not preclude any other or further exercise of that or any other such right and no act or course of conduct or negotiation on its part or on its behalf shall in any case preclude it from exercising any such right or constitute the suspension or any variation of any such rights.

14 **Modifications**

- 14.1 No amendment or modification to this Licence will be effective or binding unless it is in writing signed on behalf of the parties and refers to this Licence.

15 Invalidity

- 15.1 If at any time any one or more of the provisions of this Licence become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16 Notices

- 16.1 Any notice or communication required or authorised to be given by any party to any of the others shall be sent by facsimile or first class post to the address given above of the party to whom the notice is to be given (or such other address as the recipient may have notified the other parties in writing) and any notice so sent shall be deemed if sent by facsimile (and a valid transmission report produced) to have been served on the date of transmission (if transmitted during the normal business hours of the sender) or (if not) on the next business day thereafter and if posted to have been served 48 hours following the date of posting.

17 Exclusion of liability

- 17.1 Nothing in this Licence shall be or be deemed to be a representation or warranty as to the existence, ownership, validity or enforceability of any of the rights including but not limited to, the copyright licensed hereunder.
- 17.2 VEL will be responsible for filing for renewal of the Trade Marks licensed hereunder but it will not, in any circumstances, be liable for any failure to maintain in existence any of such Marks or registrations by virtue of non use of any of such Marks. The User agrees that this exclusion of liability satisfies the requirement of reasonableness within the meaning of the Unfair Contract Terms Act 1977.

18 Remedies

- 18.1 The parties acknowledge and agree that damages would not be an adequate remedy for any breach of the provisions of this Licence.

19 General

- 19.1 The Headings of this Licence or any clause hereof are inserted only for the purpose of convenience and shall not affect the construction hereof.
- 19.2 Each of the parties shall execute and do, and shall procure that all other necessary persons execute and do, all documents acts and things as may be necessary or desirable for giving effect to this Licence and for procuring the registration thereof in respect of each of the Marks and the cancellation of such registration upon the termination of this Licence.
- 19.3 This Licence represents the entire understanding between the parties in relation to the licensed use by the User and supersedes all previous representations, understandings, licences or agreements, whether oral or written, in relation thereto.
- 19.4 Nothing in this Licence shall be construed to constitute any party the partner, joint venturer, agent or employee of any other party, or to create any relationship other than that of independent contractors, and, except as expressly provided herein, no party by virtue of this Licence has authority to transact any business in the name of the other party or on its behalf or incur any liability for or on behalf of any other party.
- 19.5 This Licence shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts in relation to any matter or dispute arising out of or in relation to this Licence.

As witness this Licence has been signed by the duly authorised representatives of the parties the day and year first above written.

SCHEDULE 1

The Licensed Activities

- 1 The Licensed Activities means, subject to paragraphs 2 and 3:
 - 1.1 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Mainland Territory; and
 - 1.2 the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which the point of arrival is in one Territory and the point of departure is in the other Territory (including any route with three or more points of arrival and/or departure where all intermediate points of arrival/departure are within the Territories);but for the avoidance of doubt shall not include the right to operate (i) an airline and/or (ii) an aviation cargo and air freight carrier on any route for which all points of arrival and/or departure are within the Caribbean Territory.
- 2 The Licensed Activities referred to in paragraph 1 above shall include without limitation:
 - 2.1 all activities which are incidental to those activities;
 - 2.2 all activities (including the manufacture of promotional goods, the subcontracting of such manufacture and the provision of promotional marketing and public relations services) which would ordinarily be regarded as part of the business of an airline, and/or an aviation cargo and air freight carrier; and
 - 2.3 the right to enter into codesharing arrangements:
 - 2.3.1 as either the marketing carrier or the operating carrier with any other carrier for routes operated within the Territories; and
 - 2.3.2 as the marketing carrier with any other carrier for all international routes with a point of departure or arrival within the Territories (including international flights that link with and feed passengers to and/or accept passengers from the international route, except for flights within Australia) subject to paragraph 2.3.3 below.
 - 2.3.3 For the avoidance of doubt, the Licensed Activities shall not include the rights to enter into codesharing arrangements (x) as marketing carrier in relation to any Transatlantic Routes; or (y) as an operating carrier outside the Territories.
 - 2.3.4 For the avoidance of doubt, nothing in this paragraph 2.3 of schedule 1 shall operate to restrict clauses 3.2.2 to 3.2.4 of this Licence.
- 3 Notwithstanding any other provision in this Agreement, nothing shall prohibit the User from performing any activities of its choosing, including but not limited to, operating international flights, entering into code-sharing arrangements or other marketing arrangements with other airlines, and engaging in all activities covered by the Licensed Activities so long as the User does not use the Name or Mark while undertaking such activities.
- 4 The Licensed Activities shall not include the use of aircraft with accommodation for twenty (20) passengers or fewer and shall not include the use of aircraft with an operational ceiling in excess of 85,000 feet.

SCHEDULE 2

PART 1

The Signature

Virgin

PART 2
Trade Marks

COUNTRY	TRADE MARK	APP / REG #	INT CLASSES	STATUS
Antigua & Barbuda	VIRGIN	2419	39	Registered
Antigua & Barbuda	VIRGIN Signature (blobby)/VIRGIN Signature (Series of Two)	2420	39	Registered
Bahamas	VIRGIN	26751	16, 39	Registered
Barbados	VIRGIN	81/18222	39	Registered
Barbados	VIRGIN Signature	81/18221	39	Registered
Canada	VIRGIN	509209	n/a	Registered
Canada	VIRGIN		n/a	Pending
Canada	VIRGIN AMERICA	864087	n/a	Registered
Canada	VIRGIN AMERICA Logo	839539	n/a	Registered
Canada	VIRGIN Signature		n/a	Pending
Canada	VIRGIN Signature		n/a	Pending
Canada	VIRGIN	690466	n/a	Registered
Canada	VIRGIN Signature	690462	n/a	Registered
Curacao	VIRGIN	9731	39	Registered
Curacao	VIRGIN Signature	9730	39	Registered
Grenada	VIRGIN	19/2003	39	Registered
Grenada	VIRGIN Signature (blobby)/VIRGIN (series of two)	20/2003	39	Registered
Jamaica	VIRGIN	47904	39	Registered
Jamaica	VIRGIN Signature	47905	39	Registered
Mexico	VIRGIN	360979	39, 41	Registered
Mexico	VIRGIN	360981	39, 42	Registered
Mexico	VIRGIN AMERICA	1259099	39	Registered
Mexico	VIRGIN AMERICA & Device	1259786	39	Registered
Mexico	VIRGIN Signature	364116	39, 42	Registered
Mexico	VIRGIN Signature	364115	39, 41	Registered
St. Maarten	VIRGIN	8285	39	Registered
St. Maarten	VIRGIN Signature	8284	39	Registered

COUNTRY	TRADE MARK	APP / REG #	INT CLASSES	STATUS
United States of America	VIRGIN	1413664	39	Registered
United States of America	VIRGIN	1851817	39, 42	Registered
United States of America	VIRGIN AMERICA	3541731	39, 41	Registered
United States of America	VIRGIN Signature	1852776	39, 42	Registered

SCHEDULE 3

Brand Guidelines

VEL's Brand Guidelines in effect on the date hereof, as amended from time to time

SCHEDULE 4

Tailfin Logo



SCHEDULE 5

Listed Routes

1. Airline routes between (i) any point in the Mainland Territory and (ii) any point in Europe/FSR (other than the Transatlantic Routes).
2. Airline routes with a point of embarkation and/or disembarkation in the UK or Eire (other than the Transatlantic Routes).

Signed by **IAN WOODS**)

for and on behalf of **VIRGIN**)
AVIATION TM LIMITED in the)
presence of:)

SUZANNE BURGESS)

Signed by)

for and on behalf of **VIRGIN**)
AMERICA INC in the presence)
of:)

Signed by **C.D. EVERITT**)

for and on behalf of **VIRGIN**)
ENTERPRISES LIMITED,)
LONDON, GENEVA BRANCH)
in the presence of:)

[Signature] **STUART CROBY**

[Signature]

[Signature]

[Signature]

Signed by)
)
for and on behalf of **VIRGIN**)
AVIATION TM LIMITED in the)
presence of:)

Signed by *Peter Hunt*)
SVP & CFO)
for and on behalf of **VIRGIN**)
AMERICA INC in the presence)
of: *John Varley*)
SVP & General Counsel)
Signed by)

)
for and on behalf of **VIRGIN**)
ENTERPRISES LIMITED,)
LONDON, GENEVA BRANCH)
In the presence of:)

.....

.....

.....

EXHIBIT 10



Neutral Citation Number: [2023] EWHC 322 (Comm)

Case No: CL-2019-000742

IN THE HIGH COURT OF JUSTICE
KING'S BENCH DIVISION
COMMERCIAL COURT

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 16/02/2023

Before :

Christopher Hancock KC
Sitting as a Judge of the High Court

Between :

- (1) **VIRGIN AVIATION TM LIMITED**
(2) **VIRGIN ENTERPRISES LIMITED**

Claimants

- and -

ALASKA AIRLINES INC
(formerly VIRGIN AMERICA INC)

Defendant

Daniel Toledano KC and Joshua Crow (instructed by Slaughter and May) for the Claimants
Tom Weisselberg KC and Edward Ho (instructed by Jones Day) for the Defendant

Hearing dates: October 10, 11, 12, 17 and 18 2022

Approved Judgment

I direct that no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.
.....

CHRISTOPHER HANCOCK KC SITTING AS A JUDGE OF THE HIGH COURT

This judgment was handed down by the judge remotely by circulation to the parties' representatives by email and release to The National Archives. The date and time for hand-down is deemed to be Thursday 16 February 2023 at 10:30am.

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VIRGIN AVIATION & VIRGIN ENTERPRISES v
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Christopher Hancock KC :

Introduction and factual background.

1. This is a claim for a declaration in relation to the meaning of a contract dated 19 November 2014 (a contract which, for reasons which will become apparent, is referred to herein as “**the Current TMLA**”). That contract was entered into between the Claimants (“**Virgin**”), who are part of the well known Virgin Group, and a separate entity, “**Virgin America**”, which merged with Alaska Airlines Inc (“**Alaska**”) on 20 July 2018. By virtue of that contract, Virgin licensed to Virgin America certain rights to use certain trade marks (hereafter for convenience, the “**Virgin Brand**”, referred to throughout this judgment also as the “Names and Marks” or the “Names or Marks”).
2. The parties produced a very helpful statement of agreed facts prior to the hearing. In the paragraphs that follow, the main relevant facts, taken from that statement, are set out.

The formation of Virgin America

3. Virgin America was formed in 2004 by a consortium of investors including companies in the Virgin Group. The investors intended that Virgin America would operate an airline in the US.
4. Under the original bylaws of Virgin America, the Virgin Group had, in effect, a veto right to prevent any sale or merger of Virgin America or any material portion of Virgin America’s assets to a US airline operator.¹ Similarly, under the original stockholders’ agreement between the Virgin Group and other Virgin America investors, Virgin had the right in its absolute and sole discretion to prevent any transfer of any equity or debt of Virgin America to a US airline operator or to any person holding 5% or more of the voting power of a US airline operator, and it also had a similar veto to that set out in the original bylaws.²
5. In 2005, Virgin granted to Virgin America the right to use certain Virgin trade marks under a trade mark licence agreement (the “**2005 TMLA**”).³ The 2005 TMLA contained the following terms:
 - (1) Clause 3.6 provided that: “*The User undertakes that, for as long as it provides the Licensed Activities, it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.*”
 - (2) Under Clause 8.1, Virgin America agreed to pay to Virgin an annual royalty calculated as 0.5% of “*Gross Sales*”. Gross Sales were defined as “*the total amount received by the User and/or its sublicensees and assignees in connection with the carrying on of the Licensed Activities...*”. Thus, Gross Sales referred solely to

¹ Article III, Section 6(b)(ii), which required the approval of at least one Virgin nominated director in order to approve any proposal to “*merge or consolidate with or into, or sell, lease, transfer, assign, exchange, mortgage, pledge, hypothecate or otherwise dispose of a material portion of the assets of the Corporation to, a U.S. Airline Operator (as defined in the Stockholders Agreement)*”.

² Sections 4(b) and 20(e)(B).

³ The First Claimant was not party to the 2005 TMLA or the 2007 TMLA; a predecessor entity (VAL Trademark Three Limited, or “**VALTM3**”) in the Virgin Group was. However, this has no relevance to the present dispute, and the predecessor entity is described simply within the epithet ‘Virgin’ for the purposes of this document.

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revenues from the Licensed Activities, and did not distinguish between revenues attributable to use of the Virgin brand and other revenues.

- (3) The Licensed Activities were defined in Schedule 1 and, broadly, encompassed the operation of an airline in the US, Canada, Mexico and the Caribbean, and associated activities.

The DOT certification process

6. In order to operate a domestic airline in the US, Virgin America required certification by the US Department of Transportation (the “**DOT**”). Such certification could only be granted to US citizens (as defined in the relevant regulatory provisions).
7. Virgin America applied for DOT certification in December 2005.
8. On 27 December 2006, the DOT issued an ‘order to show cause’ (Order 2006-12-23), making a tentative finding that Virgin America was not a US citizen and providing a 14 day period in which Virgin America or other interested persons could comment on the tentative decision. The DOT explained that its decision was “*principally because the applicant’s affairs are structured so as to give their actual control to a foreign citizen. We also tentatively conclude that less than 75 percent of the total equity of Virgin America is held by U.S. citizens. Therefore, we propose to deny its application for certificate authority.*”
9. In its detailed explanation of its tentative finding on ‘actual control’, the DOT stated as follows:
 - (1) By way of summary:

“In determining actual control, the Department reviews the totality of the circumstances surrounding the relationship between the air carrier and the foreign entity or entities involved. No single factor dictates a finding of foreign or domestic control; rather, all factors are reviewed in combination to determine a foreign entity’s ability to influence the actions of an air carrier. We have thoroughly reviewed the record of this case and identified numerous relationships between the applicant and the Virgin Group. Based on our review of the totality of the circumstances and the various indicia of control, we tentatively find that Virgin America is under the actual control of the Virgin Group and Sir Richard Branson.”

- (2) The DOT analysed five specific control factors. The fourth factor was the 2005 TMLA. In this regard, the DOT stated:

“At the very heart of this matter is the contractual arrangement that will govern Virgin America’s commercial operations – its licensing agreement with the Virgin Group. There is no doubt from the undisputed record in this proceeding that Virgin America’s business plan rests entirely on its ability to implement this agreement, essentially importing the powerful Virgin trademark into the U.S. market. American, Continental, and Delta state that the License Agreement between Virgin America and the Virgin Group further supports their position that the Virgin Group controls the applicant. Delta further states that use of the

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Virgin brand itself is not a problem, instead pointing to “the fact that the brand and license are inextricably linked with Virgin’s principal foreign investor which has other influencing connections to the applicant.”

We tentatively agree.

According to the record, Virgin America entered into the License Agreement to conduct its proposed operations using the “Virgin” name and to build on the brand and add to “its well-recognized attributes of quality, service, value, and innovation.” However, our review of the License Agreement identified several conditions, detailed in the confidential record, that significantly restrict Virgin America’s commercial decision-making authority and essentially prevent Virgin America from acting as an independent air carrier. For example, Virgin America is limited to conducting operations exclusively within the United States, and between the United States and Canada, Mexico, and the Caribbean (collectively referred to as the “Territories”). This restriction takes away from the applicant – that is, absent the consent of a foreign citizen – the basic right to conduct international transportation. In addition, the applicant is only authorized to enter into code-sharing arrangements with Virgin Atlantic and to operate aircraft having more than 20 passenger seats and an operational ceiling of no more than 85,000 feet. Moreover, the License Agreement grants Virgin Atlantic the sole right to operate aircraft within the Territories on any routes that have at least three arrival/departure points, one of which is outside the Territories, and similarly to market and operate any code share routes that have at least three arrival/departure points in conjunction with another airline, provided that such route is marketed primarily as a route between a point between the Territories and a point within the United Kingdom, and the part of the route provided by the other airline links and feeds passengers to and/or from the part of the route operated by Virgin Atlantic or another “Virgin” named airline. Therefore based on the foregoing, we must tentatively find that this agreement, including its terms and conditions, represents another significant avenue of control for the Virgin Group over Virgin America’s proposed operations.

Although the terms of this license agreement thus play a major part in our tentative decision in this case, our tentative finding does not mean that U.S. air carriers may not enter into franchise or similar marketing arrangements with foreign carriers. We do not believe that U.S. citizenship law necessarily prevents a U.S. air carrier from licensing the trademark of a foreign carrier, as part of an arms-length franchising agreement or from sharing the revenues of the resulting operations with the licensor; we also recognize that a legitimate commercial agreement of this sort would inevitably involve some degree of influence by the licensor over the U.S. carrier’s operations. Any such arrangement, however, must be structured so as to preserve fully the independence of the U.S. carrier’s decision-making authority — and of its management — as well as preserve the air carrier’s ability to exist outside of the franchise. Such arrangements could pass muster if they avoid the appearance, and reality, of foreign control over the purported U.S. air carrier. Independent franchises are permissible; U.S. outlets of foreign air carriers are not under current law. What Virgin America has proposed in its application in this matter,

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which we must tentatively reject, appears to involve restrictions that make the applicant almost completely under the influence of a foreign citizen.”

10. On 17 January 2007, Virgin America submitted a response to the DOT’s order. The submission referred to a number of amendments that Virgin had made or proposed to make to relevant agreements and documents, including amendments to the 2005 TMLA. In this regard:

- (1) Virgin America explained that:

“...the parties have now agreed to an amendment to the [2005 TMLA] to make it abundantly clear that the DOT’s new requirement – that the airline can exist outside the license or franchise agreement – will demonstrably be present.”

- (2) Virgin America went on to explain that the amended 2005 TMLA would give Virgin America the right to fly and code-share unfettered outside the designated territories (the US, Canada, Mexico and the Caribbean (the “**Territories**”)) without using the Virgin brand, so that Virgin America could fly and codeshare anywhere in the world, including in the Territories under any brand, and in the Territories under the Virgin brand.

- (3) Virgin America further stated as follows:

“In addition, the parties have agreed to amend and clarify the License by removing any restriction on Virgin America’s licensed activities if it does not use the “Virgin” trademark. Thus, Virgin America, as a licensor of the mark, will still be allowed to use the mark and fly as Virgin America in the Territories. It will still be allowed to fly internationally or code-share with any foreign or domestic air carrier and now additionally to operate within the Territories unfettered by the License, provided it does not use the Virgin mark, and with the amendment, the U.S. controlled Board may now decide to forgo the mark entirely and not be bound by any of the trademark agreement’s customary restrictions on licenses.”

- (4) In this context, Virgin America relied on evidence given by an economist, Professor Alan Shapiro, that *“when compared to standard franchise agreements ... this Licensing Agreement is uncommonly loose. Indeed, far from constituting control, the Licensing Agreement ... particularly as amended, is quite liberal and permissive.”*

- (5) The key amendment proposed to be made to the 2005 TMLA was that Virgin America proposed to add the following words as Clause 3.7:

“Notwithstanding any other provision of this License nothing in this License shall prohibit the User at any time during the Term from electing to perform the Licensed Activities without in any way using the Names or Marks so long as the User continues to pay the Royalties in full as and when due and on the basis set out in this License.”

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- (6) Virgin America also explained that Virgin had given up a number of veto rights, but had retained the veto right “over ... the company selling itself to a U.S. airline competitor”.
11. On 20 March 2007, the DOT issued a further ‘order to show cause’ or “SCO” (Order 2007-3-16 or the “**March SCO**”).
- (1) This order made a tentative finding that, contrary to the previous order to show cause, Virgin America was a US citizen.
- (2) The order set out the arguments of Virgin America and of the opponents of Virgin America’s application. The DOT’s decision in respect of the TMLA proposals was (in full) as follows:

“In Order 2006-12-23, the Department tentatively determined that the Virgin Trademark License Agreement (“License Agreement”) represented another potential avenue by which the Virgin Group could actually control the applicant. We cited several critical provisions allowing the Virgin Group effectively to dictate the scope and nature of the applicant’s operations and that went beyond what was necessary to protect the legitimate interest the former might have in protecting its brand equity, but as we observed in our show cause order, franchises do not inherently confer actual control of the air carrier on the franchisor. To comply with the law, any such arrangement must nevertheless be structured so as to preserve the independence of the U.S. carrier’s decision-making authority, as well as preserve the air carrier’s ability to exist outside the franchise.

In response to the Department’s concerns, Virgin America proposes to amend the License Agreement so as to expressly preserve Virgin America’s ability to operate “completely free of the Virgin brand and to freely code-share with any carrier domestically or internationally, anywhere and with any carrier,” with the exception that “Virgin Atlantic is the only U.K. based carrier it may code-share with under the Virgin brand and in those few markets in which Virgin Atlantic operates, it may only code-share with Virgin Atlantic.” In addition, the applicant proposed to revise Section 3.7 of the License Agreement to read as follows: “Notwithstanding any other provision of this License nothing in this License shall prohibit the User at any time during the Term from electing to perform the Licensed Activities without in any way using the Names or Marks, so long as the User continues to pay the Royalties in full as and when due and on the basis set out in this License.”

The Interested Parties characterize the changes to the License Agreement as inadequate, asserting that, under the agreement, the applicant’s code-sharing opportunities remain limited in both geography and choice of airline partners. ALPA notes that the agreement’s new provision allowing Virgin America “to perform the Licensed Activities” without using the Virgin brand is disqualified by other provisions that limit the scope of “Licensed Activities.” ALPA also argues that the obligation to pay royalties even on unbranded revenues creates a strong disincentive for the applicant to operate without the brand. American makes similar points, also arguing that the Virgin Group would retain significant oversight powers, regardless of whether an operation uses the brand.

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Delta also describes an apparent conflict between sections 3.6 and 3.7 of the agreement, arguing that the former section obliges Virgin America to use the Virgin brand, with the latter purportedly freeing it from this obligation. Delta suggests that the freedom to operate without the brand is of limited value, and argues that Virgin America would effectively have to create a new and separate airline, in contrast to its fundamental proposal to operate under the Virgin brand. Delta also claims that the applicant would face regulatory constraints in mounting such an operation.

We have reviewed the changes proposed by the applicant in light of the arguments posed by the Interested Parties, and it appears that the Interested Parties' arguments do have some merit. The draft agreement defines the Licensed Activities as including airline functions within the Mainland Territory and between that Territory and the Caribbean Territory, but then goes on to include "all activities... which would ordinarily be regarded as part of the business of an airline," without geographic limitation. That provision apparently would permit the applicant to code-share within the Territories, but outside them only with Virgin Atlantic. It does not explicitly include the right to function "as an operating carrier outside the Territories." Therefore, we propose to condition certification of the applicant on modification of the License Agreement so as to permit any operations (including code sharing)—even in direct competition with Virgin Atlantic—so long as the applicant does not use the "Virgin" name in those operations.

The geographic restrictions on Virgin America's operations also appear to be overly broad. While it is reasonable to prevent the applicant from operating under the licensed Virgin name in markets that directly compete with Virgin Atlantic either with its own equipment or through code-share arrangements with competitors of the Virgin Group, the structure of the license and the restrictions on the applicant go further. It appears that the effect of the license is to limit the applicant's operations in general, permitting it to operate independently only as an exception to the broad rule. Thus, we propose to condition certification of the applicant on a modification of the license such that the applicant's operations are presumptively permitted, except in certain limited respects such as operations that use the Virgin mark. (In this regard, we do not find the 85,000-foot ceiling unduly onerous given the Virgin Group's announced plans to mount a suborbital commercial service.)

We disagree with the Interested Parties' that the applicant's offer to include a new provision in the License Agreement that allows it the ability to operate independently of the "Virgin" brand is of illusory value. We believe that this provision does indeed constrain the Virgin Group's ability to control the applicant and accordingly propose to require that the agreement be amended in this way as a condition to certification. However, we see no reason why the applicant's operations outside of the license should still be subject to a royalty obligation to the Virgin Group. Payment of "royalties" on revenues not derived from use of the brand name would undermine the applicant's independence; therefore, we propose to condition the applicant's certificate on an amendment to the license that allows such activities to occur without royalty obligation." (my emphasis).

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12. On 30 March 2007, Kenneth Quinn, an external lawyer advising Virgin America, wrote to Virgin USA Inc., a Virgin Group company, on behalf of Virgin America. Mr Quinn set out the history of the DOT application, and explained as follows:

“The Order favorably highlighted changes that had been offered on the License Agreement, but it also found that they did not go far enough to address all aspects of impermissible License Agreement control. To remedy these remaining concerns, the DOT set out three additional conditions that had to be satisfied before Virgin America could be granted a certificate.

First, the Department noted that the License Agreement must be modified to show that “any operations (including code sharing) - even in direct competition with Virgin Atlantic - so long as applicant does not use the ‘Virgin’ name in those operations” would be permitted.

Second, the Department noted that the License Agreement must presumptively permit Virgin America’s operations, except “in certain limited respects such as operations that use the Virgin mark.” In other words, DOT requires that Virgin America’s ability to operate with the Virgin Name or Mark to be stated affirmatively, not as an exception.

In its third and final condition to certification, the Department required the deletion of the provision that required Virgin America to pay royalties even when it operated without using the Virgin Name or Mark. In particular, DOT required “an amendment to the [License Agreement] that allows [Virgin America to operate outside of the Name or Mark] without royalty obligation.” The Department went on to explain that the “payment of ‘royalties’ on revenues not derived from use of the brand name would undermine the applicant’s independence.”

The DOT’s Order in this respect appears consistent with the text of the new EU-US agreement, specifically in Annex 5 regarding franchising and branding. There, the parties recognized that airlines of each party can enter into franchising or branding arrangements, including conditions relating to brand protection and operational matters provided that: “they comply, in particular, with the applicable laws and regulations concerning control,” and provide for the “right of the franchisor or franchisee to terminate the arrangement and withdraw the brand.” In short, the new EU-US agreement ensures that “the ability of the airline to exist outside the franchise is not jeopardized.”

We are not admitted to practice law in the United Kingdom, so we cannot render any official interpretation of the rights and obligations of the parties under the License Agreement according to English law, which the License Agreement states is controlling law. However, we would note, that as was previously discussed and agreed upon with your U.S.-based counsel, it is our view that your January 17, 2007 amendment to section 3.7 (quoted above) already permits Virgin America to operate or code share internationally outside the defined “Territories,” including in competition with Virgin Atlantic, provided it does so without using the Virgin Mark or Name. As a result, DOT’S first two “conditions” can be addressed simply by amending section 3.7 of the License

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Agreement and restating this provision and our understanding of it in the affirmative, as we have proposed in the attached redline draft agreement.

Regarding the condition to remove the requirement of Virgin America to pay royalties in the unlikely event that the airline does not use the Virgin Name or Mark, we have also suggested language in the attached document to conform to the Order.”

13. Mr Quinn’s letter attached a “redline draft agreement”.
14. On 3 April 2007, Virgin America wrote a letter to VALTM3, which (as noted in footnote 3 above) was the signatory to the 2005 TMLA subsequently replaced by the First Claimant, requesting further amendments to the 2005 TMLA. Virgin America attached Order 2007-3-16, and Mr Quinn’s letter of 30 March 2007 as set out in paragraph 12 above. Virgin America stated as follows:

“As you will see on page 57 of the Order, three of the conditions require limited amendments to the Trademark License Agreement (the “License”). We are writing to formally request modification of the License by VAL Trademark Three Limited to address DOT’s requirements and ensure DOT will issue Virgin America an operating certificate. For your background, I also attach a letter from our regulatory counsel to Ms. Frances Farrow explaining these conditions and the required changes.

As you will see from the Order and letter, two of the conditions essentially require the rights already conferred by the License to be re-stated in affirmative terms rather than the “no prohibition” wording presently included. As DOT stated:

- *“[W]e propose to condition certification of the applicant on modification of the License Agreement so as to permit any operations (including code sharing)—even in direct competition with Virgin Atlantic—so long as the applicant does not use the “Virgin” name in those operations.”*
- *“[W]e propose to condition certification of the applicant on a modification of the license such that the applicant’s operations are presumptively permitted, except in certain limited respects such as operations that use the Virgin mark.”*

In my view, these conditions should be addressed relatively easily by simply amending the License to affirmatively state such rights, as our counsel has suggested. This would not appear to change the substance of the License, as amended.

As you know, Virgin America’s business plan does not envision operations outside the Territories, nor does it envision operating outside of the Virgin name. It remains our intent to utilize the brand to the fullest extent possible under the License to grow and enhance Virgin America’s network within the Territories. I believe this view is shared by our US investors, who have reiterated that the ability to utilize the brand was and is fundamental to their decision to invest.

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The third condition requires the deletion of the provision requiring Virgin America to pay royalties in the event that the airline elects at some future point to operate without using the Virgin name. As DOT stated: “[W]e see no reason why the applicant’s operations outside of the license should still be subject to a royalty obligation to the Virgin Group,” which in their view “would undermine the applicant’s independence.”

15. Virgin America’s letter attached a draft mark-up of the 2005 TMLA, which I am told the parties infer is the same as that attached to Mr Quinn’s letter of 30 March 2007, showing Clause 3.7 as follows:

~~“3.7 3.7 Notwithstanding any other provision of this Licence, nothing in this License shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without in any way using the Names or Marks the payment of royalties, so long as the User continues to pay the Royalties in full as and when due and on the basis set out in this Licence. does not use the Name or Mark while undertaking such activities.”~~

16. On 9 April 2007, Virgin and Virgin America executed a further TMLA (the “**2007 TMLA**”). Clause 3.7 of the 2007 TMLA provided as follows:

“Notwithstanding any other provision of this Licence, nothing in this Licence shall prohibit the User at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing agreements, blocked space arrangements, or any form of marketing agreements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as the User does not use the Names or Marks while undertaking such activities. Provided, however, that in the event user ceases to use the Names or Marks in a material manner, which shall include but not be limited to where Licensee derives more than twenty percent of its operating revenues within the Territories without using the Names or Marks, then Licensor will have the right to terminate the Licence after 45 days prior written notice and failure to cure by User. Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User’s non-use of the Names or Marks outside the Territories.”

17. On 10 April 2007, Virgin America submitted further comments to the DOT, requesting that the DOT finalise its tentative conclusion that Virgin America was a US citizen. Virgin America set out Clause 3.7 as above, and explained:

“In an attempt to further address the Department’s stringent citizenship requirements, the parties have added further language to make clear the presumption that Virgin America can make unfettered business decisions about whether it chooses to use the Virgin Name or Mark or not; and if it decides not to use the Name or Mark, the Company will not have to pay royalties.

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[...]

The parties have agreed, at the Department's behest, to far-reaching changes in the License that now give Virgin America far more flexible rights than it had previously in both domestic and international operations. Because of these required changes, the parties have also agreed to ensure that normal and customary trademark protections continue to be found in this license. Specifically, to avoid a situation where Virgin America could decide to discontinue use of the brand on all except a few flights in the Territories and operate under another brand name on all remaining flights – fulfilling the Department's desire to be able to exist "outside the brand" – but tying up the trade name with minimal use without any ability of the Virgin Group to terminate and reserve or reassign its License, the parties have now also agreed to a usage requirement, so that the License can be rescinded in the highly unlikely event that Virgin America were to set up another brand within the Territories and reduce in a material manner the operating revenues it generates from use of the License within the Territories. Notably, as the language in the revised Trademark License expressly states "Nothing in this provision shall in any way give Licensor the right to terminate the Licence on the basis of the User's non-use of the Names or Marks outside the Territories," and the Company is not required to pay any royalties on any operations inside or outside of the territories, which do not involve the use of the Virgin Mark or Name.

With these additional changes to the Trademark License Agreement, all concerns surrounding Virgin America's ability to exist and thrive outside of the franchise should be conclusively eliminated."

18. On 18 May 2007, the DOT made a final order setting out its decision that Virgin America was a US citizen (Order 2007-5-11). In response to a further filing in opposition to Virgin America's application (this one from the Association of Flight Attendants), the DOT reiterated its position in respect of the 2007 TMLA, including by stating that: *"Payment of "royalties" on revenues not derived from use of the brand name would undermine the applicant's independence; therefore, we proposed to condition the applicant's certificate on an amendment to the license that allows such activities to occur without royalty obligation."*
19. The DOT's order attached a certificate of public convenience and necessity for interstate air transportation ("CPCN"). The certificate was issued on 18 May 2007 but, pursuant to paragraph (1) of the Attachment, would not become effective until the DOT had determined that Virgin America *"...has satisfactorily met the conditions specified [t]herein and in Appendix A of [Order 2007-5-11]"*. Appendix A stated that Virgin America's certificate authority would be made effective when it had submitted a number of documents, agreements and evidence to the DOT in a form satisfactory to it. These included an executed version of the 2007 TMLA which expressly permitted Virgin America:

"3ai. ... to conduct any operations (including code sharing), even in direct competition with Virgin Atlantic and without any royalty obligations to the Virgin Group, so long as the company does not use the "Virgin" name in those operations; and

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ii. ... to conduct operations that use the Virgin mark, except in certain limited respects.”

Paragraph 3ai referred is to in this judgment as “**Condition 3.a.i**” or “**paragraph 3.a.i**”.

20. Paragraph 3b of Appendix A required Virgin America to file an executed voting trust agreement which governed the Virgin Group’s equity interests in Virgin America. Further, paragraph 7 of Appendix A required submission of evidence that the Virgin Group’s stock had been placed in the voting trust.
21. During the period May to July 2007, the Virgin America Bylaws and Stockholders Agreement were amended. However, the provisions set out above concerning mergers or sales to competitor US airlines were retained.
22. On 17 August 2007, the DOT made a further final order “*issuing an effective certificate*” (Order 2007-8-17). The order recorded that on 27 June 2007 Virgin America had submitted copies of all signed and executed documents and/or agreements specified in Order 2007-5-11. Footnote 3 of Order 2007-8-17 refers to Appendix A, which is attached to the Order in the same form as in Order 2007-5-11 (including Condition 3.a.i). The certificate was stated to be effective on 7 August 2007 and included an amended set of conditions which were set out in a new Attachment. The new Attachment removed paragraph (1) of the previous Attachment. Further, the Attachment still contained the following conditions:

“(3) The holder shall at all times remain a “Citizen of the United States” as required by 49 U.S.C. 40102(a)(15).

[...]

(8) Should the holder propose any substantial change in its ownership, management, or operations (as defined in 14 CFR § 204.2(l)), it must first comply with the requirements of 14 CFR § 204.5.”

23. Order 2007-8-17 included a paragraph stating: “[w]e direct that, should Virgin America Inc., propose to conduct operations with more than 22 aircraft, it must notify the Department in writing at least 45 days prior to the proposed change in operations and demonstrate its fitness to conduct such operations.”

Change of ownership in 2010

24. In the second half of 2009, Virgin America notified the DOT of the proposed transfer of the shares in VAI Partners LLC, Virgin America’s 75% US shareholder, to new U.S. investors. This was a substantial change in ownership requiring notification to the DOT in accordance with 14 CFR § 204.5. Alongside that change of ownership, Virgin America also notified the DOT of various other changes. All of the changes were described in the DOT’s letter dated 8 January 2010. The DOT’s letter:
 - (1) noted that various of the changes being made would “*strengthen the actual control of U.S. citizens*”;
 - (2) explained that the Virgin Group was modifying various veto rights in the company’s constitutional documents, including in particular as follows:

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“The Virgin Group’s consent right related to mergers, consolidations, and sales involving a U.S. airline operator will also be revised so that the consent for an asset sale or similar transaction is required only if the assets comprise all or substantially all of Virgin America’s assets. [...] The amendment or removal of these consent rights protects against the Virgin Group’s potential use of such rights to exert negative control over Virgin America and hinder the air carrier’s ability to operate independently;”

(3) concluded that Virgin America would remain a US citizen after the various changes; and

(4) stated:

“We also remind the air carrier that it continues to remain subject to the provisions of section 204.5 of the Department’s rules, which requires the company to advise us of any substantial changes in operations, ownership, or management. These changes would include, but are not limited to, any alteration to the ownership structure discussed above, any change in key management and technical personnel, or any other circumstances affecting foreign involvement in the structure or capitalization of the air carrier, including new governance provisions (such as supermajority voting rights). In addition, the air carrier must notify the Department of any exercise of warrants that would constitute a change in ownership. Lastly, we remind Virgin America of the requirement that the voting trust established during its initial proceeding must remain in place and can only be dissolved upon the Department’s written consent. Such changes may affect the Department’s fitness determination with respect to the air carrier’s citizenship.”

The IPO and the Current TMLA

25. In early 2014, Virgin America determined to make an initial public offering of its shares on the NASDAQ (the “**IPO**”). There is no dispute between the parties that (i) the IPO materially increased the likelihood of Virgin America deciding to decrease or cease its use of the Virgin brand (a “**de-brand**”); and (ii) the parties to the Current TMLA could reasonably have been aware of the materially increased likelihood of a de-brand following the IPO at the time they entered the Current TMLA. The following paragraphs set out the circumstances leading to the IPO and the parties’ entry into the Current TMLA in further detail.
26. In the period between August 2007 and early 2014, a number of amendments and additions to the 2007 TMLA had been made through side letters and separate documents. In an email dated 11 February 2014, James Cahillane, a Virgin Group lawyer, emailed Allen Huang of Virgin America, suggesting that various TMLA-related agreements and amendments (specifically, the 2007 TMLA itself, an agreement relating to credit cards and a 2013 amendment to the 2007 TMLA by way of side letter) be brought into a single agreement. Mr Huang agreed with that suggestion. Mr Huang also suggested that there should be a discussion regarding the terms of the 2007 TMLA (as amended), because Virgin America was unlikely to meet the revenue threshold which would give it the right to renew the 2007 TMLA (as amended) in 2022 (meaning that Virgin America faced the risk of the 2007 TMLA (as amended) expiring in 2022). Mr Huang’s suggestion regarding the term of the 2007 TMLA (as amended) was repeated by Mr Charlie Everitt

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of Virgin and Mr John Varley of Virgin America in an exchange of emails dated 10 and 18 March 2014. Mr Everitt produced a resulting draft restated TMLA and sent it to Virgin America by email dated 10 March 2014.

27. Following further negotiations, in an email dated 26 June 2014, Mr Cahillane asked Mr Varley: “[g]iven that there will be changes to the TMLA post-IPO, are you intending to include something on these in your presentation to the DOT? I think both VEL and VX will want comfort that there will be no DOT issues with the TMLA changes post-IPO.” Mr Huang responded to the email, stating “I haven’t spoken with John or Peter on this, but I fully anticipate needing to review changes to the TMLA with the DOT, as I understand it was an area of focus during the initial certification process.”
28. On 4 July 2014, following further discussions between the parties, Charlie Everitt of Virgin emailed Mr Varley concerning the negotiations of the 2007 TMLA (as amended). He stated:

“Hi John

I’m writing to follow up with Virgin Aviation TM’s response on the matters outstanding from our phone call on Wednesday. Sorry for the delay. Taking the various issues on the TMLA:

1. Effective Date - you were going to let me have some wording around conditionality of the TMLA on the IPO.

2. Board seat - to reconfirm, the ask here is limited to a board appointee right in the event that another Virgin Group entity doesn’t have a board appointee. In other words, not an additional director. On that basis we don’t see a likely DOT concern. In any case, Evan is meeting with Cush on Monday and will take this up with him direct.

3. Royalty reversion date - we will agree to your request that the \$4.5bn gross sales test should be looked at on a 4 consecutive calendar quarters basis (not just at financial year end).

4. Minimum Royalties - Virgin Aviation’s position is that these should be as per the draft - i.e. calculated on the basis of the 0.7% royalty rate, and subject to CPI increase. You said that you were thinking about CPI increase.

5. Must use - if we can agree other points (inc. board seat), we would be willing to drop the request for an exclusive must use (ie use only Virgin marks) obligation. We would remain with the existing must use regime under Clauses 3.6/3.7. Something for another day.

6. Term - we would like to have an initial term of 25 years, with automatic renewal for successive ten years periods, in the absence of either party electing to terminate at a point of renewal.”

29. Mr Varley responded:

“Hi Charlie,

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Thanks for your comments and suggestions.

In regard to your note ...

1. Allen will send you something on this.

2. David and Evan will discuss the Board seat.

3. Thanks for this.

4. I am checking with the business team here on your CPI adjustment proposal. For the minimum royalty, our revenue fluctuates significantly from one quarter to another so it would be better to structure as an annual rather than quarterly guarantee.

5. Very good.

6. That will work.”

30. On 4 July 2014, Mr Varley explained the derivation of the Minimum Royalty amount in an internal email as follows:

“Minimum Royalty Fee. As you will recall, we had discussed a minimum royalty based on 80% of 2013 revenues which would work like this:

*\$1,424,678,000 (VX 2013 revenue) x .8 (80% guarantee) x .007 = (royalty rate)
 = \$7,978,197 (guaranteed annual royalty).”*

31. On 8 July 2014, the First Claimant’s board approved the changes to the TMLA in principle.

32. Also on 8 July 2014, Virgin America presented its plans for the IPO to the DOT. As regards the TMLA, the presentation stated:

“Virgin License Agreement modified:

■ *Term of license extended to 25 years*

■ *Term of license no longer tied to minimum revenue thresholds*

■ *Commencing Q1 2016, increased license fee from 0.50% of revenue to 0.70% of revenue until VX reaches \$4.5 billion in annual revenue, at which point the fee reverts back to 0.50%*

■ *Right to appoint one person to the Virgin America board of directors, but only to the extent that another Virgin Group representative is not otherwise sitting on the Virgin America board.”*

33. In a later slide, the presentation set out further details as follows:

“Amendment to Virgin License Agreement

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■ *Virgin America and Virgin Group will revise the Virgin trademark license agreement as part of the 2014 Recapitalization*

- *Trademark license provides for rights to use the Virgin name on operations in the U.S., Canada, Mexico and the Caribbean (and code share rights to most international destinations)*

- *Key revisions extend the duration of the agreement and modify license fees:*

■ *Existing agreement expires in 2022*

- *Revised license is for 25 years*

- *Term of license no longer tied to minimum revenue thresholds*

■ *Commencing Q1 2016, license fee will increase from 0.50% of revenue to 0.70% of revenue until VX reaches \$4.5 billion in revenue, then reverts back to 0.50%*

- *Assuming a revenue CAGR of 9%, expect to reach the \$4.5 billion threshold by 2028*

- *The parties will amend and restate the trademark license agreement*

■ *New agreement will (1) consolidate current and prior amendments into a single contract, and (2) combine two current license documents (today there are separate airline and affinity credit card license agreements)*

- *During the term of the license, Virgin Group will have the right to appoint one person to the Virgin America board of directors, but only to the extent that a Virgin Group representative is not otherwise sitting on the Virgin America board.”*

34. The written presentation to the DOT dated 8 July 2014 did not refer to minimum royalties.

35. On 9 September 2014, a meeting took place between representatives of Virgin America and representatives of the DOT. In this regard:

- (1) Prior to the meeting, Mr Huang emailed Mr Everitt as follows: “*We're preparing for the meeting with DOT today, and we are planning on giving them a redline of the TM license as against the latest full version of the document. Can you send the Word version of the current TM license so that I can prepare a redline against the proposed version you sent yesterday?*” Mr Everitt provided a copy of the 2007 TMLA, and a redline was produced which included the various changes, including the introduction of a minimum royalty.
- (2) Mr Huang requested 5 colour copies of the redline of the TMLA be printed for the DOT meeting.
- (3) A table was also produced which set out the reduction of the Virgin Group’s rights in respect of Virgin America as a result of the IPO. The table set out Virgin’s

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current rights, and indicated which would be lost through the IPO. In summary, after the IPO:

- (a) Virgin Group would only have the right to appoint one director to Virgin America's board of directors, compared to two prior to the IPO, and the board could be quorate without any Virgin nominated director, which was not the case prior to the IPO.
 - (b) Virgin Group would lose a series of veto rights, including the right to block amendments to the bylaws, the right to block sales or mergers of Virgin America or its assets to a US airline and the right to block sales of Virgin America shares to persons operating or owning a US airline.
 - (i) Mr Huang requested that 10 copies of this table be printed for the DOT meeting.
 - (4) A presentation was also prepared for the DOT meeting. That document referred to modifications to the TMLA in summary. It also showed that Virgin's voting stock was predicted to be 16.85% of the total and that its general equity interest was predicted to be 38.8% of the total. Prior to the IPO, the figures were c.24.9% and c.49.8% respectively.
 - (a) The documents referred to in sub-paragraphs (1) to (4) were presented to and/or discussed with the DOT at the 9 September 2014 meeting.
36. On 12 September 2014, Damon Walker of the DOT requested a further redline of the TMLA, indicating that the redline he had "*does not track the last redline we received in 2013*". Mr Huang responded with "*a fuller redline ... [i]t now shows all changes since inception...*". The attached redline shows the minimum royalty provisions (in particular in Clauses 8.1 and 8.6), which I set out below, in mark-up. The emails also indicate that Mr Walker "*had a few questions*", and that Mr Huang and Mr Walker consequently spoke on the phone around this time.
37. On 20 October 2014, the DOT issued a letter concluding that Virgin America would remain a US citizen following the IPO (the "**October 2014 Letter**"). The DOT also agreed to grant Virgin America's request to dissolve the voting trust following its IPO and related restructuring. The letter described the various changes, including the reduced rights of the Virgin Group in respect of Virgin America. As regards the TMLA, the DOT stated as follows:

"In addition to the ownership changes noted above, you have also stated that Virgin America intends to amend its Trademark License Agreement ("TMLA") with the Virgin Group. Specifically, you note that the term of TMLA would be extended for 25 years and the TMLA would no longer be subject to minimum revenue thresholds. In addition, commencing in the first quarter of 2016, royalties due under the TMLA ("licensing fees") would increase from 0.50 percent of revenues to 0.70 percent of revenues until Virgin America reaches \$4.5 billion in annual revenue, at which point the licensing fee would revert back to 0.50 percent. The amended TMLA would also require Virgin America to pay the Virgin Group a minimum royalty payment if Virgin America's royalty payment from licensing fees would otherwise be less than that minimum

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payment. The Virgin Group would also be provided with a right to appoint one representative to Virgin America's board of directors under the amended TMLA. You also note that the amended TMLA will continue to permit Virgin America the ability to operate independent of the "Virgin" names and marks without the obligation to pay royalties." (my emphasis)

38. The IPO went ahead on 14 November 2014. At the same time, Virgin America's bylaws were amended to remove the Virgin Group's veto rights over mergers with competitor US airlines. The Virgin Group's veto rights under the stockholders agreement were also removed in the course of the IPO.
39. On 19 November 2014, the parties entered into the Current TMLA.
40. On 7 January 2015, following the IPO, Mr Huang sent copies of various documents to Mr Walker of the DOT. The documents included the Current TMLA.

Later events

41. On 2 March 2016, following Virgin America's notification to the DOT and filing, the DOT issued an order removing a condition of Virgin America's certificate: "[b]y this order, we remove the condition that limits the number of large aircraft that Virgin America, Inc., ("Virgin America") may operate." As a result, the paragraph of Order 2007-8-17 which imposed a limit on the number of aircraft Virgin America could operate (paragraph 4 of the ordering paragraphs of that order) was disappplied.
42. In December 2016, Virgin America was acquired by and became a wholly owned subsidiary of Alaska Air Group Inc. ("**Alaska Group**"), a company in the same corporate group as Alaska) with a purchase price of \$2.6bn.
43. In March 2017, Alaska Group announced that it intended to wind down its use of the Virgin brand (i.e., to de-brand).
44. In July 2018, Alaska Group merged Virgin America and Alaska. Alaska thereby assumed all of Virgin America's rights and obligations.
45. Alaska asserts that it ceased all use of the Names and Marks by 30 May 2019.
46. On 15 July 2019, Alaska told Virgin that the amount Alaska believed was due for Q2 2019 under the Current TMLA was US\$1,420,226.
47. Since 16 July 2019, no royalty payments have been made by Alaska to Virgin.
48. These proceedings were issued on 2 December 2019.

Virgin's investigations into re-using the Virgin brand

49. Since the second half of 2017, the Virgin Group has been considering various possibilities as regards potential termination of the Current TMLA and re-use of the Virgin brand within the US domestic aviation market.
50. The investigations have not led to any successful commercial ventures, and Virgin has never expressly terminated the Current TMLA.

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Summary of the issues at trial.

51. The parties prepared a list of issues, which is annexed to this judgment as Appendix 1. However, prior to the trial, certain of those issues fell away. In particular, Alaska's contention that Virgin should have terminated the Current TMLA since they had no legitimate interest in continuing it, and their argument, in the context of Virgin's allegation that by not using the Virgin brand, Alaska had acted in breach of contract, that Virgin had failed to act reasonably to mitigate its loss, were both abandoned.
52. In the light of this, there were only three questions that I was called on to decide, as follows:
- (1) Is Alaska obliged to pay the Minimum Royalty even if it does not use the names or marks?
 - (2) If Alaska stops all use of the names or marks part way through the financial year, is the royalty obligation modified pro-rata in respect of that financial year?
 - (3) If Alaska stops all use of the names or marks, is that a breach of Clause 3.6 of the Current TMLA?

The oral evidence.

53. I heard from a number of factual and expert witnesses at trial. My findings as to the relevance and credibility of those witnesses' evidence are set out in the following paragraphs.

The factual evidence.

54. I start with the witnesses from whom I did hear. Alaska's contention was that all of the witnesses were credible, while Virgin accepted this, with the exception of Mr Varley.
55. First, I heard from Ms Allison Daniels. She gave evidence as to the steps taken by Virgin after Alaska ceased to use the Virgin brand and ceased to make payment under the Current TMLA. That evidence was, of course, originally principally relevant to the doctrine of legitimate interest as regards termination of the Current TMLA and the issue of mitigation, which was abandoned. It was not suggested that her evidence was unreliable. Instead, Alaska argued that the evidence was irrelevant to the remaining issues, whilst Virgin argued that this evidence was good evidence of the types of difficulty that might have been in the minds of the parties at the time of the conclusion of the Current TMLA, and was thus relevant to the reasonableness or otherwise of a particular construction. As a matter of fact, Virgin contended that:
- (1) Virgin sought over a number of years to re-use the Virgin brand in the context of the US airline industry. It pursued a number of avenues, and a series of obstacles and risks were identified. However, none of the avenues pursued proved successful.
 - (2) Amongst the key reasons that the attempts proved unsuccessful was that Virgin was unable to raise US capital investment for the venture.
56. Alaska argued that Ms Daniels' evidence was irrelevant, because she had no direct knowledge of the position at the date of the Current TMLA, and because her evidence related to a later period.

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57. I consider that this evidence is of little assistance to me. The general risks which would have been known to both parties as at the date of the Current TMLA are, in my view, relevant. However, opinion evidence, of the sort given by Dr Dempsey is in my judgment likely to be of more utility to the Court. I consider this below.
58. Next, I heard from Mr Kenneth Quinn, who (as I have noted) was an external legal adviser appointed by Virgin America. Virgin accepted that his evidence was reliable, and I so hold. However, in my judgment little of that evidence is in fact admissible. Certainly, Mr Quinn's evidence as to his subjective understanding of the contract is inadmissible; and his evidence as to why clauses were included, unless this was made known to the other contracting party, is equally inadmissible. Overall, in my judgment, the contemporaneous documentation is a surer guide to what happened than the oral evidence, produced many years after the event.
59. Next, I heard from Mr John Varley, who was employed by Delta Airlines at the time of the first DOT application in 2007, and who was involved in discussions with the DOT in 2014. Virgin submitted that Mr Varley was not a satisfactory witness, particularly because, it was contended, he made up evidence in the witness box which he was later forced to retract. The particular statement which Virgin singled out was a statement to the effect that there was discussion in a meeting with the DOT in 2014 as to whether there would be a requirement to pay royalties if there was no use of the brand name, which had not appeared in Mr Varley's witness statement. I am not prepared to accept this particular part of Mr Varley's oral evidence, although I do not think he was actively seeking to mislead me.
60. Turning from the witnesses I did hear from to those who were not called, Alaska contended that it was striking that Virgin chose to call only a single factual witness, namely Ms Daniels. However, it was argued, they did not call James Cahillane, who is still Virgin Management's General Counsel and was intimately involved with Mr Varley in the preparation of the Current TMLA. Nor did they call Evan Lovell or Luigi Brambilla, whom Ms Daniels explained: still worked for Virgin; had provided her with context on the factors which existed in 2014 concerning Virgin's ability to relicense the Names or Marks (in the case of Mr Lovell, having himself worked on Virgin America in 2014); and who therefore might have known what those factors were. They also failed to call Charlie Everitt, who was closely involved in the genesis of the Current TMLA and could have given evidence as to the objective aim of the transaction. Although he no longer works for Virgin no reason has been given as to why he has not given evidence. In contrast, Mr Varley, who no longer works for the Defendant, attended to give evidence of the events and exchanges occurring as the Current TMLA was negotiated.
61. In my judgment, I can take little from the absence of these witnesses. It has not been suggested that I should draw some sort of adverse inference, nor would I have been prepared to do so. It seems to me that I have to do the best that I can, by reference to the positive evidence available to me, to put myself in the position of the parties, to the extent that this is relevant to the issues of contractual construction that I am required to decide.

Expert evidence.

62. Alaska reminded me that it was important to bear in mind the proper limits of admissibility of expert evidence:

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- (1) In *MCC Proceeds Inc v. Bishopsgate Investment Trust* [1999] C.L.C. 417 (CA) at §23, Evans LJ explained:

“the function of the expert witness on foreign law can be summarised as follows:
(1) to inform the court of the relevant contents of the foreign law; identifying statutes or other legislation and explaining where necessary the foreign court's approach to their construction;
(2) to identify judgments or other authorities, explaining what status they have as sources of the foreign law; and
(3) where there is no authority directly in point, to assist the English judge in making a finding as to what the foreign court's ruling would be if the issue was to arise for decision there.”

- (2) How foreign law applies to the facts, including (for example) what on their proper construction particular orders made by a regulatory body mean, is a matter for the Court alone. *MCC Proceeds* implicitly recognises that the application of the law to the facts is not a matter for foreign law experts, and this was confirmed explicitly by the Federal Court of Australia in *Noza Holdings Pty Ltd v. Commissioner of Taxation* [2010] FCA 990, where at §13, Gordon J. said:

“An expert's ability to give an opinion on foreign law is circumscribed. A distinction is drawn between the content of the foreign law and evidence about the application of the foreign law to the facts of the particular case: Neilson at [119] and Allstate Life Insurance Co v Australia and New Zealand Banking Group Ltd (No 6) (1996) 64 FCR 79 at 82. The content of the foreign law is a question of fact about which expert evidence is receivable: Allstate at 82-83. However, once the “content” is ascertained, the application of that foreign law is a matter upon which evidence is not receivable: Neilson at [119]. The reference to “content” is a reference to identifying and expounding, in general terms, the scope, meaning and effect of relevant statutory and non-statutory foreign law: Allstate at 82-83.”

- (3) Alaska accordingly submitted that:
- (a) **First**, to the extent Mr Podberesky has done more than answer the two focused questions of “US aviation law”, upon which HHJ Pelling Q.C. gave permission for expert evidence, there is no permission for that evidence and it is inadmissible; and
 - (b) **Second**, in any event, to the extent Mr Podberesky has gone beyond the functions of a foreign law expert identified in *MCC Proceeds*, and has for example applied the law to the facts, his evidence is inadmissible.

63. In my judgment the correct approach is that identified in the *MCC* case. In this case, however, for the reasons I come on to consider later, I do not consider that there was any significant disagreement between the experts on regulatory practice (namely Mr Podberesky and Mr Lehman), and thus I do not think it is necessary to dwell on this aspect.
64. Finally, I turn to the evidence of Dr Dempsey, who gave evidence as to the various issues which would occur with the potential re-use of the Virgin brand in the US airline industry,

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once Alaska had ceased to use that brand. Alaska chose not to call Ms Hughes, who they had permission to call to give evidence on this issue.

65. Alaska did not challenge the veracity of Dr Dempsey’s evidence, but again argued that it was inadmissible and irrelevant, for a number of reasons.
 - (1) First, it was said, Dr Dempsey agreed that the aviation market was not a static one, but one intimately connected with fluctuations in both the global economy and national economies, as well as other factors which “*create an enormous amount of volatility in [the aviation] industry*”. Any analysis of the opportunities in the aviation market therefore had to look at the situation at the particular time the analysis is done, because the economic environment within the aviation industry will vacillate.
 - (2) Dr Dempsey agreed that the analysis he had conducted in his report was to consider what options Virgin had if, after 25 July 2022, it terminated the Current TMLA and looked to re-use the Names or Marks. That was a forward looking analysis, although it drew on historical data.
 - (3) Dr Dempsey made clear that he had not analysed the power or value of the Names or Marks in 2014 and had not analysed what a reasonable person would have thought in 2014 would be the ability to use the Names or Marks.
66. Virgin, for its part, argued that Dr Dempsey explained at length the regulatory obstacles, and common issues in starting airlines, such as the difficulty obtaining aeroplanes, or the cost of repainting aircraft in a new livery. The reality, they argued, was that the issues to which Dr Dempsey referred, such as repainting aircraft upon rebranding an airline, were general points which did not turn on specific facts only arising after November 2014, and accordingly would have been in the reasonable contemplation of the parties at the time of the Current TMLA. Moreover, Dr Dempsey made it clear that, although he had been answering a forward-looking question as of the date of his report, the position in the past would not – at least at a high level and as regards financial risk – have been any different.
67. Nor did it matter, Virgin contended, that the market might change over time. Even if one assumes that in 2014, it would have been very easy to re-use the Virgin brand given the market circumstances, if one also assumes that things might change as soon as 12 months later, then the relevant risks on which Virgin relies, of being unable to find a replacement revenue stream in respect of the Virgin brand, are present.
68. I have concluded that Dr Dempsey’s expert opinion as to the nature of the industry is relevant and admissible. In my judgment, these matters are ones which reasonable people in the position of these parties would have had in mind in 2014.

The relevant principles of contractual construction.

69. The parties were, in the main, in agreement as to the relevant principles of contractual construction. I was referred by both parties to the decisions of the Supreme Court in Arnold v Britton [2015] AC 1619 and Wood v Capita [2017] AC 1173.
70. In Arnold’s case, Lord Neuberger said:

15. *When interpreting a written contract, the court is concerned to identify the intention of the parties by reference to “what a reasonable person having all the background knowledge which would have been available to the parties would have understood them to be using the language in the contract to mean”, to quote Lord Hoffmann in Chartbrook Ltd v Persimmon Homes Ltd [2009] AC 1101, para 14. And it does so by focussing on the meaning of the relevant words, in this case Clause 3(2) of each of the 25 leases, in their documentary, factual and commercial context. That meaning has to be assessed in the light of (i) the natural and ordinary meaning of the clause, (ii) any other relevant provisions of the lease, (iii) the overall purpose of the clause and the lease, (iv) the facts and circumstances known or assumed by the parties at the time that the document was executed, and (v) commercial common sense, but (vi) disregarding subjective evidence of any party's intentions. In this connection, see [Prenn \[1971\] 1 WLR 1381](#), 1384-1386; [Reardon Smith Line Ltd v Yngvar Hansen-Tangen \(trading as HE Hansen-Tangen\) \[1976\] 1 WLR 989](#), 995-997, per Lord Wilberforce; [Bank of Credit and Commerce International SA v Ali \[2002\] 1 AC 251](#), para 8, per Lord Bingham of Cornhill; and the survey of more recent authorities in [Rainy Sky \[2011\] 1 WLR 2900](#), paras 21-30, per Lord Clarke of Stone-cum-Ebony JSC.*

16. *For present purposes, I think it is important to emphasise seven factors.*

17. *First, the reliance placed in some cases on commercial common sense and surrounding circumstances (e.g. in Chartbrook [2009] AC 1101, paras 16-26) should not be invoked to undervalue the importance of the language of the provision which is to be construed. The exercise of interpreting a provision involves identifying what the parties meant through the eyes of a reasonable reader, and, save perhaps in a very unusual case, that meaning is most obviously to be gleaned from the language of the provision. Unlike commercial common sense and the surrounding circumstances, the parties have control over the language they use in a contract. And, again save perhaps in a very unusual case, the parties must have been specifically focussing on the issue covered by the provision when agreeing the wording of that provision.*

18. *Secondly, when it comes to considering the centrally relevant words to be interpreted, I accept that the less clear they are, or, to put it another way, the worse their drafting, the more ready the court can properly be to depart from their natural meaning. That is simply the obverse of the sensible proposition that the clearer the natural meaning the more difficult it is to justify departing from it. However, that does not justify the court embarking on an exercise of searching for, let alone constructing, drafting infelicities in order to facilitate a departure from the natural meaning. If there is a specific error in the drafting, it may often have no relevance to the issue of interpretation which the court has to resolve.*

19. *The third point I should mention is that commercial common sense is not to be invoked retrospectively. The mere fact that a contractual arrangement, if interpreted according to its natural language, has worked out badly, or even disastrously, for one of the parties is not a reason for departing from the natural language. Commercial common sense is only relevant to the extent of how*

matters would or could have been perceived by the parties, or by reasonable people in the position of the parties, as at the date that the contract was made. Judicial observations such as those of Lord Reid in [Wickman Machine Tools Sales Ltd v L Schuler AG \[1974\] AC 235](#), 251 and Lord Diplock in [Antaios Cia Naviera SA v Salen Rederierna AB \(The Antaios\) \[1985\] AC 191](#), 201, quoted by Lord Carnwath JSC at para 110, have to be read and applied bearing that important point in mind.

20. Fourthly, while commercial common sense is a very important factor to take into account when interpreting a contract, a court should be very slow to reject the natural meaning of a provision as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight. The purpose of interpretation is to identify what the parties have agreed, not what the court thinks that they should have agreed. Experience shows that it is by no means unknown for people to enter into arrangements which are ill-advised, even ignoring the benefit of wisdom of hindsight, and it is not the function of a court when interpreting an agreement to relieve a party from the consequences of his imprudence or poor advice. Accordingly, when interpreting a contract a judge should avoid re-writing it in an attempt to assist an unwise party or to penalise an astute party.

21. The fifth point concerns the facts known to the parties. When interpreting a contractual provision, one can only take into account facts or circumstances which existed at the time that the contract was made, and which were known or reasonably available to both parties. Given that a contract is a bilateral, or synallagmatic, arrangement involving both parties, it cannot be right, when interpreting a contractual provision, to take into account a fact or circumstance known only to one of the parties.

22. Sixthly, in some cases, an event subsequently occurs which was plainly not intended or contemplated by the parties, judging from the language of their contract. In such a case, if it is clear what the parties would have intended, the court will give effect to that intention. An example of such a case is [Aberdeen City Council v Stewart Milne Group Ltd 2012 SC \(UKSC\) 240](#), where the court concluded that “any ... approach” other than that which was adopted “would defeat the parties' clear objectives”, but the conclusion was based on what the parties “had in mind when they entered into” the contract: see paras 21 and 22.

23. Seventhly, reference was made in argument to service charge clauses being construed “restrictively”. I am unconvinced by the notion that service charge clauses are to be subject to any special rule of interpretation. Even if (which it is unnecessary to decide) a landlord may have simpler remedies than a tenant to enforce service charge provisions, that is not relevant to the issue of how one interprets the contractual machinery for assessing the tenant's contribution. The origin of the adverb was in a judgment of Rix LJ in [McHale v Earl Cadogan \[2010\] HLR 412](#), para 17. What he was saying, quite correctly, was that the court should not “bring within the general words of a service charge clause anything which does not clearly belong there”. However, that does not help resolve the sort of issue of interpretation raised in this case.

71. In Wood v Capita, Lord Neuberger said:

9. It is not appropriate in this case to reformulate the guidance given in the Rainy Sky and Arnold cases; the legal profession has sufficient judicial statements of this nature. But it may assist if I explain briefly why I do not accept the proposition that the Arnold case involved a recalibration of the approach summarised in the Rainy Sky case.

10. The court's task is to ascertain the objective meaning of the language which the parties have chosen to express their agreement. It has long been accepted that this is not a literalist exercise focused solely on a parsing of the wording of the particular clause but that the court must consider the contract as a whole and, depending on the nature, formality and quality of drafting of the contract, give more or less weight to elements of the wider context in reaching its view as to that objective meaning. In Prenn v Simmonds [1971] 1 WLR 1381, 1383H–1385D and in Reardon Smith Line Ltd v Yngvar Hansen-Tangen (trading as HE Hansen-Tangen) [1976] 1 WLR 989, 997, Lord Wilberforce affirmed the potential relevance to the task of interpreting the parties' contract of the factual background known to the parties at or before the date of the contract, excluding evidence of the prior negotiations. When in his celebrated judgment in Investors Compensation Scheme Ltd v West Bromwich Building Society [1998] 1 WLR 896, 912–913 Lord Hoffmann reformulated the principles of contractual interpretation, some saw his second principle, which allowed consideration of the whole relevant factual background available to the parties at the time of the contract, as signalling a break with the past. But Lord Bingham of Cornhill in an extrajudicial writing, “A New Thing Under the Sun? The Interpretation of Contracts and the ICS decision” (2008) 12 Edin LR 374, persuasively demonstrated that the idea of the court putting itself in the shoes of the contracting parties had a long pedigree.

11. Lord Clarke of Stone-cum-Ebony JSC elegantly summarised the approach to construction in the Rainy Sky case [2011] 1 WLR 2900, para 21f. In the Arnold case [2015] AC 1619 all of the judgments confirmed the approach in the Rainy Sky case: Lord Neuberger of Abbotsbury PSC, paras 13–14; Lord Hodge JSC, para 76 and Lord Carnwath JSC, para 108. Interpretation is, as Lord Clarke JSC stated in the Rainy Sky case (para 21), a unitary exercise; where there are rival meanings, the court can give weight to the implications of rival constructions by reaching a view as to which construction is more consistent with business common sense. But, in striking a balance between the indications given by the language and the implications of the competing constructions the court must consider the quality of drafting of the clause (the Rainy Sky case, para 26, citing Mance LJ in Gan Insurance Co Ltd v Tai Ping Insurance Co Ltd (No 2) [2001] 2 All ER (Comm) 299, paras 13, 16); and it must also be alive to the possibility that one side may have agreed to something which with hindsight did not serve his interest: the Arnold case, paras 20, 77. Similarly, the court must not lose sight of the possibility that a provision may be a negotiated compromise or that the negotiators were not able to agree more precise terms.

12. *This unitary exercise involves an iterative process by which each suggested interpretation is checked against the provisions of the contract and its commercial consequences are investigated: the Arnold case, para 77 citing [In re Sigma Finance Corpn \[2010\] 1 All ER 571](#), para 12, per Lord Mance JSC. To my mind once one has read the language in dispute and the relevant parts of the contract that provide its context, it does not matter whether the more detailed analysis commences with the factual background and the implications of rival constructions or a close examination of the relevant language in the contract, so long as the court balances the indications given by each.*

13. *Textualism and contextualism are not conflicting paradigms in a battle for exclusive occupation of the field of contractual interpretation. Rather, the lawyer and the judge, when interpreting any contract, can use them as tools to ascertain the objective meaning of the language which the parties have chosen to express their agreement. The extent to which each tool will assist the court in its task will vary according to the circumstances of the particular agreement or agreements. Some agreements may be successfully interpreted principally by textual analysis, for example because of their sophistication and complexity and because they have been negotiated and prepared with the assistance of skilled professionals. The correct interpretation of other contracts may be achieved by a greater emphasis on the factual matrix, for example because of their informality, brevity or the absence of skilled professional assistance. But negotiators of complex formal contracts may often not achieve a logical and coherent text because of, for example, the conflicting aims of the parties, failures of communication, differing drafting practices, or deadlines which require the parties to compromise in order to reach agreement. There may often therefore be provisions in a detailed professionally drawn contract which lack clarity and the lawyer or judge in interpreting such provisions may be particularly helped by considering the factual matrix and the purpose of similar provisions in contracts of the same type. The iterative process, of which Lord Mance JSC spoke in [Sigma Finance Corpn \[2010\] 1 All ER 571](#), para 12, assists the lawyer or judge to ascertain the objective meaning of disputed provisions.*

14. *On the approach to contractual interpretation, the Rainy Sky and Arnold cases were saying the same thing.*

15. *The recent history of the common law of contractual interpretation is one of continuity rather than change. One of the attractions of English law as a legal system of choice in commercial matters is its stability and continuity, particularly in contractual interpretation.*

72. Next, as to the relevance of negotiations, Alaska reminded me of what was said in [Prenn v. Simmonds \[1971\] 1 W.L.R. 1381](#) at p.1385H, where Lord Wilberforce held that while evidence of the parties' intentions or their negotiations was inadmissible, "...evidence of the factual background known to the parties at or before the date of the contract, including evidence of the 'genesis' and objectively the 'aim' of the transaction" was admissible.

73. I do not think that there was any disagreement as to this latter proposition.

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74. The sole real area of dispute related to the presumption against surplusage. Virgin relied on this presumption, whereas Alaska indicated it had no application on the facts; and that it was in any event a weak presumption in the commercial context. As to the legal position, I was referred to Lewison on the Interpretation of Contracts, at 7.24 to 7.29. There the learned author points out the following:

“7.24 The interpretation of a document as a whole necessarily involves giving effect to each part of it in relation to all other parts of it. Accordingly, as a corollary of the principle that a document must be interpreted as a whole, effect must be given to each part of the document. This in turn means that in general each part of the document is taken to have been deliberately inserted, having regard to all the other parts of the document, with the result that there is a presumption against redundant words (usually called “surplusage”). This principle is sometimes labelled the argument from redundancy. Although this principle was often given weight in earlier cases, its value is much reduced in more modern cases. As Patten LJ put it in Al-Hasawi v Nottingham Forest Football Club Ltd, “arguments based on surplusage or redundancy are rarely reliable or sure ground on issues of construction”

75. Virgin, for their part, drew a distinction between two clauses which are repetitious, where surplusage may occur as *“a common consequence of a determination to make sure that one has obliterated the conceptual target”* (Arbuthnott v Fagan [1995] CLC 1396 at 1404, Hoffman LJ) and the position in an individually negotiated contract where two provisions appear to conflict, such as Clause 3.6 and 3.7 in this case. In the latter case, Virgin argued that the Court must do its best to harmonise clauses which potentially conflict so as to give effect to every part of the contract. I consider this argument below, when I come to consider Clauses 3.6 and 3.7 below.

The main relevant contractual Clauses.

76. The principally relevant contractual clauses were as follows:

(1) Clause 3.1 begins with the words: *“In consideration of the payment of Airline Royalties to [Virgin] by [Alaska], [Virgin] grants to [Alaska] the right ... to use the Marks only in connection with and in the ordinary course of carrying on the Licensed Activities”*.⁴

(2) The term *“Licensed Activities”* means, *“...the activities described in Schedule 1 ...”*.

(3) 3.6 provides:

“Subject to Clause 3.7, [Alaska] undertakes that, for as long as it provides the Licensed Activities it shall continue to do so using the Names and shall use all reasonable efforts to promote its conduct of the Licensed Activities under the Names.”

(4) Clause 3.7 provides:

⁴ The Airline Royalties is defined as the royalties described in Clause 8.1 (which includes reference to the Minimum Royalty).

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“Notwithstanding any other provision of this Licence nothing in this Licence shall prohibit [Alaska] at any time during the Term from electing to perform the Licensed Activities or any other activities, including, but not limited to, operating flights, code sharing arrangements with any other airlines or entities, or operating flights between any points regardless of where such flights originate or terminate, without the payment of royalties, so long as [Alaska] does not use the Names or Marks while undertaking such activities. [...]”

(5) Clause 8.1 provides as follows:

“In consideration of the Airline Rights granted pursuant to Clause 3, [Alaska] agrees to pay [Virgin]:

(a) with effect from the Effective Date and until December 31, 2015, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter;

(b) with effect from January 1, 2016 and until the Trigger Date, a quarterly royalty which shall be 0.7% of Gross Sales in respect of each Quarter or part of a Quarter; and

(c) with effect from the Trigger Date and for the remainder of the Term, a quarterly royalty which shall be 0.5% of Gross Sales in respect of each Quarter or part of a Quarter

In each case, subject to the requirement that [Alaska] will in each financial year during the Term pay at least the annual Minimum Royalty in accordance with Clause 8.6.”

(6) Clause 8.6 states

“For the avoidance of doubt, [Alaska’s] obligation in respect of payment of royalties due to [Virgin] in each financial year of [Alaska] is to pay the greater of (a) a royalty based on a percentage of [Alaska’s] Gross Sales in the relevant period, at the rates set out in Clauses 8.1 and 8.3 above, and (b) the Minimum Royalty payment applicable for that period.

[set out full clause]“Where the Reconciliation Statement reveals an underpayment of any amount due to [Virgin], the amount of such underpayment shall be paid in full by [Alaska] within 20 days following receipt of a relevant invoice from [Virgin]. [...]”

(7) Minimum Royalty is a defined term, and is defined as follows:

*“**Minimum Royalty:** means in respect of each financial year of the Licensee, the amount of US\$7,978,200 (or a pro rata part of such amount in the case of a partial fiscal year); such amount to be adjusted annually on the Year 1 End Date and any anniversary thereof to increase (but not decrease) by the same percentage as the percentage change in USCPI over the relevant period;”*

The parties’ respective contentions.

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Issue 1: Virgin's case.

77. I start with Virgin's case based on the *express words of the contract*.
78. Virgin submitted that Clause 8 unambiguously provides for the payment of at least the Minimum Royalty in any given financial year, with no exceptions (the "**Minimum Royalty Obligation**").
79. Virgin drew my attention to a number of features of Clause 8 which they said supported their position:
 - (1) **First**, it states that the payment of royalties is: "*In consideration of the grant of the Airline Rights granted pursuant to Clause 3*", defined as "*the rights granted by [Virgin] to [Alaska] pursuant to Clause 3 of this agreement*". Clause 3 goes on to define the scope and extent of the rights granted to Alaska. Therefore, the payment of royalties is not, it was argued, in consideration of the actual use of the Virgin brand, or in consideration of the generation of revenues: the payment of royalties, including the Minimum Royalty, is in consideration for the grant of the rights to use the Virgin brand as defined in Clause 3.
 - (2) **Second**, the primary method for calculating and paying the royalty is quarterly, by reference to a percentage of quarterly "*Gross Sales*". Gross Sales are defined, broadly, as revenues received "*in connection with the carrying on of the Licensed Activities*". The Licensed Activities have a lengthy definition in Schedule 1 of the Current TMLA but essentially comprise the operation of an airline in the US and other defined territories. Thus, the primary obligation is the payment of royalties quarterly based on a given percentage of revenues generated from the operation of a US airline.
 - (3) **Third**, however, the primary obligation is subject to the Minimum Royalty Obligation in the event that the primary method would produce a figure lower than the Minimum Royalty in any given financial year. They argued that there is nothing in this clause which would disapply it if use of the Virgin brand in connection with the Licensed Activities fell to zero.
80. The mechanics of payment of royalties were to be as follows:
 - (1) Clauses 8.4 and 8.5 set out obligations on Alaska to provide quarterly statements of the Gross Sales within 10 days of the end of each quarter, to pay royalty sums on a quarterly basis alongside the quarterly statements, and to provide an annual statement of Gross Sales within one month of the financial year end (the "**Reconciliation Statement**").
 - (2) The second half of Clause 8.6 then makes clear that if the quarterly payments, in total, fall below the Minimum Royalty, the amount of such underpayment is to be paid.
 - (3) Thus:

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- (i) percentage-based royalties, calculated by reference to a given percentage of revenues on Gross Sales, are to be paid on a quarterly basis; and
- (ii) at the end of the year, if the Reconciliation Statement show that the total of the quarterly percentage-based royalties is lower than the Minimum Royalty, Alaska is to be obliged to ‘top up’ the payment to the Minimum Royalty by making an additional balancing payment (a “**Top Up**” or “**Top Up Obligation**”).

81. As regards Clause 3.7, the terms of which I have set out above:

- (1) Clause 3.7 means that no royalty is to be payable on non-branded revenues or on non-branded activities. Absent Clause 3.7, the effect of the definition of Gross Sales would be to include revenues from Licensed Activities generated without use of the Virgin brand within the percentage royalty calculations in Clause 8.1. Therefore, on Virgin’s case, Clause 3.7 has an important function to perform: it excludes any revenues not derived from use of the Virgin brand from the royalty calculations. Without Clause 3.7, all US airline revenues would be taken into account. With Clause 3.7, non-branded revenues are excluded from all royalty calculations, and the royalty payments would only be made based on Virgin branded revenues.
- (2) This leaves the Minimum Royalty Obligation intact, because the Top Up is simply derived from the amount of royalties paid on branded revenue in the given year, without any consideration of non-branded revenue. On Virgin’s case, Clause 3.7, which was included in identical terms in the earlier 2007 TMLA, means exactly the same thing and performs exactly the same function in both documents.
- (3) The fact that Clause 3.7 begins “*Notwithstanding any other provision...*” is consistent with the above: those words are necessary to ensure that Clause 3.7 is effective both to permit non-branded operations in the first place, and also to exclude non-branded revenues from the quarterly royalty calculations. However, the fact that Clause 3.7 takes precedence over any other clause is only relevant to the extent Clause 3.7 comes into conflict with another clause. It does not come into conflict with the Minimum Royalty provisions, because the latter do not set out a royalty applicable to non-branded activity. Therefore, it was argued, Clause 8.6 stands irrespective of Clause 3.7.

82. Virgin went on to contend that, consistent with the above, Clauses 3.6 and 3.7 read together place an obligation on Alaska to continue to use the Virgin brand in connection with the Licensed Activities to some material degree and stated that it is obliged to use reasonable efforts to promote its conduct of the same. Thus, both Clauses 3.6 and 3.7 have a role to play in defining obligations:

- (1) without Clause 3.7, the obligation would be to use only the Virgin brand, which was a matter of significant concern to the DOT in around 2007 (‘must use’);
- (2) without Clause 3.6, there would be no obligation to use the Virgin brand at all (‘no use’); and

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- (3) in combination, the result is a ‘some use’ obligation.
83. Virgin’s construction, it was contended, gives effect to both clauses, and harmonises them. It was contended that Alaska’s construction (which I set out below) does not, since the only meaning that Alaska put forward for the clauses is clearly wrong; and the argument that the presumption against surplusage is a weak one in the commercial context, so that it did not matter if Clause 3.6 was denuded of content is incorrect.
84. I consider both these points below.
85. Turning to the *factual material*, Virgin argued that since Clause 3.7 was introduced into the 2007 TMLA, and did not change in the Current TMLA, the relevant history of Clause 3.7 was the 2006-2007 DOT application process. It was their case that that material incontrovertibly showed that the DOT’s concern in 2007 was to avoid a situation whereby royalties were paid on revenues not derived from use of the Virgin brand. The DOT said so much explicitly in Order 2007-3-16. In that regard they relied on the emphasis passage that I have set out at paragraph 11, above.
86. Virgin America and Virgin amended the 2005 TMLA to accord with this specific objection of the DOT. In Virgin America’s comments on Order 2007-3-16, set out at paragraph 17 above, Virgin America drew attention to the provisions stating that there was no obligation to pay royalties if there was no use of the name. This agreement as regards Non Virgin Activity (or “NVA”; this is referred to also as “non-branded activity”, with revenues derived from such activity “non-branded revenues”), was then reflected in the form of Clause 3.7.
87. For good measure, the DOT repeated the key extract from its March SCO (Order 2007-3-16) when it issued its final order in May 2007 (Order 2007-5-11) which I have set out in emphasis at paragraph 11 above,” after “(Order 2007-3-16). This came after the TMLA had been concluded in revised form on 9 April 2007 but confirmed the significance of the extract from the March SCO.
88. Virgin contended that the above was confirmed by Mr Quinn’s evidence that the point on which he was advising his client at the time, was that there should be no royalty obligation on revenues not derived from use of the Virgin brand. Virgin also suggested that the evidence of Mr Podberesky and Mr Lehman was to the same effect.
89. Overall, since Clause 3.7 did not change in the Current TMLA, Virgin contended that its meaning could not have changed and that there was no evidence to suggest it did.
90. Instead, it was said that the evidence of the negotiations leading to the Current TMLA made clear that Virgin America needed to secure an extension of the term of the 2007 TMLA which was not subject to a revenue test. However, it was said, Virgin was not happy simply to agree a substantial extension without some kind of protection of its revenue from the Virgin brand in that period. The email exchanges at the time very clearly showed that the Minimum Royalties were being sought by Virgin Group “*to give us comfort over the scale of the business/our return against the backdrop of a longer term licence with no break clause.*”
91. Virgin went on to contend that the 2014 DOT approval process took matters no further, for the following reasons:

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- (1) The simple fact was that Virgin America made a substantial change filing with the DOT, and drew to its attention a number of documents, including the proposed new TMLA. The DOT saw the proposals in redline form (in fact, in two different redline forms), was specifically aware of the introduction of a Minimum Royalty, and blessed the Current TMLA. The DOT noted the continuing presence of a permission to operate independent of the Virgin Names and Marks without the obligation to pay royalties.
- (2) There is no evidence that the DOT was given any specific information about how the Current TMLA would function in the event of a total cessation of use of the Virgin brand. It appears that the Minimum Royalty provisions were not discussed at the first meeting, and there is no (reliable) evidence they were discussed specifically at the second either. Mr Varley's evidence on this should be rejected.
- (3) The court is therefore left without any evidence as to the DOT's understanding, and trying to second guess what the DOT thought beyond what is contained in the October 2014 Letter. The Court is being asked to engage in pure speculation for which there would be no warrant. It is impossible to see how such speculation could be relevant evidence in determining the proper interpretation of the Current TMLA.
- (4) The expert evidence is not helpful on this point.
- (5) Alaska's only remaining argument on this point appears to be that there was a risk that the DOT would have concluded, had they been made aware of Virgin's interpretation of the Minimum Royalty Obligation, that Virgin America was no longer a US citizen, and that this risk was enough that Virgin's interpretation would or should have been raised specifically with the DOT if it were the correct one. This argument is wrong:
 - (a) The argument must be that an objective reader at the time of the Current TMLA would have assumed that if the contract meant what Virgin says it did, that would need to be specifically flagged in detail to the DOT, which it was not, and therefore the objective reader would not have interpreted it in this way. But each of the premises of this argument is flawed: it would not need to be specifically flagged to the DOT; it was in any event flagged; nor is it at all clear that an objective reader would have formed these assumptions.
 - (b) As regards the supposed 'need' to flag Virgin's interpretation to the DOT, in fact there was no need because the interpretation is consistent with the previously imposed Condition 3.a.i. The history set out above shows that Condition 3.a.i was intended to cover royalties on Non Virgin Activities, or NVA. Since the Minimum Royalty is a royalty due in consideration of the right to conduct Virgin Activities, or VA (this is referred to also as "branded activities", with revenues derived from such activities "branded revenues" or "Virgin branded revenues"), it is not within the scope of Condition 3.a.i. As a result, there is simply no basis to assume that there was any risk that the DOT would object to Virgin's construction of the Minimum Royalty Obligation.
 - (c) Further, there is no merit in the argument that all risks would be mentioned specifically to the DOT. Even on Alaska's interpretation of the Minimum

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Royalty, it represented a substantial change in Virgin America's operations. Virgin America was no longer able to, for example, halve its royalty obligation by halving its Virgin branded operations. On Alaska's case, Virgin America was placed into a position where it could only stop the royalty by totally ceasing its use of the Virgin brand. Evidently, that represented a fetter on Virgin America's decision-making capability. However, this point was not specifically flagged to the DOT either.

- (d) The key point is that all Virgin America was obliged to do, and what it in fact did do, was set out the change for the DOT in the course of a substantial change filing. It was not obliged to go through and explain all the differences and how the new clause might play out in various scenarios.
- (e) Mr Podberesky's evidence on this was clear: the fact of the change needed to be explained, but there was no requirement to explain the differences before and after to the DOT beyond that. Virgin submitted that I should accept that evidence.
- (f) Further, the argument ignores the fact that the change was clearly flagged to the DOT. A redline of the Current TMLA was specifically sent to the DOT, allowing the DOT to form its own opinion on the effect of the Minimum Royalty.

92. Virgin's interpretation, it was contended, was also supported by the *commercial setting* in which the Current TMLA was concluded:

- (1) Virgin was agreeing to grant a 25 year license without a break clause. At the same time it was losing a raft of rights it previously had to block a potential full or partial take-over of Virgin America by a competitor, whereas any competitor would evidently have its own commercial imperatives in respect of the Virgin brand.
- (2) Further, the parties would or could have been well aware that using the Virgin brand in the US airline industry, particularly using it to generate a substantial annual royalty of the same scale as the Minimum Royalty, was something which was likely to be difficult and risky. This proposition is supported by the material relating to the initial licensing of Virgin America, as well as by the evidence of Dr Dempsey and Ms Daniels, which I have already considered and which Virgin submitted I should accept.
 - (a) The DOT raised numerous objections to the TMLA between Virgin and Virgin America, and imposed conditions on its terms. Were Virgin to seek to use the Virgin brand with another licensee US carrier, there was of course a substantial risk that similar issues would arise.
 - (b) Further, as noted above, Dr Dempsey explained that the airline industry is cyclical, and even if one assumes that Virgin had full confidence in its ability to use the Virgin brand in the US airline industry in 2014, it does not follow that such a conclusion would hold good 12 months later. Nor does it show that using the Virgin brand would be 'risk free'. There was, at the very least, a risk that the new licensee would not be in a position to pay the same level of royalty.

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- (3) Virgin's case was that given the risk that the IPO would create of a de-brand by a competitor (which was admitted and which was confirmed by Mr Varley), it was perfectly logical to bargain for a Minimum Royalty which did not simply cease to be payable if usage of the Virgin brand ceased. Indeed, Virgin submitted, the level of the Minimum Royalty was to increase with inflation (CPI) throughout the longer term, which tended to indicate that it was intended to continue to be payable throughout the term.
93. Alaska's case to the contrary, Virgin argued, made little commercial sense. The effect of the Current TMLA would be that Virgin America had an option to cease all use and stop paying the Minimum Royalty, leaving Virgin with nothing except the right to recover the Virgin brand. In effect, this was on Alaska's case a termination right in favour of Virgin America, but not one which was spelled out expressly. However, this right was of no interest to Virgin America in 2014. Virgin America, as the documents show, was seeking an *extended* term to secure its right to use the Virgin brand. The reality is that an option to cease use was in the interests of a third party, such as Alaska, who might want to take Virgin America out of the market. It would be an extraordinary commercial strategy for Virgin and Virgin America to bargain with a view to protecting the interests of a competitor third party.
94. In this connection, Alaska has suggested that it makes no sense for Virgin America to have agreed to pay \$8 million per year for a brand for which there was no ready market. This ignores the fact that the Virgin brand was very valuable to Virgin America. Virgin America was a US citizen with existing DOT certification and an existing and successful business using the Virgin brand. It was critical to Virgin America to be able to continue using the Virgin brand, and to exclude others from using the Virgin brand. Virgin America was by no means a disinterested third party in respect of the brand. So much is entirely obvious. However, the Virgin brand was not nearly so valuable if Virgin America were to be taken out of the equation. The IP rights were unique property, and their value depended on Virgin America continuing to use them or, if it did not, on managing to find another entity that would do so on acceptable commercial terms. In those circumstances, it was entirely logical to bargain to protect their value in the event Virgin America was acquired by a competitor who decided to cease using them.
95. Virgin also argued that the *factual material* supported Virgin's arguments as to the meaning of Clause 3.6:
- (1) Delta made the DOT aware of the potential conflict of Clauses 3.6 and 3.7, and noted that Clause 3.6 must have been retained for a reason.
 - (2) The DOT noted the possible conflict in its final order, but nonetheless approved the 2007 TMLA. The DOT did not impose a condition requiring the removal of Clause 3.6.
 - (3) The obvious inference is that the DOT was content with the residual impact of Clause 3.6.
 - (4) This accords with commercial sense and with the evident wish of the parties to include IP protections for Virgin within the TMLA. If use of the Virgin brand totally ceased, its "Virgin America" marks would be vulnerable to revocation. However, if use in commerce was made of the marks this would not be the case.

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Accordingly, the obligation to continue to make more than *de minimis* use made sound commercial sense. As Mr Quinn explained, protections for the Virgin brand were to both Virgin's and Virgin America's benefit.

96. Alaska argues that Clause 3.7 "*expressly provides that Alaska has complete freedom, at any time, to choose to perform its operations ... without paying royalties – all it needs to do is not use the Names or Marks*".
97. However, Virgin argued, the words, and also the history, of Clause 3.7 demonstrate that it is concerned to allow Virgin America the freedom to perform NVA – as Mr Quinn put it, an airline within an airline – without having to pay royalties in respect of them. What Clause 3.7 does not do, it is contended, is to provide that if there are no VA, i.e. only NVA, then all royalty obligations cease, whether or not they are royalties on NVA.
98. Alaska's argument to the contrary was, Virgin submitted, misplaced.
 - (1) As a preliminary and perhaps fatal point in respect of this argument, it was said that it can hardly be called unconvincing to say that the royalties are payable in consideration for the grant of the rights, when that is literally what the contract says in terms.
 - (2) Alaska went on to say that if the payments are in consideration of the rights "*one would expect an annual flat fee*". But an annual flat fee is payable as a minimum, the Minimum Royalty. That only serves to support Virgin's case.
 - (3) Next Alaska says that "*it is commercially unrealistic to consider that a licensee would consider paying such a royalty simply for the benefit of the grant of right rather than for use*". Of course a licensee wishing to use the Virgin brand would pay for the right to use, because they intend to exercise that right. In fact, the Current TMLA grants an exclusive right to use. Virgin America clearly did consider the rights it acquired to be valuable rights. It had a business with a turnover of around \$1.5 billion⁵ predicated entirely on the use of the Virgin brand. It was evidently valuable to Virgin America to have the right to use the Virgin brand and to exclude others from it. Moreover, in this regard, the Minimum Royalty was not a significant percentage of Virgin America's revenue: it was fixed at 0.56%⁶ of Virgin America's 2013 revenue. It is of course no surprise whatsoever that Virgin America was willing to pay this amount commercially, given the centrality of the Virgin brand to its business, and the requirement to secure the Virgin brand long-term as part of the IPO.
 - (4) What Alaska really means is that it would make no sense for Alaska to have agreed to pay the Minimum Royalty. Even this is not clear, because the Virgin brand rights are plainly valuable even when not used: the value of excluding a brand from the market is shown by existing airlines' trenchant position to Virgin America seeking to enter the market in 2007; precisely how much the Virgin brand rights are worth is not relevant since the court's role is not to correct a bad bargain. But leaving that point aside, the Current TMLA was agreed between Virgin America and Virgin, at a time when Alaska was a third party competitor. The repeated attempt to argue the

⁵ Virgin America's 2013 revenue is said to have been \$1.425 billion.

⁶ 80% multiplied by 0.7%.

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commercial rationality points by reference to Alaska's position is nonsensical and should be rejected.

- (5) Finally, Virgin drew attention to Alaska's argument that the right to terminate in Clause 3.7 is inconsistent with the royalty payments being in consideration for the mere grant of the rights. Virgin has, it said, never argued that the Current TMLA "*was about*" solely the grant of IP rights. In fact it is a major part of Virgin's case that the Current TMLA placed an obligation on Virgin America to exercise the IP rights, under Clause 3.6. The only point of relevance for these purposes is that the royalty payments are, expressly, payments in consideration of the grant of the rights. The only trigger for their payment is that the rights are granted. But the Current TMLA is of course "*about*" far more than just this simple point, Virgin had a right to terminate for non-use (also indeed, for a decrease in use below 80% of total revenues) is entirely consistent with Virgin's case.
99. Virgin contend that the heart of Alaska's DOT case as regards the meaning and purpose of Clause 3.7 is that "*[t]he DOT was absolutely clear that revenues derived without using the Names or Marks should not attract royalties, and it inevitably follows that if no use is made of the Names or Marks, no royalties should be payable.*"
 100. This is, Virgin contended, quite clearly a non-sequitur. It jumps between two distinct propositions. The first proposition is 'in respect of NVA revenues, no royalty can be due'. The second proposition is 'if there are no VA revenues, no royalty can be due'. However, the second does not follow from the first. The key reason that the second proposition does not follow from the first is that there is of course the possibility of a royalty which does not depend on there being any VA revenues, but which is also not a royalty in respect of NVA revenues. The Minimum Royalty is such a royalty. It is due in consideration of the grant of the IP rights, and it bears no relation whatsoever to NVA.
 101. Virgin then went on to address Alaska's argument that because the DOT referred to the requirement for Virgin America to be able to operate "*completely free*" of the Virgin brand in 2007, Clause 3.6 cannot be read as Virgin suggests, and Alaska's further reliance on Condition 3.a.i, which referred to "*any*" operations. Virgin contended that the proper interpretation of the DOT's statements was that the DOT was concerned that Virgin America should be entitled to conduct any particular operations completely without using the Virgin brand. However, the DOT never said, and it was never part of any condition imposed by the DOT, that Virgin America should be free to conduct all operations free of the Virgin brand. If the DOT truly wanted Virgin America to have the ability to conduct "*any and all*" operations free of the Virgin brand, it would have said so, particularly given it was alerted to the role of Clause 3.6 by Delta. The proper inference from the documents is that the DOT was aware of the obligation to conduct some operations under the Virgin brand pursuant to Clause 3.6, and was happy with that obligation.
 102. This conclusion, it was contended, is only reinforced by the fact that the DOT saw the Current TMLA in redline, noted the Minimum Royalty, noted the continuing effect of Clause 3.7, and approved the arrangement. As a result, the parties did not even take a risk on the point: they told the DOT and the DOT approved.

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103. Virgin went on to address the question of whether, if there was some conflict between Condition 3.a.i and the terms of the Current TMLA, Condition 3.a.i was binding, and whether, if it was binding, it was superseded by the October 2014 Letter.
104. Alaska, it was said, said that paying for non-use is a surprising construction, which would have to be clearly marked out. Virgin contended that both aspects of this are incorrect:
- (1) Virgin conferred valuable and exclusive rights on Virgin America. Agreeing to pay a minimum fixed fee was perfectly logical (and the amount was small as a percentage of revenue, albeit that the court is not here to judge whether it was a good bargain). Virgin had, following the IPO, little or no control over whether Virgin America continued to use the Virgin brand, because Virgin America was vulnerable to being taken over. A fixed fee was an obvious solution to that issue.
 - (2) It was clearly marked out. The terms of Clause 8 are very clear indeed.
105. Next, Virgin addressed the argument that a minimum royalty would be unreasonable and that the risk of the de-brand increases the unreasonableness, contending that this argument was ill founded for a number of reasons. They argued that this was simply to view the position from Alaska's point of view as a third party to the contract at the time it was agreed; that viewed from Virgin's perspective, the minimum royalty was a logical and reasonable protection against a possible de-brand by an acquiring competitor; that agreeing a longer term, and minimum royalties in return, was perfectly reasonable for Virgin America, as Mr Varley confirmed in cross-examination, since Virgin America itself wanted to go on using the Virgin brand, and sought a longer term as part of the IPO process, and since the Virgin brand was evidently very valuable to Virgin America. Virgin America's entire successful business was predicated on the Virgin brand, with the result that it was logical to agree a minimum fee, which constituted only around 0.56% of 2013 revenues.
106. The only persons with any material interest in preserving the right to de-brand 'for free' were competitors such as Alaska, and it is common ground that there was a materially increased risk of an acquisition and de-brand by a competitor. However, Virgin contended, it would be commercially absurd for the parties to the Current TMLA to bargain to protect the rights of competitor third parties.
107. Moreover, if they in fact had wished to protect third parties, a far more logical way to do so would be via an express right of termination. Instead, on Alaska's interpretation, Virgin America was granted effectively a tacit termination right, a unilateral right to cease use and cease paying anything (whereas Virgin still retains a right to put an individual on Alaska's board).
108. Virgin then referred to Alaska's reliance on the termination right given to Virgin in Clause 3.7, contending that this was plainly not sufficient comfort for Virgin, and that Virgin required the additional protection of the Minimum Royalty. They argued that Alaska's argument failed to recognise the unique position in which Virgin America came to be, as a large-scale successful US citizen airline operating under the Virgin brand. The suggestion by Alaska that "*Virgin could terminate the Current TMLA, and then generate such value from the Names or Marks as the market placed upon them*" did not take account of the fact that nobody else in the US airline market would be likely to place the same value on the Virgin brand that Virgin America placed on it, since nobody else had

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a successful business predicated on the Virgin brand, with the result that nobody else in the US airline market would be likely to be willing to replicate the Minimum Royalty Obligation.

109. Virgin summarised its position by reference to four scenarios, which it had set out in opening.
110. “**Scenario 1**” was the position of Virgin America immediately after the IPO. In this scenario, Alaska continues to use the Virgin brand for all Licensed Activities (i.e. all airline operations in the Territories covered by the Current TMLA).
 - (1) In such a scenario, all airline revenues (i.e. all Gross Sales) are derived from use of the Virgin brand.
 - (2) In each Quarter, Alaska will pay the relevant percentage (0.7% or 0.5% as the case may be) of all Gross Sales to Virgin as royalties pursuant to Clause 8.1.
 - (3) At the end of the year, Alaska will submit a Reconciliation Statement. If the total amount of royalties paid is below the Minimum Royalty, a Top Up payment is due. If the total amount is above, there is no requirement for a Top Up.
 - (4) There is no dispute between the parties as regards the operation of the Current TMLA in Scenario 1.
111. “**Scenario 2**” was approximately the position after Alaska merged with Virgin America in 2018, but before Alaska completed its de-brand. In this case revenues are derived both from use of the Virgin brand and also without use of the Virgin brand.
 - (1) In Scenario 2, not all Gross Sales are derived from use of the Virgin brand.
 - (2) Absent Clause 3.7, percentage revenues would be due in each Quarter on all Gross Sales (included non-branded revenues). However, there is no dispute that the effect of Clause 3.7 is to exclude non-branded revenues from the operation of Clause 8.1.
 - (3) As a result, in each Quarter, Alaska will be obliged to pay the relevant percentage of all the Gross Sales derived from the use of the Virgin brand.
 - (4) At the end of the year, the position is exactly the same as in Scenario 1. The Reconciliation Statement will record the total Gross Sales derived from the use of the Virgin brand, and the amount of royalty paid. A Top Up will or will not be due depending on whether this exceeds the Minimum Royalty.
 - (5) This is true wherever there are any Virgin-branded revenues at all, even a very small amount of Virgin-branded revenue.
 - (6) Again, there is no dispute between the parties as regards the operation of the Current TMLA in Scenario 2.
112. “**Scenario 3**” is where Alaska elected to wind down all operations.
 - (1) In Scenario 3, Alaska would not be generating any revenues at all.

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- (2) In such a situation, in each Quarter, there would be no payment due under Clause 8.1. However, at the end of each financial year, the Minimum Royalty would be due.
 - (3) Virgin argued that Alaska cannot deny this: Alaska's argument is that Clause 3.7 entitles it to conduct operations outside the Virgin brand without paying royalties in respect of them, and so where there are non-branded revenues, but no branded revenues, the Minimum Royalty 'latches on' to the non-branded revenues in breach of Clause 3.7 (and is thus is not due). However, Alaska's argument cannot apply where there are no non-branded revenues at all. In such a situation, the Minimum Royalty cannot 'latch on' to non-branded revenues in breach of Clause 3.7. Accordingly, on Alaska's own case, the Minimum Royalty would be due and payable in Scenario 3.
 - (4) On Virgin's case, this conclusion is perfectly reasonable: the parties bargained for a Minimum Royalty to which there were no exceptions. Therefore, this particular situation is entirely consistent with all the other situations in which at least the Minimum Royalty is payable.
113. "**Scenario 4**" is identical to the instant case. It is the position where Alaska winds down all use of the Virgin brand, but continues Licensed Activities under another brand.
- (1) On Virgin's case, the Minimum Royalty is due each financial year, just as in every other situation. There would be no quarterly percentage-based payments, because there are no relevant revenues: revenues generated without use of the Virgin brand are excluded by virtue of Clause 3.7. Nonetheless, a Top Up equal to the full Minimum Royalty would be due at the end of the year.
 - (2) On Alaska's case, there are also no relevant revenues, and therefore no quarterly payments. However, at the end of the year, Alaska says that no Top Up payment is due in this situation. Despite the fact that Clause 3.7 has already discharged its role, by excluding all Alaska's non-branded revenues (i.e., in this situation, all revenues) from the quarterly royalty calculation, Alaska's case is that it then has another function at year-end, namely to prevent any Top Up / Minimum Royalty payment being due.
 - (3) It is very unclear why Alaska says that Clause 3.7 develops this additional, entirely unstated, role. As noted above, the rationale appears to be that a Minimum Royalty, were it to be payable, should be treated as 'latching on' to the non-branded revenue. However, that is simply re-writing the entire contract. It is inconsistent with the words of Clause 8, which make clear that the royalties are due in consideration of the grant of the Airline Rights, and it is inconsistent with the role of Clause 3.7, which is to exclude non-branded revenues from the calculation of royalty payments.
114. Virgin contended that these illustrations demonstrate that Alaska's interpretation generates illogical anomalies. For example:
- (1) A comparison between Scenario 3 and Scenario 4 shows that, on Alaska's case, whether or not the Minimum Royalty is due is purely a function of the Alaska group's corporate structure. If, for example, rather than merging Virgin America

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with Alaska, the Alaska group had chosen to keep the entities separate, transferring Virgin America's assets to Alaska, and winding down Virgin America's operations, that would generate Scenario 3 rather than Scenario 4, and on Alaska's interpretation the Minimum Royalty would still be due. It is purely as a result of Alaska's decision to structure the business by merging the two entities that has resulted in Scenario 4, rather than Scenario 3. It is inherently unattractive and contrary to business common sense to interpret a contractual payment obligation as purely contingent on the chosen corporate structure of the obligee.

- (2) A comparison between Scenario 2 and Scenario 4 also illustrates that Alaska's interpretation is anomalous. Alaska's case is that in Scenario 2, as long as there is some branded revenue, the whole Minimum Royalty will be due each year (as a Top Up payable at the end of the year). For example, if Alaska chose to keep operating a single Virgin branded route because that had a particularly loyal customer base, but only generated \$10 million in revenue, only \$70,000 of percentage-based royalty would be due by way of four quarterly payments. More than \$7.9 million would be due as a Top Up, even on Alaska's case. And yet Alaska says that the minute the branded route is closed and use ceases entirely, none of the Minimum Royalty is due.
- (3) Further, as has already been noted Alaska's interpretation results in Clause 3.7 having a different meaning in the 2007 TMLA and the Current TMLA, despite the words being the same in the two contracts. On Virgin's case this anomaly does not arise:
 - (a) Virgin says that in the 2007 TMLA the function of Clause 3.7 was to permit non-branded activities, and to make clear that the revenue from such activities was to be excluded from all royalty calculations. When the 2007 TMLA was agreed, there was no discussion around minimum royalty payments. The only royalties being considered were revenue-based payments, and Clause 3.7 excluded all non-branded revenues from the calculations. Virgin says that precisely the same is true of Clause 3.7 of the Current TMLA. As noted above, Clause 3.7 still plays the same important role in excluding all non-branded revenues from the percentage-based royalty calculations, which take place quarterly under Clause 8.1. However, Clause 3.7 is irrelevant insofar as the annual Top Up / Minimum Royalty Obligation is concerned, because that is not concerned with a percentage royalty on revenues.
 - (b) Alaska agrees with this analysis up to the final sentence. However, Alaska's case is that Clause 3.7, without any amendment to its wording, nonetheless gained an important additional function: preventing the Minimum Royalty from being due in Scenario 4 (but in Scenario 4 only). Given the history of the Current TMLA, this is plainly an anomalous conclusion. Virgin's interpretation is far more consistent with the factual background to the Current TMLA.
 - (c) Such anomalous results would require clear wording, but no such wording can be found in the Current TMLA.

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115. There is only one other important argument of principle on which Alaska relies. Alaska points to the fact that under the 2007 TMLA, the “*no use of name, no royalty*” principle held good. It appears to derive from this fact a wider general principle that such must have been the purpose and meaning of Clause 3.7. This argument is also manifestly wrong:

- (1) It is perfectly true that the consequence of the terms of the 2007 TMLA was that, if all use of the Virgin brand ceased, so would all royalty payments. The obligation in Clause 8 of the 2007 TMLA was to pay a percentage royalty calculated by reference to Gross Sales. However, revenues derived without use of the Virgin brand were excluded from Gross Sales for this purpose, pursuant to Clause 3.7. Therefore, if Virgin branded revenues fell to zero, so did royalties. This was true irrespective of whether there were or were not any non-branded revenues.
- (2) This was purely the practical consequence of Clause 8 as it was in the 2007 TMLA as modified by Clause 3.7. It constitutes a substantial leap of logic to move from this single fact about the operation of Clause 8 of the 2007 TMLA, to a general conclusion that Clause 3.7 should be read as meaning “*no use of name, no royalty*” irrespective of what both Clause 3.7 and the remainder of the amended contract says. In other words, Alaska seeks to argue that because of one practical example of the operation of the 2007 TMLA, the meaning of Clause 3.7 must be adapted from what it actually says (‘Alaska can do NVA without paying royalties’) to mean what it does not say (‘if Alaska does not do VA, it does not have to pay royalties’). That is obviously flawed logic.
- (3) To illustrate this point, under the 2007 TMLA, if Virgin branded revenue reduced by 50%, so did the royalty amount. It would of course be nonsensical to derive from this single example under the 2007 TMLA a general proposition that Clause 3.7 required the royalty amount to halve if revenues halved, irrespective of what the other Clauses of the contract said following amendments in the future.
- (4) The reality is that Clause 8 changed substantially in the Current TMLA. Therefore, the question of what the royalty obligation would be when use of the Virgin brand halved, or when it ceased, is entirely at large and cannot be answered by reference to what would have been the case under the 2007 TMLA. To answer a question about the Current TMLA by reference to what would have been the case under the 2007 TMLA is just as flawed in relation to a 100% fall in usage as it is to a 50% fall in usage. Indeed, that is clear from the fact that, even on Alaska’s case, royalties do not halve under the Current TMLA just because branded revenue halves. Rather, the Minimum Royalty would remain payable on any view.

Alaska’s case in outline.

116. Alaska submitted that Issue 1 turns on the proper construction of the Current TMLA in general, and Clause 3.7 of the Current TMLA in particular. They made their submissions under the following headings:

- (1) The ordinary and natural meaning of the words in Clause 3.7;
- (2) The contractual context;

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- (3) The purpose of Clause 3.7;
- (4) The factual background;
- (5) Business common-sense and the reasonableness of the results produced by the parties' constructions.

117. In relation to the *ordinary and natural meaning of the words*:

- (1) Alaska started with Clause 3.7, which I have set out above, and which they submitted, is a well-drafted, sophisticated and complex contractual agreement that was prepared with the assistance of skilled professionals is decisive. They submitted that the words in the first sentence of Clause 3.7 were critical.
- (2) The language used in Clause 3.7 tracks that used in Clause 8.6, demonstrating that Clause 3.7 frees Alaska of any obligation under Clause 8.6 in respect of operations outside the Virgin brand. In particular both clauses use the term “royalties”, which Clause 8.6 makes clear includes the “Minimum Royalty” (as the Minimum Royalty is one of the two options for the payment of “royalties” identified by Clause 8.6).
- (3) Clause 3.7 enables Alaska to elect to perform all of the activities described in Schedule 1 or any other activities without paying royalties so long as it does not use the Names or Marks while undertaking such activities.
- (4) It inevitably follows that if the Names or Marks are not used by Alaska at all, Alaska cannot be obliged by the Current TMLA to pay any royalties – including the Minimum Royalty.
- (5) Virgin is wrong to suggest the following:
 - (a) There is some significance in the distinction between royalties paid for the use of the Names or Marks, and the payment of royalties for the right to use the Names or Marks. First, that distinction is an artificial one so far as the Current TMLA is concerned. Second, and in any event, Clause 3.7 is clear – if there is no use, no “royalties” are payable. That broad term necessarily encompasses the “*Minimum Royalty*”, which as its very name identifies is a royalty. The term “royalties” is not defined in the Current TMLA, and there is no reason why it should not be given its usual and ordinary meaning which would encompass the “*Minimum Royalty*”.
 - (b) Nor is Virgin correct to say that Clause 3.7's effect is somehow limited to affecting the true meaning of the term ‘Gross Sales’. Alaska again pointed to the opening words of Clause 3.7, i.e. “[n]otwithstanding any other provision of this Licence” and “nothing in this Licence shall prohibit” the right of election Clause 3.7 provides. Clause 3.7 therefore, it was said, trumps every other provision of the Current TMLA, not just some of the other provisions.
- (6) The second sentence of Clause 3.7 only confirms Alaska's analysis of the first sentence because it gives Virgin, and not Alaska, the ability to terminate the Current TMLA if the Names or Marks are not used in a ‘material manner’, and therefore to avoid any loss from their non-use.

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- (7) Clause 3.7 creates a very straight forward, common sense and easy to apply regime: if Alaska does not use the Names or Marks it does not pay any royalties in respect of the Names or Marks.
 - (8) Virgin's contention that Clause 3.7 cannot have the meaning Alaska suggests because it introduces difficulties where usage ceases part way through a year, or where usage ceases and then resumes, is unconvincing:
 - (a) A de-brand was a significant exercise. The idea that usage would cease then restart (let alone do so repeatedly) is a possibility more imaginary than real. The absence of any contractual mechanism which specifically deals with that eventuality says nothing about the plausibility of Alaska's construction. Virgin's argument also ignores the second sentence of Clause 3.7; if there ceases to be "*use in a material manner*" then written notice may be given and, on a failure to cure, the licence may be terminated. This is the mechanism that the parties chose to use in order to deal with all forms of 'insufficient' use.
 - (b) Alaska's construction of Clause 3.7 does not create uncertainties or difficulties as to what should happen when all use of the Names or Marks ceases.
 - (i) Clause 3.7 establishes the basic principle that if the Names or Marks are not used then no royalties are payable.
 - (ii) Clause 8, which provides for the payment of Minimum Royalty therefore must be read accordingly. Clause 8.6 requires that if the Names or Marks are used, Alaska must at a minimum pay the Minimum Royalty.
 - (iii) The simple, and straight forward way for those two provisions to operate consistently is to pro-rate the Minimum Royalty over the days when the Names or Marks are used, and to charge no sum once use ceases. That result follows inevitably from the language of the Current TMLA, and is a solution which is neither difficult or unreasonable to apply, and which accords with business common-sense.
118. Turning to the *contractual context*, Alaska addressed the significance of the following other clauses of the Current TMLA, namely Clause 3.6, Clause 8 and Clause 11.
119. Dealing first with the interrelationship between Clauses 3.6 and 3.7 of the Current TMLA, Alaska contended that its construction of Clause 3.7 does not make Clause 3.6 redundant. Properly construed, Clause 3.6 of the Current TMLA (and its forerunner in the 2007 TMLA that was not changed by the parties) provides protection for Virgin in the event that Virgin America / Alaska made any (e.g. minimal) use of the Names in a way which damaged or degraded their value and / or was inconsistent with Virgin America's "*reasonable efforts*" obligation. If (but only if) Virgin America / Alaska used the Names, Clause 3.6 required that use could not be *de minimis*; but Clause 3.6 does not, on its proper interpretation, require the Names to be used as it is "[s]*ubject to Clause 3.7.*".

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120. Secondly, Alaska argued that even if Clause 3.6 is rendered surplusage on Alaska's construction of Clause 3.7, that does not mean Alaska's construction is wrong. In this regard, they contended that the presumption against surplusage is a weak one, the importance of which should not be overstated. Ultimately, they contended that the Court must give effect to the language of the parties' agreement. If that language means that one clause in the agreement is surplusage, then that is still the proper construction of the parties' agreement.
121. In this case, it is critical to recognise that (a) Clause 3.7 expressly provides it is to apply notwithstanding any other provision of the Current TMLA and (b) Clause 3.6 is expressly, "[s]ubject to Clause 3.7." Whatever might be the case in contracts which do not provide a hierarchy of provisions (where perhaps the argument against surplusage might have more force), the Current TMLA expressly provides for Clause 3.7 to trump all other provisions in the contract. The Current TMLA therefore expressly contemplates and accepts the possibility that Clause 3.7 would render other clauses surplusage – including in particular Clause 3.6 which is expressly subject to it.
122. Turning to Clause 8, while Virgin has suggested that Clause 8 is the "*critical clause*", Alaska argued that it is not. Clause 8 is, as Clause 3.7 makes expressly clear, subject to the right of election afforded to Alaska by Clause 3.7. The critical clause in this case is Clause 3.7, not Clause 8. In short, given that Clause 8 is subject to Clause 3.7, it cannot require Alaska to pay the Minimum Royalties if the Names or Marks are not used.
123. Finally, Alaska dealt with Clause 11 of the Current TMLA, which they said has no bearing on Clause 3.7.
124. Alaska then argued that its textual analysis of the Current TMLA is consistent with, and supported by, the *fundamental purpose* of Clause 3.7 Current TMLA which is to ensure that if the Names or Marks are not used no royalties are to be paid to Virgin.
125. It was said to be common ground that the effect of Clause 3.7 of the Current TMLA is the same as the effect of Clause 3.7 of the 2007 TMLA. Alaska argued that the purpose and effect of Clause 3.7 of the 2007 TMLA is apparent from the following evidence:
 - (1) Even before the DOT had raised the issue of royalties being paid on revenues derived without using the Names or Marks as a concern, Mr Quinn had identified this as a serious problem in advice he gave to Virgin America and Virgin.
 - (2) In Virgin America's January 2007 submissions to the DOT, prior to the March SCO, Virgin America, despite Mr Quinn's advice, decided to maintain the royalty provision which Mr Quinn had advised the DOT would object to.
 - (3) Virgin America did however concede and explain that:
 - (a) It intended to eliminate "*any restriction on Virgin America's licensed activities if it does not use the 'Virgin' trademark*".
 - (b) It "*proposes to amend the License Agreement so as to expressly preserve Virgin America's ability to operate 'completely free of the Virgin Brand...'*". (see paragraph 11 above). That submission is of particular importance in this case, as it was a clear representation to the DOT that the purpose of the

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amendments being made to the 2005 TMLA was to enable Virgin America to operate “completely free of”, i.e. without using at all, the Names or Marks.

- (4) As Mr Quinn had predicted, the DOT in the March SCO identified as problematic the payment of royalties where the Names or Marks were not used. The DOT’s conclusion in the March SCO (as set out in paragraph 11 above) was that: “...we see no reason why the applicant’s operations outside of the license should still be subject to a royalty obligation to the Virgin Group”.
- (5) The DOT thereby said in terms that activities that did not use the Names or Marks must be royalty free. That, combined with Virgin America’s representation to the DOT that the revised TMLA would enable it operate ‘completely free’ of the Names or Marks (an amendment which the March SCO expressly recorded was made “[i]n response to the Department’s concerns...”), inevitably meant that the DOT required that Virgin America was free to perform all operations without using the Names or Marks, and without paying royalties if it did so.
- (6) Virgin has sought to contend (i) that the DOT’s concern was only on ensuring “revenues not derived from use of the brand name” were royalty free, and (ii) that the DOT did not say anything about a situation where all use of the Names or Marks ceased. Alaska argued that that contention was unsustainable once it is recognised that the DOT had accepted Virgin America’s concession to be able to operate “completely free” of the Names or Marks. Where Virgin America operated completely free of the Names or Marks, which is a scenario the DOT expressly contemplated, it is nonsensical to suggest that the DOT’s March SCO (or its final order (Order 2007-5-11)) was consistent with Virgin America having to pay multi-million dollar royalties until 2039 if it ceased using the Names or Marks entirely.
- (7) Following the March SCO:
 - (a) On 30 March 2007, Mr Quinn wrote to Ms Frances Farrow, CEO of Virgin USA Inc., and specifically highlighted the amendments needed to the 2005 TMLA in light of the March SCO.
 - (b) On 3 April 2007, Virgin America wrote to VALTM3 (the signatory to the 2005 TMLA) enclosing a copy of the March SCO, identifying the changes to the 2005 TMLA that were required by the DOT, including its third condition, as set out in subparagraph (4) above. Virgin America sought VALTM3’s consent to a revised version of the 2005 TMLA, which included amending Clause 3.7 to the form in which it appeared in the 2007 TMLA (and the Current TMLA).
 - (c) On 10 April 2007, Virgin America confirmed to the DOT in its comments on the March SCO, filed, that the changes which the DOT had required to the 2005 TMLA had been made.
- (8) On 18 May 2007 the DOT issued a “final order” in which it found that, subject to fulfilling certain conditions, Virgin America would be a US citizen and fit, willing and able to engage in interstate scheduled air transportation. One of those was the condition in paragraph 3.a.i of Appendix A to that final order.

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126. Those events show that the purpose of Clause 3.7 of the 2007 TMLA, which was created entirely as a result of regulatory requirements, was:

- (1) To enable Virgin America to operate completely free of the Names or Marks. Complete freedom can only mean the freedom not to use the Names or Marks at all if Virgin America so wished; and
- (2) To ensure that if Virgin America did not use the Name or Marks it did not have to pay any royalties (i.e. to be completely free). It inevitably follows that if Virgin America did not use the Names or Marks at all, it did not have to pay any royalties at all.

127. Stepping back, Alaska submitted, that is all wholly unsurprising. The DOT was concerned about foreign control of Virgin America, and ensuring it had the independence and freedom to act as any other US citizen could. A regime which imposed heavy financial penalties on Virgin America if it chose not to use the Names or Marks at all would obviously be inconsistent with that aim – it would hamstring Virgin America's US management to use a foreign owned and controlled brand and to make payments to that non-US citizen, even when the US citizen no longer wished to use the Virgin brand.

128. Alaska submitted that Virgin's case that the DOT's only concern was ensuring that royalties were not payable on non-branded revenues, by contrast, makes little sense:

- (1) If the DOT wanted to ensure that royalties were not payable on non-branded revenues, it inevitably followed that the DOT wanted to ensure that if there were no non-branded revenues at all then no royalties whatsoever were payable. The latter follows inevitably from the former.
- (2) The more one considers the mechanics of Virgin America having to pay a minimum royalty when it makes no use of the Names or Marks, the more obviously unacceptable to the DOT that situation would be. If Virgin America had to pay a minimum royalty when it made no use of the Names or Marks, then necessarily the money to pay the minimum royalty would have to originate from non-branded revenues. That means that, in substance, Virgin America would be paying Virgin a royalty from non-branded revenues. That result was clearly unacceptable to the DOT, and demonstrates why Virgin's case makes little sense.

129. Drawing the threads together, the result is that:

- (1) For the reasons above, the purpose of Clause 3.7 of the 2007 TMLA was to ensure that if no use was made of the Names or Marks, no royalties would be payable.
- (2) On its true construction, Clause 3.7 of the 2007 TMLA reflected that purpose.
- (3) All of the material discussed above was known to the parties at the time they concluded the 2007 TMLA, and the Current TMLA. It is admissible as evidence of the objective aim of the transaction in general and Clause 3.7 in particular. Alaska's case does not, as Virgin suggests, involve any speculation about what the DOT subjectively thought; rather Alaska's case is based on an objective interpretation of the DOT's orders and communications with Virgin America (in which Virgin were closely involved).

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- (4) It is common ground that the effect of Clause 3.7 of the 2007 TMLA and Clause 3.7 the Current TMLA was the same.

130. Next, Alaska argued that there are, in summary, three broad pieces of *admissible factual matrix* relevant to the construction of the Current TMLA:

- (1) The parties knew or could reasonably have known that Virgin America's initial certification process had been difficult and protracted; in 2014, the parties were seeking to ensure that the Virgin America IPO proceeded successfully and without the DOT objecting; amending the 2007 TMLA so to oblige Virgin America to pay the Minimum Royalty even if the Names or Marks were not used was a matter that Virgin America should have notified the DOT of; failing to notify the DOT of a substantial change would be a breach of Virgin America's statutory obligations, and could precipitate adverse action by the DOT, to the detriment of Virgin America generally, and the orderly progression of the IPO in particular; there was no discussion between the parties in July to November 2014 of whether Virgin America was obliged to notify the DOT that the 2007 TMLA was being amended to require it to pay royalties even if no use was made of the Names or Marks, or whether Virgin America could run the risk of not telling the DOT expressly about this change.
- (2) The parties knew, or could reasonably have known, that what the DOT was expressly told by Virgin America in 2014, and what the DOT understood, prior to the parties concluding the Current TMLA was that, "...*the amended TMLA will continue to permit Virgin America the ability to operate independent of the "Virgin" names and marks without the obligation to pay royalties.*" The DOT's understanding was never corrected by Virgin America.
- (3) The parties knew, or could reasonably have known, at the time they concluded the Current TMLA that:
 - (a) The DOT was never expressly told that the parties were proposing to amend the 2007 TMLA so as to require Virgin America to pay royalties (i.e. the Minimum Royalty) even if it made no use of the Names or Marks. Thus, for example, this fact was not expressly referred to in the slide decks put before the DOT;
 - (b) If that change was objectively intended by the parties, Virgin America would have (irrespective of its legal obligations) informed the DOT of that change.

131. Alaska relied on the following evidence in support of these propositions.

132. As regards the first factual point, in outline, Alaska says that the parties knew, or could reasonably have known that Virgin America's initial certification process was difficult and protracted, as Mr Podberesky accepted. The parties were seeking to ensure that the Virgin America IPO proceeded successfully and without the DOT objecting. Alaska did not understand there to be any dispute that the parties were seeking to ensure that the Virgin America IPO proceeded successfully and without the DOT objecting. Insofar as necessary, this is demonstrated by:

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- (1) The 26 June 2014 email from James Cahillane, to Mr Varley in which he said, “[g]iven that there will be changes to the TMLA post-IPO, are you intending to include something on these in your presentation to the DOT? I think both VEL and VX will want comfort that there will be no DOT issues with the TMLA changes post-IPO” (emphasis added)
- (2) The close involvement of Virgin in reviewing and discussing Virgin America’s submissions prior to the IPO to the DOT.
- (3) The time critical nature of an IPO, and the advantages to both sides of a successful IPO.

133. As to the second point:

- (1) On 26 June 2014, i.e. shortly before the 8 July 2014 presentation to the DOT, James Cahillane, General Counsel at Virgin Management USA Inc, emailed Mr Varley and said, “[g]iven that there will be changes to the TMLA post-IPO, are you intending to include something on these in your presentation to the DOT? I think both VEL and VX will want comfort that there will be no DOT issues with the TMLA changes post-IPO” (emphasis added). Virgin therefore expressly identified that both parties would want comfort that the DOT would be content with any changes to the 2007 TMLA.
- (2) Similarly Virgin America was, in consultation with Virgin, at great pains to identify to the DOT material changes which would affect Virgin America post-IPO: see §51-53 Alaska’s Skel. There is no reason why they would have failed to draw clearly and expressly such an important change to the 2007 TMLA to the attention of the DOT.
- (3) US carriers are at pains to maintain good relations with their regulator, the DOT, including by ensuring the DOT considers them to be forthright. It would be inimical to that well known goal of maintaining positive relations with the DOT for Virgin America to have failed to mention a significant change to an important document like the 2007 TMLA to the DOT.
- (4) In addition, the DOT is a powerful institution, which expects close co-operation with the carriers to which it has granted a CPCN and expects carriers to be professional and conduct themselves with honour and dignity. As was made clear in evidence, “...if there is any question with respect to what a carrier is going to be doing vis-à-vis their authority, they should contact DOT informally to find out what DOT’s opinion is.” Moreover, no carrier wants to end up in the DOT’s bad books, or to have to reverse a transaction or be the subject to adverse action by the DOT, particularly in the context of US citizenship and fitness.

134. The DOT’s October 2014 Letter records that the DOT was told that:

“In addition to the ownership changes noted above, you have also stated that Virgin America intends to amend its Trademark License Agreement (“TMLA”) with the Virgin Group. Specifically, you note that the term of TMLA would be extended for 25 years and the TMLA would no longer be subject to minimum revenue thresholds... The amended TMLA would also require Virgin America

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to pay the Virgin Group a minimum royalty payment if Virgin America's royalty payment from licensing fees would otherwise be less than that minimum payment. ... You also note the amended TMLA will continue to permit Virgin America the ability to operate independent of the "Virgin" names and marks without the obligation to pay royalties."

135. Against that backdrop, Alaska contended, the parties knew, or could reasonably have known, that the DOT (i) was told only what was set out in its October 2014 Letter so far as the Minimum Royalty was concerned, and (ii) consequently understood the Current TMLA would have the effect described in its letter. That is significant because:

- (1) The DOT did not suggest that it was told or knew that in fact Virgin America's ability to operate independently of the Names or Marks (the requirement that the DOT had imposed in 2007) was limited by the fact that it had to pay the Minimum Royalty even if no use was made of the Names or Marks.
- (2) To the contrary, while the DOT understood that when the royalties derived from continued use of the Virgin brand were below the Minimum Royalty, the Minimum Royalty would be paid instead, it still clearly believed that "*...the amended TMLA will continue to permit Virgin America the ability to operate independent of the "Virgin" names and marks without the obligation to pay royalties*". That would not be true if in fact the Minimum Royalty was objectively intended by the parties to be due even if no use was made of the Names or Marks.

136. Alaska further contended that it is important to bear in mind the genesis of the amendments to the 2007 TMLA and the objective aim of the transaction.

- (1) Initially, Virgin had suggested that amendments be made not out of a desire to reshape the form of Virgin's licensing arrangement with Virgin America but rather to "*get everything into one agreement*" based on "*[its] expectation...that the licence should effectively continue on the same terms as today, so I have limited the exercise to consolidation*".
- (2) Substantive amendments only came to be suggested by Virgin America as a result of concern from the investment bankers who were "*concerned that investors would be worried that the agreement might terminate, and so they suggested that...we extend the term*". These concerns prompted the request from Mr Varley that a longer term be included, along with the elimination of the revenue threshold for term extension. Those changes came at a price: namely, the introduction of a Minimum Royalty as well as an increase in the royalty rate until a revenue threshold was reached.
- (3) The objective aim of the transaction is therefore clear: to give certainty to Virgin America as to a term extension for its use of the Names and Marks, where such extension was previously dependent on a revenue target that was unlikely to be met and to give a higher and consistent return to Virgin (a higher share of revenue and a minimum royalty in the event that its Names and Marks were used).
- (4) To that end, the parties were not interfering at all with the *status quo* in relation to the position where the Names and Marks were not used. Although (as explored with Mr Varley in XX) Virgin did attempt to introduce a change to the existing

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position (a “*must exclusively use*” provision), Mr Varley told Virgin that this would be a “*fundamental change to the existing license agreement*” and altering language that had been structured to address DOT concerns; the parties then agreed to stick with the 3.6/3.7 regime where Clause 3.6 remained expressly “*subject to Clause 3.7*.”

137. Thus, viewed objectively, the changes that were made to the 2007 TMLA were not directed at altering the *status quo* in relation to the situation of non-use. Rather, they were directed at ensuring, in the context of an IPO where investors wished to ensure that the business had the opportunity to use the Names and Marks as long as it desired to do so, that if the Names and Marks were used by Virgin America (given the term extension), a particular return would be achieved by Virgin. This is entirely consistent with the presentations that came to be made to the DOT in July and September 2014, and was ultimately reflected in the DOT’s October 2014 Letter.
138. In the light of the expert evidence of Mr Podberesky, it was submitted that there is no dispute but that:
 - (1) Carriers must be US citizens, and therefore must not be under the actual control of foreign citizens. Whether a carrier is under the actual control of a foreign citizen is determined by applying the ‘totality of circumstances’ test.
 - (2) Carriers have an obligation to notify the DOT of any changes which substantially alter the factors on which the DOT’s latest fitness finding was based.
139. Alaska submitted that amending the 2007 TMLA so as to require the payment of a multi-million dollar royalty until 2039 even if no use was made of the Names or Marks, would, at the very least, have been something (i) that Virgin America should have notified to the DOT and (ii) would have been a cause of concern to the DOT. That is because of the provisions of paragraph 3.a.i of Appendix A to the final order (Order 2007-5-11). Even after a TMLA in accordance with paragraph 3.a.i of Appendix A to the final order (Order 2007-5-11) was submitted to the DOT, paragraph 3.a.i continued to have ongoing significance. In this regard, Mr Podberesky accepted that a carrier could not comply with a condition like that in paragraph 3.a.i of Appendix A to the final order (Order 2007-5-11) by submitting a suitable TMLA to the DOT; obtain the DOT’s approval and an effective CPCN; and then immediately alter the TMLA such that it no longer complied with paragraph 3.a.i. Rather, in that situation, the carrier would have to notify the DOT of a substantial change.
140. In this case, it was submitted that the condition that the TMLA must allow Virgin America to operate without paying royalties if it did not use the Names or Marks was a very important condition to the DOT, as was apparent from the evidence of Mr Quinn; the terms of the DOT’s March SCO, with its reference to conditioning the certificate on the amendment to allow certain activities to occur without royalty obligation; paragraph 3.a.i of Appendix A of the DOT’s Final Order; and the DOT’s October 2014 Letter, which stated that “...*the amended TMLA will continue to permit Virgin America the ability to operate independent of the “Virgin” names and marks without the obligation to pay royalties.*”
141. Alaska also submitted that Mr Podberesky had accepted in cross-examination that one of the factors which would be considered as part of the ‘totality of circumstances’ test is a

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carrier's obligation to pay funds to non-US citizens. Payment of millions of dollars to non-US citizens in respect of IP rights which a US carrier was not even using, and had no intention to ever use again, would be a transfer of funds which could concern the DOT.

142. Accordingly, it was said, if the parties to the 2007 TMLA really had objectively intended to amend the 2007 TMLA so as to require Virgin America to pay substantial royalties even if no use was made of the Names or Marks, Virgin America should have informed the DOT. Such a change would be a major change to an important condition on which the effectiveness of its CPCN originally depended, and as such amounted to a 'substantial change' which Virgin America was obliged to notify the DOT of. That was something which the parties knew, or could reasonably have been aware of, since it follows from undisputed principles of US aviation law and the DOT's orders and October 2014 Letter, which both parties had. If Virgin America had an obligation to notify the DOT of an amendment to the 2007 TMLA that would result in it paying royalties even if it made no use of the Names or Marks (because that would be a 'substantial change'), then inevitably a failure to do so by Virgin America would be a breach of its obligation under 14 CFR 204.5 and paragraph 8 of the Terms, Conditions and Limitations attached to the effective CPCN made under cover of Order 2007-8-17. A breach of Virgin America's obligations would obviously prejudice its relationship with the DOT. Moreover, if the breach was viewed as egregious, it could precipitate enforcement action by the DOT, as Mr Podberesky agreed in cross-examination. And, if a breach meant that the DOT required further filings from Virgin America, and time to review what, if any, steps to take against Virgin America, that news could delay or affect the IPO.
143. Alaska submitted that there was no evidence whatsoever that the parties were content to run the risk that the DOT might take action against Virgin America, and it is unlikely, given the impending IPO and the centrality of the CPCN to Virgin America's operations, that they would have done so. They further maintained, as I have already noted, that there was no evidence of any discussion of whether the DOT needed to be informed expressly of a change to the 2007 TMLA that would require the payment of a multi-million dollar royalty until 2039 even if the Names or Marks were not used; what the ongoing significance of paragraph 3.a.i of Appendix A to the final order (Order 2007-5-11) was, and what it might effectively oblige Virgin America to do; and whether the parties were willing to run the risk either:
- (1) Of not telling the DOT that the 2007 TMLA was being amended so as to require the payment of royalties even if the Names or Marks were not used; or
 - (2) Of Virgin America either prior to or after the IPO, facing action from the DOT as a result of either (i) failing to notify the DOT of the change to the 2007 TMLA or (ii) the change itself.
144. Finally, there was no evidence of any discussion of whether the changed circumstances between 2007 and 2014 meant that the DOT would not bring an enforcement action as a result of a change to the 2007 TMLA which resulted in royalties being payable even if the Names or Marks were not used.
145. In conclusion, Alaska's construction, it was said, is the only one consistent with the factual background. It is highly unlikely, given the importance of the IPO, the CPCN and Virgin America complying with its US law obligations and maintaining good relations

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with the DOT, that the parties would have agreed a substantial change to the 2007 TMLA without (i) expressly notifying the DOT (formally or informally) and (ii) discussing the issue amongst themselves.

146. Next, Alaska relied on considerations of *business commonsense*. They argued that Virgin's construction produces the unreasonable result that Virgin America breached its obligations to the DOT by failing to notify the DOT of a "substantial change" to the 2007 TMLA and its fitness condition. The Court should avoid a construction which produces that unreasonable result.
147. They also relied on the increased likelihood of a de-branding exercise following the conclusion of the Current TMLA. In the face of an increased likelihood that at some point in the future Virgin America would cease to use the Names or Marks entirely it was said that it makes no sense for Virgin America to have agreed to pay millions of dollars a year to Virgin whether or not it used the Names or Marks. Such an arrangement (as opposed to one which allows Virgin to terminate the Current TMLA if insufficient use of the Names or Marks is made) makes no commercial sense, in particular given Virgin's own case that it could not readily relicense the Names or Marks for the Licensed Activities (such that they had limited market value).
148. In this regard, Alaska contended that there was a fundamental tension in Virgin's case on business common-sense:
 - (1) On the one hand Virgin says it could not readily relicense the Names or Marks. But on the other Virgin simultaneously seeks to say that Virgin America would have paid the Minimum Royalty in order to prevent others in the market using the Names or Marks (an argument premised on Virgin's ability to relicense readily the Names or Marks).
 - (2) Whichever way that tension is resolved, Alaska's construction of the Current TMLA is the correct one:
 - (a) The suggestion that Virgin could readily relicense the Names or Marks is consistent with, for example, Ms Daniel's evidence that the Virgin brand is seen within the business as a strong and valuable brand.
 - (b) The suggestion that they could not highlights the fact that there is no reason why Alaska would pay nearly US\$8 million per year for the Names or Marks even if it did not use them (which Virgin contends is the true effect of the Current TMLA).
149. Finally, Alaska contended that Virgin's assertion that other Virgin entities at one time invested significant sums in the creation and establishment of Virgin America was of no significance, all the more so given Ms Daniels has confirmed that the Virgin Group has made a 1.5 to 2 times return on its investment in Virgin America.

Issue 1: Discussion and conclusions.

150. I turn to my conclusions on this issue.

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151. In my judgment, it is important to approach this matter chronologically, in view of the way in which the points have been argued.
152. I start with the position as at the submission to the DOT in 2007. I accept, in the light of the evidence of Mr Podberesky and Mr Lehman, that the question for the DOT was whether Virgin America was a US citizen. I also accept that, in this regard, the corporate and financial arrangements relating to Virgin America were relevant, and, in particular, I accept Alaska's contention that the DOT were concerned in relation to the question of whether Virgin America was obliged to pay royalties to Virgin for earnings made from non-branded activities. This is clear from the correspondence with the DOT referred to above, and also from the evidence of Mr Quinn, which I accept.
153. The question would therefore arise, in the context of construing the 2007 TMLA, of how to construe Clauses 3.6 and 3.7. As to this, I would conclude as follows:
- (1) In my view, it is necessary to read these clauses together and to seek to give content to both, if that is possible.
 - (2) It is also necessary to take a step back and to ask, in the context of the agreement viewed as a whole, what the likely purpose of these Clauses was. The overall purpose of the agreement was to enable Virgin America to use the Virgin brand. Whilst it is true that they were to be free to fly without using the Virgin brand and without paying royalties on such flights, it is clear that this was a subsidiary matter. What was important was that Virgin America should be free to use the Names and Marks. That is what they were bargaining to be free to use.
 - (3) It is also clear that where they did not in fact use the Virgin brand, they would not pay royalties. This is because of the mechanics of the calculation of amounts payable; but the point goes no further than this.
154. However, perhaps the most important question is whether the construction of the 2007 TMLA is of any real relevance in the context of the issue before me, which has to do with the proper construction of a different agreement in different terms, namely the Current TMLA. In my judgment, the earlier agreement is admissible, but of little real relevance, in this regard. It is admissible because it forms part of the factual background reasonably available to both parties. It is of little relevance because the Current TMLA contains a new set of provisions, which have to be construed as a whole, and which differ in material respects from the earlier contract. It is also of little relevance because matters had moved on between 2007 and 2014 as a matter of fact.
155. I turn to the construction of the Current TMLA. I have already noted that there is very little between the parties as to the relevant principles of contractual construction, and I apply the well known principles set out in Wood v Capita and Arnold v Britton, set out above.
156. As to the question of surplusage, I have dealt with the interrelationship of Clauses 3.7 and 3.6 above in the context of the 2007 TMLA. In my view, those Clauses fall, in my judgment, to be construed together with the totality of the remainder of the Current TMLA, against the background facts reasonably available to both parties as at the date of conclusion of the Current TMLA.

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157. Dealing first with those background facts, then I accept much of what Alaska has said about what the parties both knew. Thus, in particular:
- (1) The parties did know that the process of getting approval from the DOT in 2007 was a protracted and difficult one.
 - (2) The parties also knew that the DOT in 2007 had been concerned to ensure both that Virgin America had the ability to carry out flights which would be independent of the association with Virgin, and that such flights would be free of any royalty payments to Virgin.
 - (3) I accept that Clauses 3.6 and 3.7 had been inserted into the 2007 TMLA to meet these concerns.
158. However, I also accept several of the relevant factual background matters relied on by Virgin.
- (1) It is clear that, by virtue of the IPO and the reduction in Virgin's rights of control associated with the renegotiations in 2014, Virgin were giving up valuable rights which were material to the issue of whether Virgin America were to be regarded as a US citizen.
 - (2) It is also clear that, by virtue of the changes in the control structure, the risk of a de-brand was increased.
 - (3) It is, in my view, clear that the prolongation of the term of the agreement was thought to be in Virgin America's interest, and it is further the case that Virgin America's bankers wished for this.
159. Turning to the facts relating to the presentation to the DOT at the time of the 2014 TMLA, then it is indeed clear that this renegotiation involved a substantial change which required DOT approval. I do not think that either expert challenged this proposition. However, in any event, on the factual evidence before me, I find that the DOT was closely involved in 2014.
160. The documentary factual material relating to what was presented to the DOT has been summarised above. On the basis of that material, as well as the evidence of the witnesses from whom I heard oral evidence, I find as follows:
- (1) The DOT were fully apprised of the terms of the Current TMLA, having been provided with red-lined versions of that document by the parties.
 - (2) As regards the evidence of Mr Varley that it was made clear at the meetings that Virgin America had with the DOT that no royalties would be payable if there was no use of the Virgin brand, I do not accept that evidence. Whilst I do not find that Mr Varley was deliberately trying to mislead me, then I take the view that he was led to give evidence which went beyond his true recollection. Certainly there is nothing in the contemporaneous documents to support his evidence, which was (taken overall) not very clear in any event; and his witness statement did not reflect his oral evidence in this regard.

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- (3) The DOT came back, after their consideration of the TMLA and the meetings with Virgin America, with their letter of 20 October 2014. Each party relied on different parts of that letter. In my judgment, whilst it made reference to the right to fly free of the payment of Royalties, it was also clear that the DOT understood that the TMLA provided for the payment of a Minimum Royalty. I do not think that there is anything in this correspondence which really assists me in relation to the proper construction of the Current TMLA, which I must simply construe by reference to the words used by the parties.

161. Against this background, I turn to the actual provisions of the Current TMLA. I have concluded that Virgin's arguments as to the proper construction of the agreement are to be preferred. I reach this view for the following reasons.

- (1) In my judgment, the start point must be the words of the Current TMLA, and in particular Clause 8. I have set out the relevant clauses above. I have concluded that these words are clear. The Minimum Royalty is a defined term, and is a set sum payable for every year of the contractual term, regardless of the level of usage of the Virgin brand. That is clear from the definition of the term, and from the clauses setting out how that sum is to be calculated. Just as that minimum sum falls to be paid if some royalties (not a defined term) are earned in a year but fall short of the Minimum Royalty, so, if no royalties are earned, it remains the case that the minimum sum has to be paid.
- (2) I do not think that the fact that the minimum sum is expressed as a "Minimum Royalty" means that it must be derived from royalties in fact earned. Alaska itself contended that for Virgin to be correct, the Minimum Royalty would have to be a flat fee rather than a royalty. In my judgment, that is exactly what the Minimum Royalty is. It is a flat fee payable for the right to use the Virgin brand, whether or not that right is taken up. Again, in that regard, I accept Virgin's submissions.
- (3) In my judgment, this conclusion is supported by what I regard as the most important aspect of the factual matrix, namely the degree of uncertainty introduced by the other changes to the 2007 TMLA in 2014 and the risks undertaken by Virgin as a result of these changes. It is clear that, viewed from the perspective of Virgin America, the extension to the right to use the Virgin brand was a valuable one. It is also clear that Virgin was losing a substantial number of rights of control and that there was, as a result, an enhanced risk of a de-brand. In these circumstances, I think that it is a reasonable commercial conclusion to reach that Virgin would wish to assure themselves of a guaranteed minimum income going forward.
- (4) Conversely, I do not regard the factual background matters put forward by Alaska as of any great force, and indeed it is not clear what principle of construction is being relied on in this regard.
 - (a) The nub of the argument advanced appears to be that, in view of the difficulties that had been experienced in relation to the payment of royalties in 2007, the parties would not have agreed any provision for ongoing royalties where the Virgin brand was not used in 2014, and hence that, even if the agreement might have been construed in such a way, it should not be so construed, since this would mean that Virgin America and Virgin were to be treated as having agreed a provision that they knew might imperil the DOT

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approving the arrangement. As I understood the argument, it was that Virgin's construction was thereby rendered commercially unreasonable.

- (b) I have already set out my factual findings as to what the DOT was in fact told in 2014. The factual position in 2014 was of course different from that which appertained in 2007. I have concluded that the full terms of the proposed TMLA were put before the DOT in 2014. In my judgment, the question of construction that remains for me is what, against the background of those facts, the proper construction of the Current TMLA is. That is a matter of the consideration of the words used by the parties.
- (5) Overall, I have concluded that, quite clearly, on the wording of the Current TMLA, the parties did in fact agree that Virgin America should pay a continuing minimum fee for the right to re-use the Virgin brand (whether or not they chose to do so).

162. I should perhaps add a few other points.

- (1) First, I agree with Virgin that the question must be approached from the perspective of Virgin and Virgin America as at the date of the agreement, and not from the perspective of Alaska.
- (2) Secondly, viewed against this background, it was clearly the case that Virgin America wished to continue to have the right to use the Virgin brand, and was prepared to pay for this.
- (3) Thirdly, it was in Virgin America's interests (and in those of its bankers) to have a long term relationship with Virgin.
- (4) Fourthly, it was also relevant to note that Virgin would wish to have some form of comfort to ensure that it was remunerated for giving this approval.
- (5) Fifthly, I accept that Virgin's ability to re-use the Virgin brand in the US was limited, whereas Virgin America's right was established.
- (6) Sixthly, I do not accept that there was any question of Virgin America acting in breach of its statutory obligations. As I have said, the approval of the DOT was necessary. The full terms of the Current TMLA were put before the DOT, who approved that document. Their letter does, it is true, make reference to the right not to use the Virgin brand; but it also makes reference to the fact that a Minimum Royalty is to be paid.

163. In the light of my conclusion on this first issue, it is, strictly speaking, unnecessary for me to consider the second and third issues. However, in case this matter goes further and because the points have been fully argued, at least in writing, I do so.

Issues 2 and 3: Part years

The parties' respective contentions.

Virgin's case.

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164. Virgin's case is that, even if it is wrong about the Minimum Royalty being payable even where use of the Virgin brand ceases entirely, it is clear nonetheless that if some use is made of the Virgin brand during any given year, the Minimum Royalty will be due in full during that year.
165. This, it was argued, followed from the mechanics of Clause 8, which made it clear that the Minimum Royalty Obligation required an annual Top Up where the quarterly payments are below the Minimum Royalty amount. Even if, contrary to Virgin's case, Clause 3.7 dictates that where there is no use of the Virgin brand, no royalty will be payable, in years where there has been some use of the Virgin brand this cannot apply: the Minimum Royalty is an annual minimum amount which is payable, on Alaska's case, where there is some use of the Virgin brand. Where it has been used in the year, it is due, because there has been use of the Virgin brand. There is simply no language in the contract which would lead to any other conclusion.
166. As regards Alaska's counter arguments, Virgin divided these into three.
- (1) First, Alaska pointed to the definition of Minimum Royalty which refers to a pro rata amount in respect of part years. However, Virgin contended that this was plainly intended to deal with part years at the beginning and end of the term. Whilst, Virgin said, Alaska argued that "*[t]here is no meaningful difference between the Current TMLA ending in the middle of a financial year (where pro-rating is expressly provided for), and Alaska ceasing any use of the Names or Marks in the middle of a financial year*", this was incorrect. In point of fact, there were multiple meaningful differences between part years at the beginning and end of the term (which were a necessary consequence of the Current TMLA being executed, and the IPO taking place, in November) and part years of usage. During part years of the term, Alaska would not be the beneficiary of the grant of the right during the whole year. Therefore it was entirely sensible for the fees to be pro-rated. That is not true of part years of usage. Whether to use the Virgin brand on any given day was a matter entirely in Virgin America's gift, subject to the obligations under Clause 3.6. Further, pro rating for part years of the Term of the Current TMLA was expressly provided for, whereas no such provision was made for part years of non-usage.
 - (2) Second, Virgin sought to deal with Alaska's reliance on the Apportionment Act 1870. They argued that it did not assist Alaska to say that the Minimum Royalty is apportioned if it was still due for the remainder of the year where there has been use during the year. In this regard, it was submitted that the Apportionment Act 1870 was brought in to deal with the problem of part-earned consideration. It allows a claimant in certain circumstances to claim part of the consideration where part of the performance due under the contract has been rendered. In this case, apportioning the payment leaves open the question of whether it is due during the part-year for which no use has been made. It is notable, Virgin argued, that Alaska has never gone so far as to say that no consideration is given for the Minimum Royalty in a non-usage year; Alaska's argument are all of the nature that the price is too high. In fact, Virgin argued, the Apportionment Act 1870 is not applicable. The Minimum Royalty Obligation is not a periodical payment in the nature of income, such as a salary. The Minimum Royalty is simply a minimum figure. The amount due may be more than the Minimum Royalty, if the four quarterly payments due under Clause 8 amount to more than the Minimum Royalty. Further,

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 ALASKA AIRLINES (formerly VIRGIN AMERICA)

the amount of the Top Up necessary to meet the obligation to pay at least the Minimum Royalty will vary depending on how much revenue is generated during any given year. This will not be known till the end of the year. This indicates that it is not possible to pro-rate the Minimum Royalty on a daily basis, because the amount due as a Top Up (if any at all) depends on events taking place during the year. Finally, the express provisions of Clause 8, requiring a Top Up at the end of the year, are inconsistent with the application of the Apportionment Act 1870 in the manner which Alaska suggested.

- (3) Finally, the argument was put forward that requiring the full Minimum Royalty irrespective of the number of days of use was commercially unreasonable. However, this was not the case, because, as noted above, Virgin's argument was that the right to use the Virgin brand was valuable consideration.

Alaska's case.

167. Issue 2, Alaska argued, only arose if Alaska had succeeded on Issue 1. Therefore, at this stage of the analysis the Court will have accepted that Clause 3.7 applies in priority to all other clauses in the Current TMLA (including the Minimum Royalty provisions in Clause 8) and that it confers a right on Alaska to perform the Licensed Activities without paying royalties if it makes no use of the Names or Marks.
168. If that is the starting point when considering Issue 2, Alaska argued that it was unclear what (if any) answer Virgin has to Issue 2. Virgin's analysis as to why the Minimum Royalty should not be pro-rated does not take as its starting point the axiom that Alaska does not have to pay royalties (including the Minimum Royalty) if it makes no use of the Names or Marks. It therefore addresses Issue 2 on a false premise, and is irrelevant.
169. In contrast, Alaska's case not only proceeds from the correct starting point that if Alaska makes no use of the Names or Marks it pays no royalties but is consistent with both the wider contractual context and business common-sense. Indeed it would be bizarre, given the purpose of Clause 3.7, and the regulatory pressure which led to its creation, if the parties were, by the back door and without having discussed it with the DOT (or even having expressly appraised the DOT of it), creating via Clause 3.6 a minimum use obligation which would have the effect of always requiring (i) the Names or Marks to be used and (ii) the Minimum Royalty to be paid.

Discussion and conclusions.

170. I have concluded that Virgin's arguments are to be preferred. I reach this conclusion for the following reasons:
 - (1) I accept that this issue does not arise if Virgin is correct on Issue 1. Since, as I have indicated already, it is my view that it is, then this issue becomes an irrelevance.
 - (2) However, I do not accept that this issue is irrelevant if Virgin is wrong on Issue 1. That is because this issue looks to the question of whether, if Alaska has made some use of the Names or Marks (whether or not it had to) Virgin is entitled to the Minimum Royalty. In my judgment, where some use has been made of the Names or Marks, then, on the true construction of the contract, the Minimum Royalty is payable.

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- (3) I reach this conclusion, essentially, for the reasons set out by Virgin, which I have outlined above. Both the manner in which the Minimum Royalty is calculated, and the definition of that sum, indicate that where some use is made of the Names or Marks, then the Minimum Royalty is payable; and I accept that the Apportionment Act 1870 is irrelevant (for the reasons argued) and that the provisions for partial use in the contract relate to the years in which partial use is of necessity, given the timing of the contract.

Issue 3:

The parties' contentions.

Virgin's case.

171. Virgin's case under this head complemented its case in relation to Issue 1. It argued that even if there was no debt due in the amount of the Minimum Royalty, as was its case under Issue 1, then, nevertheless, Alaska, under Clause 3.6, was bound to make some use of the Virgin brand. In this regard, it repeated its submissions as to the proper interrelationship between Clauses 3.6 and 3.7, namely that Clause 3.7 did not entirely negate the obligation in Clause 3.6. The analysis was then that Alaska was liable in damages, with the measure of damages being such sum as would be necessary to place Virgin in the same position as it would have been in absent breach. Had some use of the Virgin brand been made, then that in turn would have meant that the Minimum Royalty would have been payable. Accordingly, Virgin argued, the same result was reached via the analysis under Issue 3 as that reached under Issue 1.

Alaska's case.

172. As with Issue 2, Alaska contended that Issue 3 only arose if Alaska succeeded on Issue 1. Therefore, at this stage of the analysis, it was argued that I must either have accepted Alaska's interpretation of the obligation imposed by Clause 3.6, or accepted that it is to an extent surplusage and does not trump the right afforded to Alaska to perform the Licensed Activities without using the Names or Marks, or paying royalties. Both of those are fatal to Virgin's case on Issue 3, which depends on establishing that Clause 3.6 imposes an obligation on Alaska to use the Names or Marks.
173. Alaska therefore contended that the reality was that because Virgin relies on Clause 3.6 in support of its case on Issue 1 and the true meaning of Clause 3.7, if Virgin lost on Issue 1 its defeat on Issue 3 was assured.

My conclusions.

174. I agree that this issue does not really matter in the light of my conclusions on Issue 1. However, I would conclude in any event that Alaska (or more accurately Virgin America) were obliged to use the Names or Marks under Clause 3.6, at least to some extent. It logically follows that in ceasing to do so, they acted in breach of contract. I accept, too, that the measure of loss for such breach is the amount of the Minimum Royalty, payable as damages rather than as a debt.
175. Accordingly, I find in favour of Virgin on this aspect as well.

EXHIBIT 11



IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
KING'S BENCH DIVISION
COMMERCIAL COURT

Claim No. CL-2022-000507

CL-2022-000507

Before The Honourable Mr Justice Andrew Baker (on paper)
22 November 2024

BETWEEN:

**ALASKA AIRLINES INC (formerly VIRGIN AMERICA
INC)**

Claimant

-and-

(1) VIRGIN AVIATION TM LIMITED
(2) VIRGIN ENTERPRISES LIMITED

Defendants

CONSENT ORDER

UPON the parties having agreed to enter commercial and settlement discussions and to stay these proceedings to allow those discussions to progress

AND UPON the parties by their respective solicitors having agreed to the terms of the Order set out herein

IT IS ORDERED BY CONSENT THAT

1. All further proceedings in this action shall be stayed for a period of 3 (three) months from the date of this Order.
2. Each party shall have liberty to apply.
3. This order shall be served by the Claimant on the Defendants.
4. Costs in the case.

Service of the Order

The Court has provided a sealed copy of the order to the serving party, Jones Day of 21 Tudor Street, London, EC4Y 0DJ.

EXHIBIT 12

SLAUGHTER AND MAY

One Bunhill Row
London EC1Y 8YY
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F +44 (0)20 7090 5000

6 June 2025

Our reference
JPXC/LJVE
Your reference
SCM/RR/LL/XK

Pallas Partners LLP
110 Bishopsgate
London
EC2N 4AY

Dear Pallas Partners LLP

CL-2022-000507: Alaska Airlines Inc. (“Alaska”) -v- (1) Virgin Aviation TM Limited, and (2) Virgin Enterprises Limited (together, “Virgin”) (the “Proceedings”)

1. We refer to:
 - (a) Virgin’s summary judgment application filed with the Court in the Proceedings on 25 February 2025 (the “**Application**”);
 - (b) your letters dated 21 May 2025 and 3 June 2025; and
 - (c) our letter dated 28 May 2025.
2. Unless otherwise stated, we adopt the definitions used in prior correspondence.
3. Your 3 June letter asserts that Virgin has failed to provide proper explanations to the questions raised in your 21 May letter. That is misconceived. Virgin has already set out its position on both questions clearly in correspondence. By contrast, your 3 June letter fails to address the critical fact that Alaska has specifically disavowed any separate repudiation argument, which is notable.
4. Beyond that, your 3 June letter raises certain additional matters, which we respond to below.
5. First, your 3 June letter states in paragraph 3 that the “*starting point*” is that Alaska’s pleaded case contains an allegation of repudiatory breach. Alaska’s pleaded case only contains an allegation of repudiatory breach by way of renunciation; there is no allegation of any separate repudiatory breach. As explained in our 28 May letter,

RJ Turnill	CNR Jeffs	IAM Taylor	AM Lyle-Smythe	OJ Wicker	NL Cook	CR Osborne	AJJ Chadd	Authorised and regulated
DL Finkler	SR Nicholls	DA Ives	A Nassiri	DJO Blaikie	AJ Dustan	MJ Sandler	RA Francis-Pike	by the Solicitors
SR Galbraith	MJ Tobin	MC Lane	DE Robertson	CVK Boney	HEB Hecht	CM Sharpe	AF Liaqat	Regulation Authority
JAD Marks	DG Watkins	LMC Chung	RA Innes	F de Falco	CL Jackson	JM Slade	TR Peacock	Firm SRA number 55388
DJO Schaffer	BKP Yu	RJ Smith	CP McGaffin	SNL Hughes	OR Moir	WCW Brennand	TXT Zhuo	
DR Johnson	EC Brown	MD'AS Corbett	CL Phillips	PR Linnard	S Shah	DJG Hay	AT Bulfin	
RA Swallow	J Edwarde	PIR Dickson	SVK Wokes	KA O'Connell	G Kamalanathan	TG Newey	EA Couzens	
CS Cameron	AD Jolly	IS Johnson	NSA Bonsall	N Yeung	JE Cook	LJE Nsoatabe	DP Griffith-Jones	
E Michael	JS Nevin	RM Jones	RCT Jeens	CJCN Choi	CA Cooke	PJC O'Malley	OM Ladrowska	
RR Ogle	RA Byk	EJ Fife	V MacDuff	NM Pacheco	LJ Houston	SE Osprey	DM Mewton	
HL Davies	GA Miles	JP Stacey	PL Mudie	CL Sanger	CW McGarel-Groves	DA Shone	JOD Wharton	
JC Putnis	GE O'Keefe	LJ Wright	DM Taylor	HE Ware	PD Wickham	S Sriram		
RA Sumroy	MD Zerdin	JP Clark	RJ Todd	HJ Bacon	RR Hilton	HK Sumanasuriya		
JC Cotton	RL Cousin	WHJ Ellison	WJ Turtle	TR Blanchard	KM Howes	SC Tysoe		

SLAUGHTER AND MAY

Alaska has previously expressly confirmed this in paragraph 7 of Jones Day's 17 January 2023 letter. Your 3 June letter fails to address this critical point, to which Alaska appears to have no answer.

6. Second, and most substantively, your 3 June letter appears to rely on a "*principle of law*" that a renunciation may be partial, if the partial renunciation is of a condition, or would otherwise deprive the counterparty of substantially the whole benefit of the contract (see paragraph 4).¹ Your 3 June letter refers to paragraphs 28-049 to 28-051 of Chitty in this respect. This is confused.
 - (a) In the first place, paragraph 28-049 and paragraphs 28-050 and 28-051 of Chitty deal with separate issues. Paragraph 28-049 deals with what can be labelled for present purposes as 'partial renunciation', whereas the latter two paragraphs address the test for renunciation generally (on which Virgin relies).
 - (b) Your argument appears to turn on what is said in paragraph 28-049, dealing with partial renunciation. That concerns a situation where a party indicates that it will comply with part of a contract, but not with another part. The question then arises whether the refusal to comply with part of the contract is a renunciation, applying the general test for repudiation. Evidently in that situation, it is necessary for the Court to evaluate the seriousness of the (intended) partial breach, to assess whether it amounts to a renunciation.
 - (c) However, those legal principles have no application here, and your analysis is misconceived. Virgin has not committed any kind of 'partial renunciation'. As has always been clear, Virgin's position is that it has complied with the provisions of the Current TMLA (as defined in the Application). If the interpretation of the Current TMLA is bindingly and finally resolved in favour of Virgin in these proceedings, then Virgin will continue to act as it always has. If the interpretation of the Current TMLA is bindingly and finally resolved against Virgin in these proceedings, then Virgin intends to comply with the Current TMLA as so interpreted by the Court.
 - (d) The principles of 'partial renunciation' described in Chitty, paragraph 28-049 therefore do not apply at all. There is no need to "*engage with*" those authorities, because they are irrelevant.
 - (e) On the contrary, as we have explained on numerous occasions, the relevant line of authority is that deriving from *Woodar*: the parties are simply in

¹ If and to the extent that your 3 June letter advances some different argument concerning repudiatory breach, Virgin does not understand it or how it differs from a simple allegation of repudiatory breach which Alaska has expressly disavowed.

SLAUGHTER AND MAY

disagreement about the correct interpretation of the Current TMLA pending resolution by the Court, and, in those circumstances, it is perfectly plain that Virgin has in no sense renounced the Current TMLA. That is a question which can be resolved on a summary basis, and, we consider, will be so resolved in favour of Virgin.

- (f) For the avoidance of doubt, nothing said in paragraph 5 of Jones Day's letter dated 17 January 2023 changes this analysis.
7. Third, it follows that it is wrong that Virgin has in some way failed to address Alaska's pleaded case, as alleged in paragraph 5 of your 3 June letter. Virgin (a) denies any breach of contract; and (b) denies any renunciation (including any 'partial renunciation', as set out above). For the avoidance of doubt, as explained in our 28 May letter, had it been alleged, Virgin would also have denied that any breach was repudiatory; however, no such allegation is made.
8. Fourth, as to paragraph 7 of your 3 June letter, Virgin has not issued an application for summary judgment / strike out of the Repudiation Argument, because Alaska has no such pleaded Repudiation Argument. Therefore, it is not necessary for Virgin to address whether the Repudiation Argument is suitable for summary determination. However, Virgin considers that any separate Repudiation Argument has no real prospect of success. Without limitation, if Alaska thought that the argument had a real prospect of success it would have pleaded it in the first place, and would not have expressly disavowed it over two years ago.
9. Fifth, your 3 June letter raises the spectre of a possible amendment application for the first time. It is impossible for Virgin to comment on such a theoretical application without seeing the proposed amendments, and Virgin's rights are fully reserved. However, if such an application is issued, Alaska will bear the burden of persuading the Court that any amendments have a real prospect of success.
10. In the circumstances, Virgin does not intend to withdraw the Application and looks forward to receiving Alaska's evidence in answer to the Application pursuant to the existing (already substantially extended) timetable for evidence.
11. We reserve all of Virgin's rights.

Yours faithfully



EXHIBIT 13

PALLAS

9 June 2025

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

Our Ref: SCM/RR/LL/XK
Your Ref: JPXC/LJVE

By email

Dear Slaughter and May,

CL-2022-000507: Alaska Airlines Inc. v (1) Virgin Aviation TM Limited; and (2) Virgin Enterprises Limited (the “Proceedings”)

1. We refer to the correspondence exchanged between the parties on the subject of your clients’ Application, and in particular to your letter of 6 June 2025. Unless otherwise defined, capitalised terms used in this letter have the meanings given previously.
2. As to the Repudiation Case: that case is pleaded at paragraph 8 of the PoC and is also made clear by way of the declaration pleaded at paragraph 9.2. In any event, as indicated in our 3 June letter, our client intends to amend the PoC (see further paragraph 6 below). Given the correspondence to date and the Defendants’ reliance on the 17 January 2023 letter from Jones Day the Claimant will, amongst other things, seek permission to amend the PoC to make clear its reliance on both a Repudiation Case and a Renunciation Case.
3. As to the Renunciation Case: the Claimant’s position is not “misconceived” or “confused”. Your analysis of the legal position at paragraph 6 of your letter is wrong.
 - a. As we stated in our letter, and as is made clear in Chitty §28-048, a renunciation will occur where a party *“intend[s] in fact to fulfil (the contract) but [is] determined to do so only in a manner substantially inconsistent with his obligations”*. If the Claimant’s construction is correct, then that is precisely the situation here. Virgin is willing to continue to perform the Current TMLA but only on terms that permit it, in breach of its obligations, to grant a licence to Virgin Atlantic to use the Marks in connection with the Delta Sales (or otherwise to permit that use). The question for the Court in considering whether that amounts to a renunciation will be whether, as the Claimant contends, this breach is *“substantial”*.
 - b. You assert that reliance on what you call “partial renunciation” has no application. That is wrong. Virgin is asserting that it will comply with part of its obligations under the TMLA (by permitting the use of the Marks in connection with the Licenced Activities – Clause 3.1) but is refusing to perform another obligation (to ensure the use is exclusive and/or to not grant any further licences to use the Marks in respect of the Licenced Activities – Clauses 3.2 and 3.3 respectively).

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Again, as we have explained, and as Chitty makes clear in §28-049, the question of whether such conduct amounts to renunciation turns on whether the part of the contract Virgin is refusing to perform constitutes a repudiatory breach.

- c. As to your assertion that Virgin merely disagrees with the meaning of the Current TMLA and will comply with any future court order as to its meaning, this is the issue addressed in Chitty at §§28-050 and 28-051. Those passages make clear that the courts have “*struggled to reconcile*” the applicable principles of law as to whether this means no renunciation has occurred, that the cases are “*not easy to reconcile*” and that it is in each case “*highly fact sensitive*”. Even if the Defendants’ position is viable on the present facts, it is plainly does not raise an issue of law appropriate for summary determination.
4. Contrary to the Defendants’ position therefore: (a) **both cases** require a fact-sensitive analysis as to whether (if the Claimant is correct regarding the construction of the Current TMLA and the Virgin Atlantic Licence) the alleged breach by the Defendants is so serious as to constitute repudiation and (b) given the fact-sensitive nature of this analysis it cannot, at this stage, be said that either case is suitable for summary determination and/or has no real prospect of success.
5. In accordance with the timetable agreed between the parties on 7 April 2025 and notified to the Court on the same date, our client will proceed to file its Responsive Evidence on 10 June 2025. However, as we have already indicated, our client does intend to amend the PoC.
6. Accordingly, the Claimant suggests the following timetable:
 - a. The Claimant will provide a draft APOC to the Defendants by 17 June 2025;
 - b. by 1 July 2025, the Defendants will indicate (i) whether they consent to the amendments and (ii) whether they intend to continue with the Application in light of the amendments; and
 - c. if the Defendants do intend to continue with the Application then they will provide any further evidence in support of the application by the agreed date of 22 July 2025.
7. The above proposed timeline will not jeopardise the hearing date for the Application currently set down for 16 September 2025.
8. For the avoidance of doubt, and insofar as not addressed in this letter, our client will respond to any relevant remaining points of your letter in due course and should not be taken to agree with or accept any of them.
9. Our client’s rights remain fully reserved.

Yours faithfully,

A handwritten signature in dark ink that reads "Pallas Partners LLP". The signature is written in a cursive, slightly stylized font.

Pallas Partners LLP

PALLAS

EXHIBIT 14

Amended Particulars of Claim under CPR 17.2()

Claim No: CL-2022-000507

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
KING'S BENCH DIVISION
COMMERCIAL COURT**

BETWEEN:

ALASKA AIRLINES INC.

Claimant

-and-

(1) VIRGIN AVIATION TM LIMITED

(2) VIRGIN ENTERPRISES LIMITED

Defendants

***Draft* AMENDED PARTICULARS OF CLAIM**

Introduction

1. The Claimant is a company incorporated in Alaska, the United States of America (“US”). The Claimant is the legal successor to Virgin America Inc. The Claimant and Virgin America were merged together on 20 July 2018, at which time Virgin America Inc. ceased to exist and all of its rights and obligations were assumed by the Claimant. In this regard:

- 1.1 References hereafter to “**Virgin America**” are references to Virgin America Inc., the separate entity existing before 20 July 2018;
- 1.2 References hereafter to “**AAI**” are references to the Claimant at any time after 20 July 2018 (i.e. the entity surviving the merger).

2. The First Defendant (“**Virgin Aviation**”) is a company incorporated in England and Wales with company number 8865672. Virgin Aviation holds the rights to license certain trademarks beneficially owned by the Second Defendant.
3. The Second Defendant (“**VEL**”) is a company incorporated in England and Wales with company number 01073929. VEL and Virgin Aviation together are referred to in these Particulars of Claim as “**Virgin**”. VEL and Virgin Aviation are both companies in the Virgin group of companies, a group founded by Sir Richard Branson (the “**Virgin Group**”).

The Current TMLA

4. On 19 November 2014 Virgin America, Virgin Aviation and VEL concluded a contract entitled “Amended and Restated Virgin America Trade Mark Licence” (the “**Current TMLA**”). The Current TMLA included the express terms set out in paragraphs 5 to 13 below. AAI will refer to terms of the Current TMLA for their full meaning and effect. Terms defined in the Current TMLA are adopted below. In addition, the following short-hand terms are used in this pleading:
 - 4.1 “**North American Route**” means any flight route for which all points of arrival and departure are within the US, Canada and Mexico.
 - 4.2 “**Caribbean Route**” means any flight route for which the point of arrival is in the US, Canada or Mexico and the point of departure is in the Caribbean islands or Bermuda (or vice versa) including where the route has three or more points of arrival/departure all of which are within those places.
 - 4.3 “**Multi-Leg International Route**” means any route made up of at least three arrival/departure points one of which is outside the US.
 - 4.4 “**Virgin Atlantic Exception**” means the terms of the Current TMLA concerning Virgin Atlantic Airways Ltd (“**Virgin Atlantic**”) set out in clauses 3.2.1 to 3.2.4, as described in paragraph 11 below.
5. By clauses 3.1 and 3.2, Virgin Aviation granted to Virgin America the exclusive right to use the Marks “*in connection with*” and “*in the ordinary course of carrying on*” the

Licensed Activities subject only to the Virgin Atlantic Exception (the “**Exclusive Licence**”).

6. By clause 3.4, the rights granted to Virgin America were subject to and did not include any rights granted by VEL to “*third parties*”. On the proper construction of clause 3.4 Virgin Atlantic is not a “*third part[y]*”:
 - 6.1 Virgin Atlantic is specifically defined in clause 1.1. of the Current TMLA and is also expressly included within the clause 1.1. definition of “*Virgin Carrier*”.
 - 6.2 Virgin Atlantic’s rights to use the Marks are expressly carved out from the Exclusive Licence (being the Virgin Atlantic Exception: see further paragraph 11 below).
 - 6.3 Given the Virgin Atlantic Exception it would be contrary to business common sense for clause 3.4 to operate so as to exclude from the Exclusive Licence yet further unspecified rights granted to Virgin Atlantic.
7. By Sch 1 para. 1. the Licensed Activities were defined as (inter alia) the right to operate an airline on any North American Route or Caribbean Route.
8. By Sch 1 para. 2, the right in para. 1 also included, without limitation:
 - 8.1 All activities which are “*incidental to*” the operation of an airline on any North American Route or Caribbean Route.
 - 8.2 All activities which would “*ordinarily be regarded as part of the business of an airline*”.
 - 8.3 The right to market flights operated by any other airline as part of a codesharing arrangement on any North American Route or Caribbean Route.
9. On the proper construction of Sch 1, para. 1 and/or para. 2:
 - 9.1 The operation of an airline on a North American Route or Caribbean Route includes the activities of marketing, selling and otherwise making available, to potential passengers or others, tickets for flights on those routes.

- 9.2 Further or alternatively, those activities are “*incidental to*” the operation of an airline on those routes or are “*part of the business of*” an airline on those routes.
- 9.3 Accordingly, the Licensed Activities include the right to market, sell or otherwise make available, to potential passengers or others, tickets for flights on any North American Route or Caribbean Route, whether operated by Virgin America or by another airline.
10. By clause 3.3, Virgin Aviation was not permitted to grant any further licences to use the Marks in respect of the Licensed Activities.
11. By clauses 3.2.1 to 3.2.4, the Virgin Atlantic Exception to the Exclusive Licence was as follows:
- 11.1 By clause 3.2.1, Virgin Atlantic was entitled to operate its own aircraft for flights on North American Routes but only if they formed part of a Multi-Leg International Route.
- 11.2 By clause 3.2.2, Virgin Atlantic (and any other airline licenced to operate international flights from or to the US under the “Virgin” brand) was entitled to market and operate codeshare routes with another airline which included flights on North American Routes but only as part of a Multi-Leg International Route and provided that the requirements in clauses 3.2.2.1 and 3.2.2.2 were met.
12. Accordingly, by reason of the clauses of the Current TMLA set out in paragraphs 5 to 11 above, Virgin America was granted the exclusive right to use the Marks in connection with the marketing, sale and provision, to potential passengers and others, of tickets for flights on any North American Route or Caribbean Route (subject only to the Virgin Atlantic Exception).
13. By clause 8.1, in consideration of the rights granted pursuant to clause 3, Virgin America was required to pay to Virgin Aviation quarterly payments of royalties calculated in accordance with clause 8 (the “**Royalty Payments**”). These comprised the following sums:
- 13.1 A sum of US\$7,978,200 per financial year, increased annually by the percentage increase of the USCPI (the “**Minimum Royalty**”, as defined in clause 1.1).

That sum was payable in respect of each financial year for the duration of the Current TMLA regardless of whether Virgin America derived any Gross Sales from the use of the Virgin brand during that year or part of that year.

- 13.2 If greater than the Minimum Royalty, an amount calculated as a percentage of the Gross Sales of Virgin America in accordance with clause 8.1.
14. On the proper construction of the Current TMLA, the Minimum Royalty constituted the proportion of the Royalty Payments which was attributable to the exclusivity of the Exclusive Licence. AAI will rely in this regard on the Judgment of the Court of Appeal in Claim No. CL-2019-000742 (the “**MR Proceedings**”), viz., Virgin Aviation TM Ltd v Alaska Airlines Inc [2024] EWCA Civ 622 (the “**Court of Appeal Judgment**”), especially paragraphs 26-32.

Performance of the Current TMLA by Virgin America and AAI

15. In accordance with clauses 3.1 and 8 (of both the Current TMLA and prior versions) Virgin America and AAI made royalty payments to Virgin Aviation continuously from the date Virgin America began operating as an airline until May 2019, with an additional small payment made in January 2020.

Breach of the Current TMLA by Virgin

16. On dates presently unknown to AAI, Virgin Atlantic used the Marks in connection with the marketing, sale and provision, to potential passengers and others, of tickets for flights operated by its alliance partner airlines on North American Routes and/or Caribbean Routes (the “**Alliance Flights**”). These tickets were acquired through the use of loyalty scheme ‘points’.
17. The full extent of the Alliance Flights is presently unknown. Pending disclosure, AAI relies upon the flights operated by:
- 17.1 Delta Air Lines Inc. (“**Delta**”) on both North American and Caribbean Routes; and
- 17.2 Hawaiian Airlines Inc. on North American Routes.

18. In breach of clauses 3.2 and/or 3.3 of the Current TMLA, Virgin permitted Virgin Atlantic to use the Marks in the manner pleaded in paragraphs 16 and 17 above.
19. Further or alternatively, in breach of clauses 3.2 and/or 3.3, and on dates presently unknown to AAI, Virgin granted to Virgin Atlantic an express, alternatively implied, licence to use the Marks in the manner pleaded in paragraph 16 and 17 above. The full nature and extent of the licence granted to Virgin Atlantic is presently unknown to AAI.
20. Further, AAI does not know the full nature and extent to which the Marks were used by Virgin Atlantic in breach of the Current TMLA. AAI reserves the right to provide further particulars following disclosure.

Termination of the Current TMLA

21. Virgin have, by their conduct, as pleaded in paragraphs 18 and 19 above, acted in a manner inconsistent with, and in breach of, the terms of the Current TMLA. The breaches pleaded in paragraphs 18 and 19 were and are repudiatory and entitled AAI to terminate the Current TMLA. Pending disclosure, AAI relies in this regard on the following facts and matters:
 - 21.1 The right to exclusive use of the Marks, and to thereby exclude competitors from using the Marks, was central to Virgin America and AAI's commercial advantage in the market for flights on the North American and Caribbean Routes. Any non-trivial breach of exclusivity undermined this commercial advantage and deprived Virgin America and AAI of substantially the whole benefit of the Current TMLA.
 - 21.2 The financial value attributable to the exclusivity equated to the Minimum Royalty and was thus substantial: see paragraph 14 above.
 - 21.3 The number of tickets for Alliance Flights marketed, sold and provided as set out in paragraph 16 above is high. Pending disclosure, AAI relies on information in the public domain: for example between 2018 and 2024 Delta (a) flew approximately 800 million passengers on US domestic routes and (b) reported that award tickets (viz., those acquired by redeeming airline miles or

points and not cash) accounted for approximately 7% of its total passenger revenue.

- 21.4 Virgin's breach has persisted for a long time. Virgin aver by way of their Defence and Counterclaim dated 1 July 2024 (the "**Original DCC**") that the possibility of Virgin Atlantic's customers redeeming points to purchase Alliance Flights operated by Delta on North American Routes ("**Delta Flights**") has persisted since "*at least July 2013 onwards*" and, by letter dated 2 August 2022, has asserted that they intend to continue using the Marks in respect of the Delta Flights unless and until judged by this Court that the use is in breach of the Current TMLA.
- 21.5 The breach diverted potential customers of Virgin America and AAI to the Alliance Airlines. As members of a loyalty programme (and thus frequent flyers) those potential customers were particularly valuable.
- 21.6 The Alliance Flights included flights operated to and from Virgin America's primary hubs of San Francisco and Los Angeles and AAI's primary hub of Seattle. Such flights were of particular importance to the business of Virgin America and AAI respectively.
- 21.7 The harm from the breach – including brand dilution, customer confusion, loss of market position – was and is such that it cannot be easily remedied.
- 21.8 The breach was intentional. By the Original DCC, Virgin has averred that they intentionally permitted Virgin Atlantic's conduct in relation to the Delta Flights and did so pursuant to an express licence agreement.
22. Further or alternatively, Virgin have denied (by letter from their solicitors dated 4 July 2022) that the use of the Marks by Virgin Atlantic is inconsistent with, or in breach of, the terms of the Current TMLA and by letter from their solicitors dated 2 August 2022 have asserted that they will continue to act in the manner identified in paragraphs 18 and 19 above. Virgin have thereby evinced an intention to:
 - 22.1 Continue with the Current TMLA only in a manner which is substantially inconsistent with their obligations and/or;

22.2 Comply with some terms of the Current TMLA but not others (specifically clauses 3.2 and/or 3.3) in circumstances where the breach of the latter terms is repudiatory for the reasons set out in paragraph 21 above.

Virgin have thereby renounced the Current TMLA.

23. By filing the Particulars of Claim dated 23 September 2022 the Claimant accepted the repudiatory breach of contract set out in paragraphs 21 and 22 above and terminated the TMLA.

Relief

Declaration

24. Virgin maintain (in particular by the Original DCC) that the Current TMLA has not been terminated and continues to subsist. In view of the parties' dispute about whether the Current TMLA has been terminated, AAI is entitled to and claims a declaration that, *"Virgin Aviation and/or VEL by its conduct in licensing the Marks to Virgin Atlantic and/or permitting their use has acted in a manner inconsistent with, and in breach of, the terms of the Current TMLA. AAI validly accepted that repudiatory breach on 23 September 2022, thereby terminating the Current TMLA"*.

Loss and Damage

25. Virgin's breaches have caused Virgin America and AAI loss and damage. Pending disclosure, the full nature and extent of the licence granted to Virgin Atlantic is unknown to AAI such that AAI is unable to fully particularise its loss and damage at present. In principle however, the loss includes:

25.1 The direct loss of profit from diverted sales, being those flights operated by Virgin America and AAI that would have been purchased by those who acquired tickets for the Alliance Flights, including all profits from any 'add-on' services pertaining to those flights.

25.2 The indirect loss of profit caused by Virgin America and AAI not being the exclusive licensee of the rights.

26. Alternatively, AAI is entitled to and claims negotiating damages, being the sum that Virgin would have had to pay, in a hypothetical negotiation at the time of the breach, in order to be permitted to licence the Marks to Virgin Atlantic to be used in connection with the Alliance Flights and any other use that Virgin Atlantic has, unknown to AAI, made of the Marks in breach of the Current TMLA. Further particulars of the nature of this assessment will be provided following disclosure. In principle however, this sum would include:

26.1 An amount to reflect the release of Virgin's obligation to ensure that AAI was the exclusive licensee of the Marks in relation to the provision of the Licensed Activities in accordance with clause 3.2 and subject only to clause 3.4. The quantum of this sum was the Minimum Royalty: see paragraph 14 above.

26.2 Further or alternatively a sum to reflect the actual use of the Marks in respect of the Alliance Flights.

Injunctive relief

27. Further or alternatively, if contrary to AAI's primary case the Current TMLA continues to subsist: unless restrained Virgin threaten to continue licensing the Marks to Virgin Atlantic and/or permitting their use, which will cause AAI to suffer further loss and damage that will not be adequately compensated by damages.

Restitution

28. In light of paragraphs 16 to 19 above, the basis for the proportion of the Royalty Payments which was attributable to the exclusivity of the Exclusive Licence has totally failed.

29. AAI is accordingly entitled to restitution of such proportion of the Royalty Payments made after the commencement of the acts of Virgin set out in paragraphs 16 to 19 above, which was attributable to the exclusivity of the Exclusive Licence.

30. That proportion was the Minimum Royalty: see paragraph 14 above.

Interest

31. Further, AAI is entitled to and claims compound interest at common law alternatively simple interest pursuant to s.35A of the Senior Courts Act 1981 on any sum found to be due to it to be measured by reference to AAI's average cost of borrowing (which will be a matter for evidence in due course but which for comparison for the year to 31 December 2021 was 3%) from the date of loss until judgment or sooner payment or alternatively at such rate and for such period as the Court shall think fit.

AND the Claimant claims:

- (1) The declaration pleaded in paragraph 24 above;
- (2) Damages, alternatively an inquiry as to damages, together with an order for payment of all sums found due to AAI;
- (3) A permanent injunction to restrain Virgin Aviation and/or VEL and/or both of them from infringing the Current TMLA by continuing to license the Marks to Virgin Atlantic for, and/or permit their use in connection with, the Licensed Activities;
- (4) Restitution or repayment;
- (5) Interest pursuant to s.35A of the Senior Courts Act 1981 and/or the equitable jurisdiction of the Court;
- (6) Costs;
- (7) Such further or other relief as the Court deems appropriate.

SHAHEED FATIMA K.C.

DANIEL BURGESS

[DATE]

Statement of Truth

The Claimant believes that the facts stated in these Amended Particulars of Claim are true. I am duly authorised by the Claimant to sign this statement. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

.....

Name:

Position: [] (Solicitors to the Claimant)

Date: []

SERVED this [] by [], Solicitors for the Claimant

EXHIBIT 15

PALLAS

17 June 2025

Slaughter & May
One Bunhill Row
London
EC1Y 8YY

Our Ref: SCM/RR/LL/XK
Your Ref: JPXC/LJVE

By email

Dear Slaughter and May,

CL-2022-000507: Alaska Airlines Inc. v (1) Virgin Aviation TM Limited; and (2) Virgin Enterprises Limited (the “Proceedings”)

1. We refer to the correspondence exchanged between the parties on the subject of your clients’ Application, and in particular to our letters of 3 and 9 June 2025. Capitalised terms used in this letter have the meanings given in previous correspondence.
2. Our letter of 3 June put the Defendants on notice of our client’s intention to amend the POC. Pursuant to the timetable provided at paragraph 6(a) of our letter of 9 June, we enclose a draft of our client’s amended pleadings (the “**draft APOC**”). The draft APOC has been provided in both a ‘redline’ format showing the amendments from the original text (in accordance with CPR PD 58 para 8) and also in a ‘clean’ format which does not distinguish between original and amended text (in accordance with the Commercial Court Guide, C.5.1(d)).
3. Given the stay and the early stage of the Proceedings we hope these amendments can be agreed by consent. Our client confirms that it will meet your clients’ reasonable costs of and arising from the amendments.
4. Please therefore indicate by 1 July 2025:
 - a. Whether your clients agree to the amendments set out in the draft APOC in accordance with CPR 17.1(2)(a) (and, if not, which amendments are objected to and on what basis); and
 - b. Whether, in light of the amendments in the draft APOC, your clients intend to continue with their Application (and, if so on what basis).
5. You will note that the pleading at paragraph 7 of the current POC is no longer pursued in the draft APOC. If the Application is withdrawn, our client is willing to pay the reasonable costs incurred by your clients to date in respect of the Application which are referable specifically to paragraph 7 of the current POC.

T: +44 204 574 1000
W: pallasllp.com
22nd Floor, Salesforce Tower, 110 Bishopsgate, London, EC2N 4AY

6. Our client's rights remain fully reserved.

Yours faithfully,

A handwritten signature in dark ink that reads "Pallas Partners LLP". The signature is written in a cursive, slightly stylized font.

Pallas Partners LLP

Encl.

EXHIBIT 16

The Law Reports

King's Bench Division

Court of Appeal

Gorbachev v Guriev

[2022] EWCA Civ 1270

2022 Aug 19;
Sept 30

Nicola Davies, Males, Lewis LJ

Practice — Service out of jurisdiction — Third party disclosure — Party applying for disclosure order against third parties located outside jurisdiction in respect of documents located within jurisdiction — Whether jurisdiction to grant permission to serve such application out of jurisdiction — Whether application constituting “claim” and “proceedings” for purposes of jurisdictional gateway — Whether enactment permitting application to be made against persons outside jurisdiction — Senior Courts Act 1981 (c 54), s 34 — CPR PD 6B, para 3.1(20), r 31.17

In advance of a trial in the High Court, the claimant issued an application pursuant to section 34 of the Senior Courts Act 1981¹ and the procedure set out in CPR r 31.17² by which he sought third party disclosure from the trustees of two Cyprus-based trusts of documents held electronically by the trustees’ solicitors in England and Wales, on the basis that they were likely to be relevant to one of the issues in the trial. The judge granted the claimant permission to serve the application on the trustees out of the jurisdiction pursuant to gateway (20) in paragraph 3.1 of CPR PD 6B, which permitted such service where a “claim” was made under an enactment which allowed “proceedings” to be brought against persons not within the jurisdiction. The trustees applied to set those orders aside, contending that the court had not had jurisdiction to order service out of the jurisdiction since (i) an application for third party disclosure was neither a “claim” nor “proceedings” for the purposes of gateway (20) and (ii) section 34 of the 1981 Act was not an enactment which allowed proceedings to be brought against persons not within the jurisdiction. The set-aside application was refused.

On the trustees’ appeal—

Held, dismissing the appeal, that on a proper construction of gateway (20) in paragraph 3.1 of CPR PD 6B, the term “claim” was not used in any restrictive or technical sense and the term “proceedings” was to be given a neutral and common sense meaning; that, accordingly, an application for third party disclosure pursuant to section 34 of the Senior Courts Act 1981 and CPR r 31.17 constituted both a “claim” and “proceedings” for the purposes of gateway (20); that, further, on a true construction, section 34 of the 1981 Act permitted an application to be brought

¹ Senior Courts Act 1981, s 34: see post, para 12.

² CPR PD 6B, para 3.1(20): see post, para 3.

R 31.17: see post, para 15.

against a third party who was outside the jurisdiction for an order to produce documents which were located within England and Wales; that, in such a case, the principle of territoriality was of little or no application, since to require the production of documents located within the jurisdiction would not involve any illegitimate interference with the sovereignty of the state in which the third party owner of the documents was located and to the extent that there was any interference at all, arising from the fact that any order to produce would be made against the third party personally, such interference was legitimate; and that, accordingly, there had been jurisdiction in the present case to make an order for service of the claimant's application on the trustees out of the jurisdiction under gateway (20), since the application was a claim made under an enactment which allowed proceedings to be brought against persons not within the jurisdiction (post, paras 33–36, 49–50, 54, 82–88, 92, 99, 100, 101).

Dicta of Lord Bridge of Harwich in *Holmes v Bangladesh Biman Corp'n* [1989] AC 1112, 1126F–1127B, HL(E), dicta of Lewison LJ in *Orexim Trading Ltd v Mahavir Port and Terminal Pte Ltd* [2018] 1 WLR 4847, para 22, CA, *ED&F Man Capital Markets LLP v Obex Securities LLC* [2018] 1 WLR 1708 and *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm) considered.

Quaere. Whether there is jurisdiction under section 34 of the 1981 Act to make an order in respect of documents located outside the jurisdiction (post, para 89).

Decision of Jacobs J [2022] EWHC 1907 (Comm) affirmed.

The following cases are referred to in the judgment of Males LJ:

AES Ust-Kamenogorsk Hydropower Plant LLP v Ust-Kamenogorsk Hydropower Plant JSC [2011] EWCA Civ 647; [2012] 1 WLR 920; [2012] Bus LR 330; [2012] 1 All ER (Comm) 845; [2012] 2 Lloyd's Rep 233, CA

Blain, Ex p; In re Sawers (1879) 12 Ch D 522, CA

Charman v Charman [2005] EWCA Civ 1606; [2006] 1 WLR 1053, CA

Clark v Oceanic Contractors Inc [1983] 2 AC 130; [1983] 2 WLR 94; [1983] 1 All ER 133, HL(E)

Cox v Ergo Versicherung AG [2014] UKSC 22; [2014] AC 1379; [2014] 2 WLR 948; [2014] 2 All ER 926, SC(E)

ED&F Man Capital Markets LLP v Obex Securities LLC [2017] EWHC 2965 (Ch); [2018] 1 WLR 1708

GFN SA v Bancredit Cayman Ltd [2009] UKPC 39; [2010] Bus LR 587, PC

Holmes v Bangladesh Biman Corp'n [1989] AC 1112; [1989] 2 WLR 481; [1989] 1 All ER 852; [1989] 1 Lloyd's Rep 444, HL(E)

M v N [2021] EWHC 360 (Comm)

Mackinnon v Donaldson, Lufkin and Jenrette Securities Corp'n [1986] Ch 482; [1986] 2 WLR 453; [1986] 1 All ER 653

Masri v Consolidated Contractors International (UK) Ltd (No 4) [2009] UKHL 43; [2010] 1 AC 90; [2009] 3 WLR 385; [2009] Bus LR 1269; [2009] 4 All ER 847; [2010] 1 All ER (Comm) 220, HL(E)

Nix v Emerdata Ltd [2022] EWHC 718 (Comm)

Orexim Trading Ltd v Mahavir Port and Terminal Pte Ltd [2018] EWCA Civ 1660; [2018] 1 WLR 4847; [2018] Bus LR 2156; [2019] 1 All ER (Comm) 15; [2019] 1 Lloyd's Rep 89, CA

Panayiotou v Sony Music Entertainment (UK) Ltd [1994] Ch 142; [1994] 2 WLR 241; [1994] 1 All ER 755

R (Al-Skeini) v Secretary of State for Defence [2007] UKHL 26; [2008] AC 153; [2007] 3 WLR 33; [2007] 3 All ER 685, HL(E)

R (KBR Inc) v Director of the Serious Fraud Office [2018] EWHC 2368 (Admin); [2019] QB 675; [2019] 2 WLR 267, DC; [2021] UKSC 2; [2022] AC 519; [2021] 2 WLR 335; [2022] 1 All ER 97; [2021] 1 BCLC 651, SC(E)

R (Quark Fishing Ltd) v Secretary of State for Foreign and Commonwealth Affairs [2005] UKHL 57; [2006] 1 AC 529; [2005] 3 WLR 837; [2006] 3 All ER 111, HL(E)

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- A *R (Quintavalle) v Secretary of State for Health* [2003] UKHL 13; [2003] 2 AC 687; [2003] 2 WLR 692; [2003] 2 All ER 113, HL(E)
Seagull Manufacturing Co Ltd, In re [1993] Ch 345; [1993] 2 WLR 872; [1993] 2 All ER 980, CA
Test Claimants in the FII Group Litigation v Revenue and Customs Comrs (formerly Inland Revenue Comrs) [2020] UKSC 47; [2022] AC 1; [2020] 3 WLR 1369; [2021] 1 All ER 1001; [2020] STC 2387, SC(E)
- B *Tucker (RC) (A Bankrupt), In re; Ex p Tucker (KR)* [1990] Ch 148; [1988] 2 WLR 748; [1988] 1 All ER 603, CA

The following additional case was cited in argument:

Clermont Energy Partners LLP v SDP Services Ltd [2016] EWHC 1328 (Comm)

The following additional cases, although not cited, were referred to in the skeleton arguments:

- C *Brownlie v Four Seasons Holdings Inc* [2017] UKSC 80; [2018] 1 WLR 192; [2018] 2 All ER 91, SC(E)
Cartier International AG v British Sky Broadcasting Ltd [2018] UKSC 28; [2018] 1 WLR 3259; [2018] Bus LR 1417; [2018] 4 All ER 373; [2018] 2 All ER (Comm) 1057, SC(E)
Deutsche Bank AG v Sebastian Holdings Inc [2014] EWHC 112 (Comm); [2014] 1 All ER (Comm) 733
- D *Gilbert v Endean* (1878) 9 Ch D 259, CA
Goldtrail Travel Ltd v Onur Air Taşımacılık AŞ [2017] UKSC 57; [2017] 1 WLR 3014; [2018] 1 All ER 721, SC(E)
Hammond Suddards Solicitors v Agrichem International Holdings Ltd [2001] EWCA Civ 2065; [2002] CP Rep 21, CA
Johnsey Estates (1990) Ltd v Secretary of State for the Environment [2001] EWCA Civ 535; [2001] L & TR 32, CA
- E *Knauf UK GmbH v British Gypsum Ltd* [2001] EWCA Civ 1570; [2002] 1 WLR 907; [2002] 2 All ER 525; [2002] 2 All ER (Comm) 960; [2002] 1 Lloyd's Rep 199, CA
Leicester Circuits Ltd v Coates Brothers plc [2002] EWCA Civ 474, CA
R (Downs) v Secretary of State for the Environment, Food & Rural Affairs [2009] EWCA Civ 257, CA
SES Contracting Ltd v UK Coal plc [2007] EWCA Civ 791; [2007] CP Rep 46, CA
- F *Shared Network Services Ltd v Nextiraone UK Ltd* [2012] EWCA Civ 1171, CA
Société Générale v Goldas Kuyumculuk Sanayi Ithalat Ihracat AS [2017] EWHC 667 (Comm)
Tanfern Ltd v Cameron-MacDonald (Practice Note) [2000] 1 WLR 1311; [2000] 2 All ER 801, CA
Three Rivers District Council v Governor and Company of the Bank of England (No 4) [2002] EWCA Civ 1182; [2003] 1 WLR 210; [2002] 4 All ER 881, CA
- G *Totalise plc v The Motley Fool Ltd* [2001] EWCA Civ 1897; [2002] 1 WLR 1233; [2003] 2 All ER 872, CA
VTB Capital plc v Nutritek International Corp'n [2012] EWCA Civ 808; [2012] 2 Lloyd's Rep 313, CA
Vitol SA v Capri Marine Ltd [2008] EWHC 378 (Comm); [2009] Bus LR 271

APPEAL from Jacobs J

- H By an application notice dated 5 August 2021, the claimant, Alexander Gorbachev, applied pursuant to CPR r 31.17 for a third party disclosure order requiring an English firm of solicitors, Forsters LLP, to disclose documents which they held electronically on behalf of their clients, TU Reflections Ltd and First Link Management Services Ltd, both Cypriot companies and the trustees of two Cyprus-based trusts created for the benefit

of the claimant and alleged to have been operated by close associates of the defendant, Andrey Grigoryevich Guriev, which, on the claimant's case, were likely to be highly relevant to one of the issues in the forthcoming trial. At a hearing before Judge Pelling QC on 11 April 2022, at the judge's invitation the claimant orally made an ex parte application (i) to amend the application so as to join the trustees, and (ii) for permission to serve that application out of the jurisdiction, by alternative means, on the trustees. By an order of the same date, the court granted permission to make the amendments, to serve the order out in reliance on CPR PD 6B, para 3.1(20) (and the enactment in section 34 of the Senior Courts Act 1981, given effect by CPR r 31.17), and to serve it by alternative means pursuant to CPR r 6.15. On 12 April 2022, service was effected on the trustees in accordance with the order.

By an application notice dated 20 April 2022, the trustees applied to set aside the order, contending that the court did not have jurisdiction to make it, alternatively that permission to serve out should not have been made, and permission to serve by alternative means should not have been granted. The defendant attended at the hearing for the purpose of directions only and took no stance on either the amended application or the jurisdiction application. By a decision dated 20 July 2022, Jacobs J sitting in the Queen's Bench Division (Business and Property Courts, Commercial Court) [2022] EWHC 1907 (Comm) refused the application to set aside, holding that (i) the court had jurisdiction to permit service of an application for third party disclosure out of the jurisdiction pursuant to gateway (20) of Practice Direction 6B, (ii) it was appropriate to exercise that discretion since the documents were within the jurisdiction even though the trustees were not and (iii) in the circumstances of the case, it was appropriate to order service by alternative means.

By an appellant's notice filed on 5 August 2022 and pursuant to permission granted on 10 August 2022 by the Court of Appeal (Males LJ) the trustees appealed on the ground that the court had no jurisdiction to make an order for disclosure of documents against a third party outside England and Wales, contending that (i) gateway (20) only applied where a "claim" was brought; that an application for third-party disclosure was not a "claim" and did not in itself constitute "proceedings" within the meaning of gateway (20); and (ii) under the principle of territoriality whereby, unless the contrary intention appeared, an enactment applied to all persons and matters within the territory to which it extended, but not to any other persons and matters, section 34 of the 1981 Act did not allow proceedings to be brought against persons outside England and Wales.

The facts are stated in the judgment of Males LJ, post, paras 7–11.

Sam O'Leary and Harry Stratton (instructed by *Enyo Law LLP*) for the trustees.

An application for third party disclosure brought pursuant to section 34 of the Senior Courts Act 1981 and the procedure in CPR r 31.17 is not a "claim" and does not constitute "proceedings" for the purposes of gateway (20) of paragraph 3.1 of CPR PD 6B: see *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm). The word "claim" in paragraph 3.1 refers to a claim to enforce a substantive as distinct from a procedural right. The term "proceedings" in gateway (20) refers to claims or similar matters which are essentially free-standing, as distinct from applications (such as an application for third party disclosure) within such proceedings. Applications which are not in

[2023] KB

Corbachev v Curiev (CA)
Argument

A substance independent of the issues in dispute in the parent action do not constitute separate proceedings: *GFN SA v Bancredit Cayman Ltd* [2010] Bus LR 587, paras 26, 32 and *AES Ust-Kamenogorsk Hydropower Plant LLP v Ust-Kamenogorsk Hydropower Plant JSC* [2012] 1 WLR 920, para 126, per Rix LJ.

It is acknowledged that an application for pre-action disclosure would constitute a “claim”: see *ED&F Man Capital Markets LLP v Obex Securities LLC* [2018] 1 WLR 1708. However, an application for pre-action disclosure is to be distinguished from an application for third party disclosure. The latter is not an application made before action, and it can only be made once substantive proceedings have commenced. By definition it is parasitic on other, wider proceedings. Furthermore, unlike an application for pre-action disclosure, which can only be made against a person who is likely to be a party to the substantive proceedings, an application for third party disclosure is brought against a mere witness against whom the parties cannot assert any private right and who is only there to assist the court in the administration of its process: see *Mackinnon v Donaldson, Lufkin and Jenrette Securities Corp*n [1986] Ch 482, 494–495.

Gateway (20) only applies to an enactment which allows proceedings to be brought against persons not within England and Wales: see *Orexim Trading Ltd v Mahavir Port and Terminal Pte Ltd* [2018] 1 WLR 4847, para 33. Under the presumption against extra-territoriality, unless the contrary intention appears, an enactment applies to all persons and matters within the territory to which it extends, but not to any other persons and matters: see *Ex p Blain; In re Sawers* (1879) 12 ChD 522 and *Clark v Oceanic Contractors Inc* [1983] 2 AC 130, 152. The presumption against extra-territoriality is to be applied unless an intention to the contrary is clearly expressed or inferred: see *R (Al-Skeini) v Secretary of State for Defence* [2008] AC 153, para 11, per Lord Bingham of Cornhill.

Applying that presumption, section 34 of the 1981 Act does not allow proceedings to be brought against persons outside England and Wales. The effect of concluding otherwise would be to give the English court a long-arm jurisdiction to make disclosure orders against persons anywhere in the world, without going through the process for obtaining evidence and documents set out in the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters 1970 (1977) (Cmnd 6727): see *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm) at [27], per Cockerill J. It would trample over the letter of request regime and the narrowly drawn processes in place under the Convention: see *Panayiotou v Sony Music Entertainment (UK) Ltd* [1994] Ch 142, 152, per Sir Donald Nicholls V-C and *Charman v Charman* [2006] 1 WLR 1053, para 29. A compulsory judicial process requiring the production of documents from a party in another country might constitute an infringement of another country’s sovereignty: see *Mackinnon* [1986] Ch 482, 493–494, per Hoffmann J. It is contrary to the principle of comity to order disclosure to be given by a person outside the jurisdiction in circumstances where the English court would not make such an order in support of foreign litigation. Furthermore, an order for production of documents is enforceable by committal for contempt of court; but there is no practical procedure for enforcing such an order against a witness out of the jurisdiction, and in any event it would be contrary to comity to do so.

The approach of the judge in the present case reversed the presumption against extra-territoriality: instead of saying that there was nothing in section 34 of the 1981 Act which expressly or impliedly provided that an application could only be brought against persons in England and Wales, the judge should have applied the presumption unless there was a clear reason not to do so. Authorities have repeatedly construed apparently broad and unlimited powers to compel the production of documents to be limited to respondents within the jurisdiction: see *In re Tucker (RC) (A Bankrupt); Ex p Tucker (KR)* [1990] Ch 148, para 157, *Masri v Consolidated Contractors International (UK) Ltd (No 4)* [2010] 1 AC 90, para 26 and *R (KBR Inc) v Director of the Serious Fraud Office* [2019] QB 675, paras 28–29, 45. It is no justification for the judge’s approach that section 34 will only operate in conjunction with the exercise of judicial discretion: see *Mackinnon* [1986] Ch 482, 499 and *Masri (No 4)*. Without a hard-edged jurisdictional rule, foreign witnesses would have to appear in the English courts to contest the exercise of jurisdiction over them. Neither does the existence of a wide rule-making power assist, since the powers of the Civil Procedure Rule Committee depend on the extra-territoriality of the underlying statute: see *Masri (No 4)*, para 14 and *Orexim* [2018] 1 WLR 4847. In any event, even if the statute (in this case section 34) did authorise the Rule Committee to make provision for third party disclosure to be given by persons outside the jurisdiction, there is nothing in CPR r 31.17, to which the principle of territoriality also applies, to suggest that it has done so.

It is a matter of little or no consequence that the documents in question are located in England. As a matter of principle, disclosure is a personal and testamentary rather than proprietary obligation, meaning that the critical factor is the location of the witness, not the documents. Personal jurisdiction should not be confused with subject matter jurisdiction: see *Mackinnon* [1986] Ch 482, 493. In the case of electronic documents, the documents are not meaningfully “located” anywhere. It follows that the location of documents should not be decisive.

Accordingly, the English court never has jurisdiction to order the production of documents by a third party outside the jurisdiction.

In the alternative, the judge erred in the exercise of the court’s discretion to permit service out of the jurisdiction, in that he should have required the claimant to utilise the letter of request regime under the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters 1970. He further erred in the exercise of the discretion to permit service by alternative means, in that he should have required the claimant to use the mode of service set out in the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (1965) (Cmnd 3886).

[Reference was made to *Clermont Energy Partners LLP v SDP Services Ltd* [2016] EWHC 1328 (Comm).]

Paul Stanley KC and Mark Belshaw (instructed by *CMS Cameron McKenna Nabarro Olswang LLP*) for the claimant.

An application for third party disclosure made pursuant to section 34 of the Senior Courts Act 1981 and CPR r 31.17 falls within the scope of gateway (20) in paragraph 3.1 of CPR PD 6B, which is to be given a neutral and non-restrictive interpretation: see *Orexim Trading Ltd v Mahavir Port and Terminal Pte Ltd* [2018] 1 WLR 4847, para 47, per Lewison LJ. Such

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Corbachev v Curiev (CA)
Argument

- A an application falls within the broad and non-exhaustive definition of a “claim” in CPR r 6.2(c), which includes a “petition and any application made before action or to commence proceedings”. That definition plainly includes proceedings commenced by way of application notice, for example an application brought pursuant to section 34 of the 1981 Act. That is consistent with the purpose of the rule, which is to distinguish between originating process in all its various forms and other documents which are not a form of originating process. Such an understanding of “claim” is consistent with the wider scheme of CPR Pt 6. In particular, CPR r 6.39 treats an application against non-parties as a “claim”.

- B In order to decide whether section 34 of the 1981 Act allows “proceedings” to be brought, one must construe the terms of the enactment, including its purpose and effect: see *ED&F Man Capital Markets LLP v Obex Securities LLC* [2018] 1 WLR 1708, para 19, per Catherine Newman QC.
- C Under section 34, the application notice is the originating process which commences the substantive dispute between the parties, where before there was none. Its purpose and effect is to provide a cost-effective and procedurally efficient mechanism to resolve the substantive dispute between the applicant and the non-party.

- D An application for pre-action disclosure has been held to be a “claim” giving rise to “proceedings”: see *ED&F*. An application for third party disclosure is analogous to an action for pre-action disclosure, since both are preliminary in character and seek disclosure of documents from parties who are not at that stage parties to existing proceedings before the court. It is incorrect to suggest that an application for pre-action disclosure is concerned with enforcing substantive rights whereas an application for third party disclosure only involves a witness assisting the court with the administration of process. Both types of application involve a substantive dispute about disclosure. It follows that, for the purposes of gateway (20), an application brought pursuant to section 34 of the 1981 Act is a “claim” which gives rise to “proceedings”.

- E Once that is accepted, the only limitation on the scope of gateway (20) is that the enactment (in this case section 34 of the 1981 Act) must allow the proceedings to be brought against a person outside England and Wales.
- F That is a question of statutory construction of the relevant “enactment”: see *Clark v Oceanic Contractors Inc* [1983] 2 AC 130, para 152, per Lord Wilberforce. It is not necessary for the relevant legislation to expressly authorise such proceedings: see *Orexim* [2018] 1 WLR 4847, para 48.
- G Statutory construction should give effect to the language, purpose and context of the legislation: see *R (Quintavalle) v Secretary of State for Health* [2003] 2 AC 687, para 8 and *Test Claimants in the FII Group Litigation v Revenue and Customs Comrs (formerly Inland Revenue Comrs)* [2022] AC 1, per Lord Reed PSC and Lord Hodge DPSC. The presumption against extra-territoriality is merely that Parliament will not seek to intervene in matters which are legitimately the concern of another country: see *Holmes v Bangladesh Biman Corp'n* [1989] AC 1112, 1126–1127, per Lord Bridge of Harwich. The concept of territoriality is a subtle or “slippery” one, and the strength of the presumption may vary depending on the different contexts in which it arises: see *R (Quark Fishing Ltd) v Secretary of State for Foreign and Commonwealth Affairs* [2006] 1 AC 529, para 32, per Lord Nicholls of Birkenhead and *Cox v Ergo Versicherung AG* [2014] AC 1379, para 27.

On a proper construction of section 34 of the 1981 Act, the presumption against extra-territoriality is rebutted since: (i) there is nothing in the text of that section which limits its application to persons within the jurisdiction; (ii) the section will always operate in conjunction with the exercise of judicial discretion, which is an important safeguard against illegitimate intervention: see *Orexim* [2018] 1 WLR 4847, paras 48–49; (iii) the scope of the power to make rules of court (section 2 of the Civil Procedure Act 1997) is very broad: see *Masri v Consolidated Contractors International (UK) Ltd (No 4)* [2010] 1 AC 90. If section 34 did contain a territorial limitation, it would follow that the rule-making power would be similarly limited, but it is not. Further considerations are that, in modern times, proceedings against persons outside the jurisdiction are routinely authorised and should no longer be regarded as “exorbitant”: see *Orexim*, paras 33–35, 47. Implying a territorial restriction into section 34 would hinder its efficacy and purpose, given the international nature of many disputes before the English courts and the possibility that non-parties might be located outside the jurisdiction.

Concerns about compromising the principles of comity or sovereignty should not be used to justify limiting the territorial scope of section 34. Whilst those are material concerns, they do not tie the court’s hands completely and are sufficiently addressed through the principled exercise of discretion. Once it is accepted that section 34 falls within gateway (20), sovereignty is considered as part of the inquiry as to whether there is a serious issue to be tried and whether England is clearly the appropriate forum. Furthermore, sovereignty considerations are not one-sided, in that the state has a legitimate interest in the fair and orderly disposal of cases within its courts.

Moreover, the principle of territoriality, as it applies to documents, is concerned with the location of the documents rather than the location of the person against whom an order for disclosure may be made. In the present case, although the trustees are outside the jurisdiction, the documents are held by English solicitors within the jurisdiction.

Accordingly, as a matter of jurisdiction, the power of the court in section 34 “to order a person who is not a party to the proceedings” to give disclosure extends to any person, wherever in the world that person is to be found.

The judge did not err in the exercise of his discretion to permit service out of the jurisdiction and there was no error of principle in his reasoning. The letter of request regime under the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters 1970 is not appropriate in circumstances where the documents are located in England and held by English solicitors who are officers of the English court. Neither did the judge err in his approach to the discretion to permit service by alternative means, since he clearly followed the applicable principles: see *M v N* [2021] EWHC 360 (Comm) at [8]–[9], per Foxton J.

[Reference was made to *In re Seagull Manufacturing Co Ltd* [1993] Ch 345.]

Thomas James (instructed by *Forsters LLP*) for the trustees’ solicitors.

The trustees’ solicitors adopt a neutral position on the appeal and do not make any substantive submissions.

The defendant did not appear and was not represented.

The court took time for consideration.

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9
Gorbachev v Guriev (CA)
Males LJ

A 30 September 2022. The following judgments were handed down.

MALES LJ

B 1 The principal issue on this appeal is whether an order for disclosure of documents can be made against a third party outside England and Wales pursuant to section 34 of the Senior Courts Act 1981 (“the SCA”) and CPR r 31.17. Jacobs J held in this case that such an order can be made. In so holding he disagreed with the view taken earlier this year by Cockerill J in *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm).

C 2 The claimant in this action is Mr Alexander Gorbachev. He wishes to obtain third party disclosure of documents held electronically by Forsters LLP, a firm of English solicitors, and has issued an application against Forsters pursuant to CPR r 31.17. Forsters’ position is that they hold the documents on behalf of the appellants, TU Reflections Ltd and First Link Management Services Ltd (“the Trustees”), that the Trustees were the only proper parties to the application under CPR r 31.17, and that any order for disclosure should be made against them.

D 3 On 11 April 2022 Judge Pelling QC granted permission to the claimant, pursuant to CPR PD 6B, to serve the application for third party disclosure on the Trustees, which are Cypriot companies, out of the jurisdiction. The claimant submitted that permission could be granted under “gateway” (20) in Practice Direction 6B. This provides for service out of the jurisdiction with permission where:

“(20) A claim is made— (a) under an enactment which allows proceedings to be brought and those proceedings are not covered by any of the other grounds referred to in this paragraph . . .”

E 4 The enactment on which the claimant relies is section 34(2) of the SCA which enables the court to make orders for third party disclosure.

F 5 Judge Pelling also granted permission for the application to be served by alternative means pursuant to CPR r 6.15, namely by delivery to Forsters’ office within the jurisdiction and by e-mail to two addresses specified in his order. Service was effected by those means on 12 April 2022. The Trustees’ application to set aside Judge Pelling’s order came before Jacobs J on 6 July 2022. In his judgment dated 20 July 2022 he held that: (1) the court has jurisdiction to permit service of an application for third party disclosure out of the jurisdiction pursuant to gateway (20) of Practice Direction 6B; (2) it was appropriate to exercise that discretion in view of the fact that the documents are within the jurisdiction even though the Trustees are not; and G (3) it was appropriate to order service by alternative means in view of the outstanding application against Forsters and the imminence of the trial. Each of these conclusions is now challenged by the appellant Trustees.

The issues

6 Accordingly the issues on this appeal are as follows:

Jurisdiction

H (1) Does the court have jurisdiction to make an order for disclosure of documents against a third party outside England and Wales?

Mr Sam O’Leary for the Trustees submitted that the court has no such jurisdiction for two reasons. The first depends on the meaning of the terms “claim” and “proceedings” in gateway (20). Mr O’Leary submitted

that an application for third-party disclosure is not a “claim” and does not constitute “proceedings”. The second submission is that, applying the principle of territoriality whereby, unless the contrary intention appears, an enactment applies to all persons and matters within the territory to which it extends, but not to any other persons and matters, section 34 of the SCA does not allow proceedings to be brought against persons outside England and Wales.

Discretion

(2) If such jurisdiction exists, was the judge wrong to exercise his discretion to permit service out of the jurisdiction?

Alternative service

(3) Was the judge wrong to permit alternative service on the Trustees?

The factual background

7 The application for disclosure arises out of a dispute between the claimant and the defendant, Mr Andrey Guriev concerning their interests in a valuable fertiliser business based in Russia called PJSC PhosAgro. That dispute is currently listed for a six-week trial commencing in January 2023. One of the issues in the trial will be how and why Mr Gorbachev was financially supported between 2004 and 2012 through two Cyprus Trusts which were created for his benefit and which are alleged to have been operated by Mr Guriev’s close associates.

8 From 2006 onwards, the Trustees were advised by a partner at Lawrence Graham LLP who has since joined Forsters. As a result, Forsters have possession in this jurisdiction of documents which, on the claimant’s case, are likely to be relevant to those issues. The documents are held electronically. Although they may deal also with other matters, the documents held by Forsters include documents concerning transactions taking place in this jurisdiction for which the Trustees engaged Forsters to give advice.

9 In 2021 the claimant’s solicitors (“CMS”) wrote to Forsters seeking disclosure of relevant documents. Negotiations continued between CMS and Forsters, while Forsters reviewed the documents in its files within the jurisdiction in order to determine whether it would be possible to provide the requested disclosure with the agreement of the Trustees. However, no agreement was reached and in August 2021 Mr Gorbachev issued an application seeking third party disclosure from Forsters under CPR r 31.17 and section 34 of the SCA.

10 This application was listed for hearing before Judge Pelling on 11 April 2022. One point taken by Forsters was that no order could be made against them, because they held the documents on behalf of their clients, the Trustees. At the start of the hearing, Judge Pelling invited the claimant to consider joining the Trustees to the application. The claimant’s primary position was that such joinder was unnecessary and that Forsters were the correct respondent. However, the joinder of the Trustees would avoid the need for argument on that point. Accordingly the claimant applied orally and without notice for an order joining the Trustees to the application and for permission to serve them out of the jurisdiction and by alternative means. That application was granted and an application notice was issued on the same day. Service was effected on the next day, 12 April 2022.

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Males LJ

A 11 The Trustees applied to set aside Judge Pelling’s order and this application came before Jacobs J on 6 July 2022. Accordingly Jacobs J was only concerned, as are we, with the Trustees’ jurisdictional objections. The claimant’s principal argument, that the application can be made against Forsters without joinder of the Trustees, has yet to be determined. So too has the question whether, if Judge Pelling’s order for service was rightly made, an order for third party disclosure should be made.

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The legal framework

Section 34 of the Senior Courts Act

12 Section 34 of the SCA enables orders to be made on the application of a party to proceedings against a third party. It provides in its current form:

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“(2) On the application, in accordance with rules of court, of a party to any proceedings, the High Court shall, in such circumstances as may be specified in the rules, have power to order a person who is not a party to the proceedings and who appears to the court to be likely to have in his possession, custody or power any documents which are relevant to an issue arising out of the said claim— (a) to disclose whether those documents are in his possession, custody or power; and (b) to produce such of those documents as are in his possession, custody or power to the applicant or, on such conditions as may be specified in the order— (i) to the applicant’s legal advisers; or (ii) to the applicant’s legal advisers and any medical or other professional adviser of the applicant; or (iii) if the applicant has no legal adviser, to any medical or other professional adviser of the applicant.

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“(3) On the application, in accordance with rules of court, of a party to any proceedings, the High Court shall, in such circumstances as may be specified in the rules, have power to make an order providing for any one or more of the following matters, that is to say— (a) the inspection, photographing, preservation, custody and detention of property which is not the property of, or in the possession of, any party to the proceedings but which is the subject-matter of the proceedings or as to which any question arises in the proceedings; (b) the taking of samples of any such property as is mentioned in paragraph (a) and the carrying out of any experiment on or with any such property.

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“(4) The preceding provisions of this section are without prejudice to the exercise by the High Court of any power to make orders which is exercisable apart from those provisions.

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“(5) Subsections (2) and (3) apply in relation to the family court as they apply in relation to the High Court.”

H

13 The preceding section of the 1981 Act, section 33, makes similar provision for pre-action inspection, etc, of property and for pre-action disclosure to be obtained from a person who is likely to be a party to subsequent proceedings. Again in its current form, this provides:

“(1) On the application of any person in accordance with rules of court, the High Court shall, in such circumstances as may be specified in the rules, have power to make an order providing for any one or more of the following matters, that is to say— (a) the inspection, photographing,

preservation, custody and detention of property which appears to the court to be property which may become the subject-matter of subsequent proceedings in the High Court, or as to which any question may arise in such proceedings; and (b) the taking of samples of any such property as is mentioned in paragraph (a), and the carrying out of any experiment on or with any such property.

“(2) On the application, in accordance with rules of court, of a person who appears to the High Court to be likely to be a party to subsequent proceedings in that court the High Court shall, in such circumstances as may be specified in the rules, have power to order a person who appears to the court to be likely to be a party to the proceedings and to be likely to have or to have had in his possession, custody or power any documents which are relevant to an issue arising or likely to arise out of that claim— (a) to disclose whether those documents are in his possession, custody or power; and (b) to produce such of those documents as are in his possession, custody or power to the applicant or, on such conditions as may be specified in the order— (i) to the applicant’s legal advisers; or (ii) to the applicant’s legal advisers and any medical or other professional adviser of the applicant; or (iii) if the applicant has no legal adviser, to any medical or other professional adviser of the applicant.

“(3) This section applies in relation to the family court as it applies in relation to the High Court.”

14 These provisions were originally enacted in the Administration of Justice Act 1970 pursuant to recommendations made by the Winn Committee on Personal Injuries Litigation. As originally enacted, they applied only to proceedings where a claim was made in respect of personal injuries or death. That remained the position when these provisions were re-enacted in the SCA in 1981, but the limitation to claims for personal injuries or death was removed with effect from 26 April 1999 by the Civil Procedure (Modification of Enactments) Order 1998 (SI 1998/2940). In the case of pre-action disclosure, the removal of the limitation to claims for personal injuries or death was a recommendation by Lord Woolf in his *Final Report on Access to Justice*. There was no equivalent recommendation in respect of third party disclosure, but the two provisions had always been viewed as a package and, if the limitation to claims for personal injuries or death was to be removed in the case of pre-action disclosure, it was logical that it should no longer apply in the case of third party disclosure either.

CPR r 31.17

15 Rules of court giving effect to these provisions are now contained in CPR r 31.16 (pre-action disclosure) and CPR r 31.17 (third party disclosure). CPR r 31.17 provides:

“(1) This rule applies where an application is made to the court under any Act for disclosure by a person who is not a party to the proceedings.

“(2) The application must be supported by evidence.

“(3) The court may make an order under this rule only where— (a) the documents of which disclosure is sought are likely to support the case of the applicant or adversely affect the case of one of the other parties to the proceedings; and (b) disclosure is necessary in order to dispose fairly of the claim or to save costs.

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A “(4) An order under this rule must— (a) specify the documents or the classes of documents which the respondent must disclose; and (b) require the respondent, when making disclosure, to specify any of those documents— (i) which are no longer in his control; or (ii) in respect of which he claims a right or duty to withhold inspection.

B “(5) Such an order may— (a) require the respondent to indicate what has happened to any documents which are no longer in his control; and (b) specify the time and place for disclosure and inspection.”

16 It is apparent from the terms of section 34 and CPR r 31.17 that an order for third party disclosure need not be limited to disclosure of particular documents, but may require disclosure of classes of documents.

C 17 Inspection, etc, of property under sections 33(1) and 34(3) is dealt with in a separate rule, CPR r 25.5.

Service out of the jurisdiction

D 18 An application for third party disclosure under CPR r 31.17 must be made by an application notice under CPR Pt 23 (see *Civil Procedure* 2022, vol 1, para 31.17.2) and must be served on the third party. Service of documents is governed by CPR Pt 6, although that rule does not make specific provision for service of applications for third party disclosure. It is common ground, however, that in the case of a third party out of the jurisdiction, permission to serve the application out of the jurisdiction must be obtained and that the applicant for such permission must satisfy the same three requirements as an application for permission to serve a claim form out of the jurisdiction.

E 19 These requirements, adapted so as to apply to an application for third party disclosure, are that:

(1) there is a good arguable case that the application against the foreign respondent falls within one or more of the “gateways” set out in paragraph 3.1 of Practice Direction 6B;

(2) there is a serious issue to be tried on the merits of the claim for third party disclosure; and

F (3) in all the circumstances (a) England is clearly or distinctly the appropriate forum for the trial of the application and (b) the court ought to exercise its jurisdiction to permit service of the application out of the jurisdiction.

Gateway (20)

G 20 As already indicated, the “gateway” on which the claimant relies is gateway (20), which applies where a claim is made under an enactment which allows proceedings to be brought and those proceedings are not covered by any of the other grounds referred to in paragraph 3.1. The approach which should be taken to an application under gateway (20) was considered by this court in *Orexim Trading Ltd v Mahavir Port and Terminal Pte Ltd* [2018] 1 WLR 4847, where the issue was whether the court had jurisdiction to order service out of the jurisdiction of an application to set aside a transaction under section 423 of the Insolvency Act 1986. In a judgment with which Gross and Leggatt LJ agreed, Lewison LJ traced the history of gateway (20) and held that it should be given a “neutral” construction. However, it was implicit that the enactment relied

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on must be one which allows proceedings to be brought against persons not within England and Wales: A

“33. I think it must be implicit in this paragraph that the enactment in question must allow proceedings to be brought against persons not within England and Wales, otherwise it would be of extraordinary width. But it is not easy to see any other limitation from the words of the paragraph itself. In construing the words of the paragraph it is also worth bearing in mind a change in judicial attitude towards the service of proceedings outside England and Wales. In days gone by the assertion of extra-territorial jurisdiction was described as ‘exorbitant’. But following the globalisation (and digitalisation) of the world economy that attitude can now be seen as out of date. In *Abela v Baadarani* [2013] 1 WLR 2043, for example, Lord Sumption JSC (with whom the other justices agreed on this point) said at para 53: ‘This characterisation of the jurisdiction to allow service out is traditional, and was originally based on the notion that the service of proceedings abroad was an assertion of sovereign power over the defendant and a corresponding interference with the sovereignty of the state in which process was served. This is no longer a realistic view of the situation . . . Litigation between residents of different states is a routine incident of modern commercial life. A jurisdiction similar to that exercised by the English court is now exercised by the courts of many other countries . . . It should no longer be necessary to resort to the kind of muscular presumptions against service out which are implicit in adjectives like “exorbitant”. The decision is generally a pragmatic one in the interests of the efficient conduct of litigation in an appropriate forum.’ B C D

“34. As he pointed out in *Brownlie v Four Seasons Holdings Inc* [2018] 1 WLR 192, para 31: ‘The jurisdictional gateways and the discretion as to forum conveniens serve completely different purposes. The gateways identify relevant connections with England, which define the maximum extent of the jurisdiction which the English court is permitted to exercise. Their ambit is a question of law. The discretion as to forum conveniens authorises the court to decline a jurisdiction which it possesses as a matter of law, because the dispute, although sufficiently connected with England to permit the exercise of jurisdiction, could be more appropriately resolved elsewhere. The main determining factor in the exercise of the discretion on forum conveniens grounds is not the relationship between the cause of action and England but the practicalities of litigation. The purpose of the discretion is to limit the exercise of the court’s jurisdiction, not to enlarge it and certainly not to displace the criteria in the gateways. English law has never in the past and does not now accept jurisdiction simply on the basis that the English courts are a convenient or appropriate forum if the subject matter has no relevant jurisdictional connection with England. In *Abela v Baadarani*, I protested against the importation of an artificial presumption against service out as being inherently “exorbitant”, into what ought to be a neutral question of construction or discretion. I had not proposed to substitute an alternative, and equally objectionable, presumption in favour of the widest possible interpretation of the gateways simply because jurisdiction thus conferred by law could be declined as a matter of discretion.’ E F G H

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A “35. The key point, for present purposes, is that the question of construction is a ‘neutral’ one. Untrammelled by authority, it seems to me that the natural construction of ‘gateway’ 3.1(20)(a) is that if, as a matter of construction, the enactment in question allows proceedings to be brought against persons not within England and Wales, then the court has power to allow those proceedings to be served abroad. Whether it should exercise that power is a different question.”

B 21 Thus, if an enactment allows proceedings to be brought against persons not within the jurisdiction, gateway (20) is potentially applicable and, in deciding whether it does apply, there is no justification for giving the gateway a narrow construction. However, the prior question remains: does the enactment, in this case section 34(2) of the SCA, allow proceedings to be brought against persons not within the jurisdiction? That is a question of statutory interpretation.

Statutory interpretation

D 22 The modern approach to statutory interpretation is that the court seeks to give effect to the purpose of the legislation, which must be derived from its language and context. Thus in *R (Quintavalle) v Secretary of State for Health* [2003] 2 AC 687 Lord Bingham of Cornhill said at para 8 that:

“The court’s task, within the permissible bounds of interpretation, is to give effect to Parliament’s purpose. So the controversial provisions should be read in the context of the statute as a whole, and the statute as a whole should be read in the historical context of the situation which led to its enactment.”

E 23 Similarly, in *Test Claimants in the FII Group Litigation v Revenue and Customs Comrs (formerly Inland Revenue Comrs)* [2022] AC 1, Lord Reed PSC and Lord Hodge DPSC said:

F “It is the duty of the court, in accordance with ordinary principles of statutory construction, to favour an interpretation of legislation which gives effect to its purpose rather than defeating it.”

The principle of territoriality

G 24 One principle of statutory interpretation which is important in the present case is that legislation is generally not intended to have extra-territorial effect. This is known as the principle (or presumption) of territoriality or the presumption against extra-territoriality. It is a principle which has been firmly established for over 150 years, although the strength of the presumption varies depending on the context in which it falls for consideration (*Cox v Ergo Versicherung AG* [2014] AC 1379, para 27). I shall have to consider some of the relevant authorities later in this judgment, but for the moment it is sufficient to cite one well-known statement of the principle, by Lord Bingham in *R (Al-Skeini) v Secretary of State for Defence* [2008] AC 153:

H “11. In resisting the interpretation, upheld by the courts below, that the [Human Rights Act 1998] has extra-territorial application, the Secretary of State places heavy reliance on what he describes as ‘a general and well established principle of statutory construction’. This is (see *Bennion*,

Statutory Interpretation, 4th ed (2002), p 282, section 106) that ‘Unless the contrary intention appears, Parliament is taken to intend an Act to extend to each territory of the United Kingdom but not to any territory outside the United Kingdom’. In section 128 of the same work, p 306, the author adds: ‘Unless the contrary intention appears . . . an enactment applies to all persons and matters within the territory to which it extends, but not to any other persons and matters.’ In *Tomalin v S Pearson & Son Ltd* [1909] 2 KB 61, Cozens-Hardy MR, with the concurrence of Fletcher Moulton and Farwell LJ, endorsed a statement to similar effect in *Maxwell on the Interpretation of Statutes*, 4th ed (1905), pp 212–213: ‘In the absence of an intention clearly expressed or to be inferred either from its language, or from the object or subject matter or history of the enactment, the presumption is that Parliament does not design its statutes to operate [on its subjects] beyond the territorial limits of the United Kingdom.’ Earlier authority for that proposition was to be found in cases such as *Ex p Blain*; *In re Sawers* (1879) 12 Ch D 522, 526, per James LJ, and *R v Jameson* [1896] 2 QB 425, 430, per Lord Russell of Killowen CJ. Later authority is plentiful: see, for example, *Attorney General for Alberta v Huggard Assets Ltd* [1953] AC 420, 441, per Lord Asquith of Bishopstone for the Privy Council; *Clark v Oceanic Contractors Inc* [1983] 2 AC 130, 145, per Lord Scarman; *Al Sabah v Grupo Torras SA* [2005] 2 AC 333, para 13, per Lord Walker of Gestingthorpe for the Privy Council; *Lawson v Serco Ltd* [2006] ICR 250, para 6, per Lord Hoffmann; *Agassi v Robinson* [2006] 1 WLR 1380, paras 16, 20, per Lord Scott of Foscote and Lord Walker of Gestingthorpe. That there is such a presumption is not, I think, in doubt. It appears (per Lord Walker in *Al Sabah*, above) to have become stronger over the years.”

Two first instance cases

25 It is convenient at this stage to consider the two first instance decisions before this case in which service out of the jurisdiction of applications for pre-action or third party disclosure was considered. The first case, *ED&F Man Capital Markets LLP v Obex Securities LLC* [2018] 1 WLR 1708, was a decision of Catherine Newman QC on an application for pre-action disclosure which was sought from a company and an individual in New York. The gateway relied upon was the predecessor to gateway (20) and the relevant enactment was section 33(2) of the SCA. The argument for the respondent to the application was that gateway (20) applies only where “a claim” is brought and that an application for pre-action disclosure is not a “claim”; and that an application for pre-action disclosure is not itself a form of “proceedings”. This was, therefore, the same argument as the Trustees advance in this case, save that it was directed to pre-action disclosure governed by section 33 of the SCA and CPR r 31.16, rather than third party disclosure governed by section 34 and CPR r 31.17. In view of the common origin and similar language of these two provisions, however, it would be surprising if a different answer were to be given in the two cases.

26 Ms Newman QC rejected the argument, holding that the word “claim” included applications made before action, and that an application for pre-action disclosure is itself a freestanding set of proceedings despite the fact that it is begun by application notice rather than claim form. These being the only reasons advanced for saying that the court did not have jurisdiction

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A to permit service out of the jurisdiction, Ms Newman QC held that the court did have such jurisdiction and should exercise that jurisdiction.

27 It is to be noted that there was no issue raised in *Obex* whether section 33(2) of the SCA was an enactment which allowed proceedings to be brought against a respondent not within the jurisdiction of the court. Accordingly the principle of territoriality was not considered at all.

B 28 The second case, *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm), was an application for third party disclosure against a respondent situated in New York where, it seems likely, its documents were located. The application was initially refused by Cockerill J on paper. She ruled as follows:

C “The Court has no jurisdiction to make orders against third parties who are resident outside the jurisdiction. The appropriate route for obtaining evidence from a witness outside the jurisdiction is either via letter of request or via any jurisdiction in which the local court may offer to grant disclosure in support of proceedings in this jurisdiction.”

D 29 The applicant then renewed the application at an oral hearing which the third party respondent (which had not been served) did not attend. The argument advanced at that hearing was that service out of the jurisdiction of an application against a third party was expressly contemplated by CPR r 6.39(2), which provision must refer to an application for third party disclosure as it would otherwise have no function. Cockerill J rejected that argument, which has not been advanced in this case, pointing out a number of other circumstances in which CPR r 6.39(2) might apply. It is apparent from her brief extempore judgment that her view that the court has no jurisdiction to make orders for disclosure against third parties resident outside the jurisdiction was largely because of the principle of territoriality. However,

E she also doubted the view of Ms Newman QC in *Obex* that an application for pre-action or third party disclosure qualified as “proceedings” within the meaning of gateway (20).

F 30 Cockerill J added at para 23 that, even if there had been jurisdiction to order service out, she would not have exercised that jurisdiction “in circumstances where, for example, one is plainly trespassing on the letter of request regime”:

G “27. This application is in essence (and acknowledged to be) a way around the letter of request regime. The letter of request regime is the proper, courteous, respectful method of obtaining evidence within a foreign jurisdiction from a foreign party. It is a very sensitive topic in many jurisdictions; one can see this in relation to disclosure via the many, many reservations to disclosure which are appended to the Hague Convention. Many countries take a still more cautious line as to disclosure generally and third-party disclosure in particular than this jurisdiction does. In those circumstances it would be invidious for this court to attempt to impose its standards on a third party based in another jurisdiction by an assertion of direct jurisdiction over them.”

H

Gateway (20)—“claim” and “proceedings”

31 Mr O’Leary’s submission was that the word “claim” in paragraph 3.1 of Practice Direction 6B refers to a claim to enforce a substantive as distinct from a procedural right; and that the term “proceedings” in gateway (20)

refers to “claims or similar matters which are essentially freestanding”, as distinct from applications (such as an application for third party disclosure) within such proceedings. He acknowledged that an application for pre-action disclosure would be a claim, but submitted that an application for pre-action disclosure was significantly different from an application for third party disclosure.

32 Jacobs J dealt with these submissions in considerable detail. He pointed out that there are circumstances in which proceedings in court may be originated by an application and that the definition of the term “claim” in CPR r 6.2 is a broad one:

“‘claim’ includes petition and any application made before action or to commence proceedings and ‘claim form’, ‘claimant’ and ‘defendant’ are to be construed accordingly . . .”

Claim

33 In the light of this definition, Jacobs J held that an application for third party disclosure is a “claim” for the purpose of gateway (20). His reasoning at paras 60–64 was, in summary, as follows:

(1) The word “claim” is broadly defined in CPR r 6.2, the definition being non-exhaustive. There is, therefore, no reason to give the word a narrow meaning which excludes an application under CPR r 31.17. Such an application involves the applicant seeking to invoke the court’s jurisdiction, against another person, for an order that that person should provide disclosure.

(2) The definition of “claim” includes any application made before action, including an application notice issued for pre-action disclosure, pursuant to section 33 of the SCA and CPR r 31.16, against a person who is not yet a party to proceedings. The decision in *Obex* on this point was correct.

(3) There is no good reason why an application for pre-action disclosure under section 33 and CPR r 31.16 would be a “claim”, but an application for third party disclosure under section 34 and CPR r 31.17 would not. In both cases the applicant is seeking disclosure from a respondent who is not a party to existing proceedings.

(4) It is clear from CPR r 6.39 that where an application notice is issued against a third party, permission can be obtained to serve the application notice out of the jurisdiction. That provision applies generally to application notices against third parties. Generally speaking, a party who issues an application notice against a third party will not be seeking to advance a substantive cause of action against the third party, as in the examples given by Cockerill J in *Nix v Emerdata Ltd* at para 14. It follows that CPR r 6.39 applies to applications which can be described as being of a procedural rather than substantive character, including (as the definition in CPR r 6.2 contemplates) an application made before action. Nevertheless, CPR r 6.39 provides implicitly that the rules for service out of the jurisdiction apply to the application against the third party. Those rules include the list of gateways in paragraph 3.1 of Practice Direction 6B, nearly all of which begin with the words “a claim is made”. It follows that CPR Pt 6, and in particular CPR r 6.39, contemplate that a “claim” of a procedural character is nevertheless within its scope.

34 I respectfully agree. The term “claim” in paragraph 3.1 of Practice Direction 6B is not used in any restrictive or technical sense. It includes both

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- A an application for pre-action disclosure and an application for third party disclosure.

Proceedings

- 35 Jacobs J considered the question whether an application for third party disclosure constitutes “proceedings” at paras 65–86 of his judgment.
B His reasons for holding that it did included the following:

- (1) “Proceedings” in gateway (20) must be given a neutral construction, in accordance with the decision of this court in *Orexim*. The concepts of “claim” and “proceedings” are closely linked, “proceedings” being the court process by which a “claim” is resolved. Just as the term “claim” is defined broadly to include an application of a procedural character, so too should the term “proceedings” be broadly defined. Focusing on the position as between
C the applicant and the third party from whom disclosure is sought, the application notice is the originating process which commences proceedings. Once it is served, the third party must respond to the application. In so doing the third party is engaged in court proceedings to determine whether disclosure should be ordered. It is not concerned with the claimant’s substantive claim against the defendant.

- (2) The decision in *Obex*, holding that an application for pre-action disclosure constituted proceedings, is correct on this point also. While this does not necessarily mean that the same approach should be taken to third party disclosure, applications under CPR r 31.16 and CPR r 31.17 have considerable similarities, in that in both situations an application is being made for disclosure against a person who is not a party to existing proceedings. In both cases the effect of the application notice is to originate
D proceedings against that person.

- (3) The criticisms of *Obex* in Hollander, *Documentary Evidence*, 14th ed (2021), para 1-10 are mistaken. An application under CPR r 31.17, pursuant to section 34 of the SCA, can properly be regarded as the commencement of proceedings against the third party. Prior to the application, the third party is not concerned with any court proceedings. As far as the third party is concerned, the application notice is the first step in the process of
F commencing proceedings against him, even though those proceedings are of a limited nature.

- (4) The three cases relied on by the Trustees, *GFN SA v Bancredit Cayman Ltd* [2010] Bus LR 587, *AES Ust-Kamenogorsk Hydropower Plant LLP v Ust-Kamenogorsk Hydropower Plant JSC* [2012] 1 WLR 920 and *Nix v Emerdata Ltd*, do not assist them. The first two were dealing with
G different statutory provisions, while the argument in *Nix v Emerdata Ltd*, focused as it was on CPR r 6.39, had been very different from the argument in the present case.

- 36 Once again, I respectfully agree with the conclusion of Jacobs J on this issue. An application for third party disclosure constitutes “proceedings” for the purpose of gateway (20). That gives the term “proceedings”, in my view, a neutral and common sense meaning.

H

Conclusion on gateway (20)

37 I have dealt with this issue of “claim” and “proceedings” relatively briefly, because the submissions addressed to us appear to have been the same as those addressed to Jacobs J and his judgment deals with them

comprehensively. No useful purpose would be served by my attempting to elaborate further on what is, after all, the natural meaning of two ordinary words in the English language. A

The principle of territoriality

38 I deal next with the question whether section 34 of the SCA is an enactment which allows proceedings to be brought against a party out of the jurisdiction. That depends on the application of the principle of territoriality. B

The judgment below

39 Jacobs J acknowledged that there is a presumption in domestic law that legislation is generally not intended to have extra-territorial effect, and that the question is ultimately who is “within the legislative grasp, or intendment” of the relevant statutory provision, citing *Masri v Consolidated Contractors International (UK) Ltd (No 4)* [2010] 1 AC 90, 133, para 10. This phrase originated with Lord Wilberforce in *Clark v Oceanic Contractors Inc* [1983] 2 AC 130, 152C and has often been cited in other cases. Jacobs J said that there is nothing in section 34 of the SCA which expressly or impliedly provides that an application under that section can only be brought against persons in England and Wales; and that it is significant that the section operates in conjunction with rules of court, for three reasons. First, that means that an application for third party disclosure against a person out of the jurisdiction would involve the exercise of judicial discretion, not only when the initial application is made but also in the context of any application to set aside an order for service out. Second, the rule-making power, initially in section 84 of the SCA and now in section 2 of the Civil Procedure Act 1997, is very broad and extends to the making of rules applicable to persons outside the jurisdiction. Third, the decision in *Masri* supports the conclusion that section 34 can apply to persons outside the jurisdiction. For these reasons, the judge held that there is no reason why section 34 should be construed as confined to persons in England and Wales and every reason why it should not be so confined. C D E

The parties’ submissions F

40 In summary the parties’ submissions on this aspect of the appeal were as follows.

41 For the Trustees Mr O’Leary submitted that the effect of the judge’s conclusion was to give the English court “a long-arm jurisdiction to make disclosure orders against persons anywhere in the world without going through the Hague Evidence Convention process” (a reference to the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters concluded on 18 March 1970 (1977) (Cmnd 6727)). The judge’s reasoning reversed the presumption against extra-territoriality: instead of saying that there was nothing in section 34 which expressly or impliedly provided that an application could only be brought against persons in England and Wales, the judge should have applied the presumption unless there was a clear reason not to do so. However, the reasons which the judge gave for his conclusion were insufficient: G H

(1) In accordance with the presumption, the authorities have consistently construed apparently broad and unconstrained powers to compel the production of documents as limited to persons within the jurisdiction.

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- A (2) The existence of a judicial discretion is not a sufficient reason to depart from this approach. Without a hard-edged jurisdictional rule, foreign witnesses would have to appear in the English courts to contest the exercise of jurisdiction over them and, even if successful, would have been dragged before the English courts without good reason and potentially at considerable expense.
- B (3) Further, the existence of a wide rule-making power does not assist. The Rule Committee's powers depend on the extra-territoriality of the underlying statute (in this case section 34 of the SCA) as held in *Orexim*. In any event, even if the statute authorised the Rule Committee to make provision for third party disclosure to be given by persons outside the jurisdiction, there is nothing in CPR r 31.17, to which the principle of territoriality also applies, to suggest that it had done so.
- C **42** Instead, Mr O'Leary submitted that the correct approach would have been as follows:
- (1) As there is no express wording in section 34 that it is intended to apply to persons outside the jurisdiction; the question is whether that is implicit.
- (2) The starting point in considering that question is the presumption against extra-territoriality.
- D (3) An order requiring a person to disclose documents is a sovereign act which encroaches on the sovereignty of the state where that person is located, and is therefore unlikely to be intended in the absence of clear words.
- (4) It is contrary to the principle of comity to order disclosure to be given by a person outside the jurisdiction in circumstances where the English court would not make such an order in support of foreign litigation.
- E (5) There is a well-established procedure, now governed by the Hague Evidence Convention, for obtaining evidence and documents from persons outside the jurisdiction; it would therefore be surprising if Parliament had intended to create a parallel process, circumventing the letter of request procedure.
- (6) It is also an important factor that an order for production of documents is enforceable by committal for contempt of court; but there is no practical procedure for enforcing such an order against a witness out of the jurisdiction, and in any event it would be contrary to comity to do so.
- F **43** Mr Paul Stanley QC* for the claimant supported the judge's reasoning. He accepted that in many and perhaps most cases it would not be appropriate to make an order for disclosure against a third party out of the jurisdiction as a matter of discretion and that such disclosure should be
- G obtained, if at all, by means of a letter of request. Nevertheless, he submitted that the court has jurisdiction to make such an order. The presumption against extra-territoriality is merely that Parliament will not seek to intervene in matters that are *legitimately* the concern of another country. In modern times proceedings against persons outside the jurisdiction are routinely authorised and should no longer be regarded as "exorbitant". In the case of
- H an order for third party disclosure, the existence of judicial discretion provides a sufficient safeguard against illegitimate intervention. Moreover, the principle of territoriality, as it applies to documents, is concerned with the

* *Reporter's note.* The superior figure in the text refers to a note which can be found at the end of the judgment of Males LJ, on p 36.

location of the documents rather than the location of the person against whom an order for disclosure may be made. A

44 Accordingly Mr Stanley submitted that, as a matter of jurisdiction, the power of the High Court in section 34 of the SCA “to order a person who is not a party to the proceedings” to give disclosure extends to any person, wherever in the world that person is to be found.

The authorities B

45 In considering the authorities dealing with the territoriality principle, it is of course necessary to bear in mind that even broad statements of principle at appellate level must be understood in the context of the issues arising in the particular case.

46 I have already set out Lord Bingham’s endorsement in *Al-Skeini* [2008] AC 153 at para 11 of the principle stated in *Bennion, Statutory Interpretation*, 4th ed (2002) that, “Unless the contrary intention appears . . . an enactment applies to all persons and matters within the territory to which it extends, but not to any other persons and matters”. C

47 In the same case Lord Rodger of Earlsferry said:

“44. So far as the application of statutes is concerned, there is a general rule that legislation does not apply to persons and matters outside the territory to which it extends: *Bennion, Statutory Interpretation*, p 306. But the cases show that the concept of the territoriality of legislation is quite subtle—‘slippery’ is how Lord Nicholls of Birkenhead described it in *R (Quark Fishing Ltd) v Secretary of State for Foreign and Commonwealth Affairs* [2006] 1 AC 529, 545, para 32. D

“45. Behind the various rules of construction, a number of different policies can be seen at work. For example, every statute is interpreted, ‘so far as its language permits, so as not to be inconsistent with the comity of nations or the established rules of international law’: *Maxwell on The Interpretation of Statutes*, 12th ed (1969), p 183. It would usually be both objectionable in terms of international comity and futile in practice for Parliament to assert its authority over the subjects of another sovereign who are not within the United Kingdom. So, in the absence of any indication to the contrary, a court will interpret legislation as not being intended to affect such people. They do not fall within ‘the legislative grasp, or intendment’, of Parliament’s legislation, to use Lord Wilberforce’s expression in *Clark v Oceanic Contractors Inc* [1983] 2 AC 130, 152C–D. In *Ex p Blain; In re Sawers* (1879) 12 Ch D 522 the question was whether the court had jurisdiction, by virtue of the Bankruptcy Act 1869, to make an adjudication of bankruptcy against a foreigner, domiciled and resident abroad, who had never been in England. James LJ said, at p 526: ‘But, if a foreigner remains abroad, if he has never come into this country at all, it seems to me impossible to imagine that the English legislature could have ever intended to make such a man subject to particular English legislation.’ On this general approach, for instance, there can be no doubt that, despite the lack of any qualifying words, section 6(1) of the [Human Rights Act] 1998 applies only to United Kingdom public authorities and not to the public authorities of any other state.” E F G H

A 48 Lord Rodger went on to say that different considerations might apply to British citizens, where it might more readily be concluded that legislation was intended to apply to them when travelling or residing abroad.

B 49 The principle, therefore, is that legislation does not generally apply to persons and matters outside the jurisdiction. But Parliament may and sometimes does provide in express terms that legislation is to apply to persons anywhere in the world. Equally, it may appear by necessary implication from the language, or from the object or subject matter or history of the enactment, that it is intended to have such application.

C 50 While the concept of a person within the territory is relatively straightforward, the *Bennion* formulation does not explain what is meant by a “matter” within or outside the jurisdiction. It leaves open the possibility, however, that although a person may be outside the jurisdiction, the relevant matter with which the court is concerned may properly be regarded as within the jurisdiction. In such a case, it seems to me that any presumption against extra-territoriality has less force than would otherwise be the case. That illustrates, perhaps, what Lord Nicholls meant in *R (Quark Fishing Ltd) v Secretary of State for Foreign and Commonwealth Affairs* [2006] 1 AC 529 by the “slipperiness” of the territoriality principle, and shows that D the extent to which legislation affecting persons outside the jurisdiction is contrary to international comity will depend on the circumstances.

E 51 The passages from *Al-Skeini* cited above were also cited by Lord Lloyd-Jones JSC giving the judgment of the Supreme Court in *R (KBR Inc) v Director of the Serious Fraud Office* [2022] AC 519, para 21. He described Lord Bingham’s statement as “a particularly clear statement of this principle”. Lord Lloyd-Jones JSC explained that the rationale of the principle is that one state should not infringe the sovereignty of another state in breach of the rules of international law, but that even where there would be no breach of international law, the comity of nations may require restraint as a matter of mutual respect between states:

F “24. The presumption reflects, in part, the requirements of international law that one state should not by the claim or exercise of jurisdiction infringe the sovereignty of another state in breach of rules of international law. Thus, for example, legislation requiring conduct in a foreign state which would be in breach of the laws of that state or otherwise inconsistent with the sovereign right of that state to regulate activities within its territory may well be a breach of international law. There is clearly a compelling rationale for the presumption in such cases. G However, the rationale and resulting scope of the presumption are wider than this. They are also rooted in the concept of comity. The term ‘comity’ is used here to describe something less than a rule of international law. Judge Crawford explains that certain usages are carried on out of courtesy or comity and are not articulated or claimed as legal requirements. ‘International comity is a species of accommodation: it involves neighbourliness, mutual respect, and the friendly waiver of technicalities.’ (Crawford, *Brownlie’s Principles of Public International Law*, 9th ed (2019), p 21. See also F A Mann, *Foreign Affairs in English Courts* (1986), p 134.) In the particular context of claims to extra-territorial jurisdiction Crawford observes (at p 468): ‘Comity arises from the horizontal arrangement of state jurisdictions in private H

international law and the field's lack of a hierarchical system of norms. It plays the role of a somewhat uncertain umpire: as a concept, it is far from a binding norm, but it is more than mere courtesy exercised between state courts. The Supreme Court of Canada said in *Morguard v De Savoye* [1990] 3 SCR 1077, 1096 citing the US Supreme Court in *Hilton v Guyot* (1895) 159 US 113, 164 that: "Comity is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its law."'

"25. The lack of precisely defined rules in international law as to the limits of legislative jurisdiction makes resort to the principle of comity as a basis of the presumption applied by courts in this jurisdiction all the more important. As a result, the presumption in domestic law is more extensive and reflects the usages of states acting out of mutual respect and, no doubt, the expectation of reciprocal advantage. Accordingly, it is not necessary, in invoking the presumption, to demonstrate that the extra-territorial application of the legislation in issue would infringe the sovereignty of another state in violation of international law."

52 It follows from this explanation that in some contexts it will not be contrary to international law, and will not indicate a failure of mutual respect between states, for a state to legislate with extra-territorial effect. An example, given by Lord Rodger in *Al-Skeini* at para 46 and by Lord Lloyd-Jones JSC in *KBR* at para 23, is that a state may have a legitimate interest in legislating in respect of the conduct of its own nationals abroad. In such cases, as Lord Lloyd-Jones JSC put it, "the strength of the presumption against extra-territorial application of legislation will be considerably diminished and it may not apply at all".

53 This accords with the explanation by Lord Bridge of Harwich in *Holmes v Bangladesh Biman Corpn* [1989] AC 1112, 1126F–1127A that the principle of territoriality is concerned with the *illegitimate* usurpation of authority over foreign nationals:

"At the heart of the issue lies a principle embodied in a line of authority which I shall have to examine and which certainly establishes a presumption limiting the scope which should be given to general words in a United Kingdom statute in their application to the persons, property, rights and liabilities of the subjects of other sovereign states who do not come within the jurisdiction of the United Kingdom Parliament. This presumption is often described, and has been referred to throughout the argument of this case at all levels, as 'the presumption against extraterritorial legislation'. This may be a convenient shorthand expression, but if it is understood as accurately and comprehensively expressing the principle involved it is potentially misleading. I cannot help thinking that it has led to some confusion of thought in discussion of the issue arising in this appeal. In one sense all legislation enacted in the United Kingdom to give effect to international conventions, long familiar in the field of maritime law, is extraterritorial in effect. But it would be absurd to suggest that in legislating to embody the terms of such internationally agreed conventions in our municipal law, Parliament is in any sense usurping an illegitimate authority over the subjects of foreign

A states. But it is precisely such illegitimate usurpation which Parliament is presumed not to intend and it is against such usurpation that the so-called presumption against extraterritorial legislation is directed.”

54 Thus the relevant question in that case was whether the legislation in question, concerned with carriage by air not within the scope of any international convention, was “not simply whether such legislation may take effect in relation to extraterritorial carriage by air, but whether it is subject to any limitation arising from the presumption that Parliament is not to be taken, by the use of general words, to legislate in the affairs of foreign nationals who do nothing to bring themselves within its jurisdiction”. Implicitly, therefore, legislation which affects foreign nationals who have done something to render themselves subject to the jurisdiction of the United Kingdom does not, or at least may not, infringe the principle of territoriality. Such legislation does not amount to the usurpation of an illegitimate authority over such foreign nationals.

55 The same distinction between legislation which amounts to an illegitimate usurpation of the authority of a foreign state and legislation which is no more than a legitimate intervention appears from Lewison LJ’s judgment in *Orexim* [2018] 1 WLR 4847:

D “22. The general principle of international law is that each sovereign state makes laws which apply to its own territory and to no other. One legislature does not have power to make laws for a territory outside its jurisdiction in such a way that what it enacts becomes the law of that external territory . . . There is, therefore, a presumption that Parliament will not seek to intervene in matters that are legitimately the concern of another country. Countries respect one another’s sovereignty and the right of each country to legislate for matters within their own boundaries. However, a legislature does have power to make legislation that attaches significance to matters occurring outside the territory for which it is law. This is, in broad terms, what we mean by the principle of territoriality.”

F *Evidence and documents*

56 One area which has proved particularly sensitive has been attempts by one state to compel evidence or disclosure of documents from persons beyond the jurisdiction of that state. Where a witness is within the jurisdiction, their attendance at trial can be compelled, and their documents can be obtained, by means of a subpoena, requiring them either to testify at the trial or to produce documents. But a subpoena cannot be issued against a witness out of the jurisdiction (although section 36 of the SCA enables a subpoena to be issued against a witness in Scotland or Northern Ireland). The issue of a subpoena, involving as it does the exercise of compulsory state power, was described by Hoffmann J in *Mackinnon v Donaldson, Lufkin and Jenrette Securities Corpn* [1986] Ch 482, 494 as “an exercise of sovereign authority to require citizens and foreigners within the jurisdiction to assist in the administration of justice”.

57 In the same case Hoffmann J referred at p 494A to objections by the United Kingdom to orders made by foreign courts, in particular United States courts, requiring British companies to produce “documents situated outside the United States and concerned with transactions taking place

abroad”. Those objections were given statutory recognition in section 2 of the Protection of Trading Interests Act 1980, which provides: A

“(1) If it appears to the Secretary of State— (a) that a requirement has been or may be imposed on a person or persons in the United Kingdom to produce to any court, tribunal or authority of an overseas country any commercial document which is not within the territorial jurisdiction of that country or to furnish any commercial information to any such court, tribunal or authority; or (b) that any such authority has imposed or may impose a requirement on a person or persons in the United Kingdom to publish any such document or information, the Secretary of State may, if it appears to him that the requirement is inadmissible by virtue of subsection (2) or (3) below, give directions for prohibiting compliance with the requirement. B

“(2) A requirement such as is mentioned in subsection (1)(a) or (b) above is inadmissible— (a) if it infringes the jurisdiction of the United Kingdom or is otherwise prejudicial to the sovereignty of the United Kingdom; or (b) if compliance with the requirement would be prejudicial to the security of the United Kingdom or to the relations of the government of the United Kingdom with the government of any other country. C

“(3) A requirement such as is mentioned in subsection (1)(a) above is also inadmissible— (a) if it is made otherwise than for the purposes of civil or criminal proceedings which have been instituted in the overseas country; or (b) if it requires a person to state what documents relevant to any such proceedings are or have been in his possession, custody or power or to produce for the purposes of any such proceedings any documents other than particular documents specified in the requirement.” D

58 As Mr Stanley submitted, the critical concern here is the location of the documents in question. Neither the 1980 Act nor the objections to which Hoffmann J referred were directed to documents held in the United States, even by a British company. Indeed, Hoffmann J stated the applicable principle as being that “a state should refrain from demanding obedience to its sovereign authority by foreigners in respect of their conduct outside the jurisdiction”. Their conduct within the jurisdiction, however, is another matter. E

59 The long-standing practice of states has been to deal with the problem of evidence and documents outside their jurisdiction by means of letters of request whereby a court in which proceedings are taking place will request a court in the jurisdiction where a witness is located to require the witness to answer questions or to produce documents. That was described by Cockerill J in *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm) at [27] as “the proper, courteous, respectful method of obtaining evidence within a foreign jurisdiction from a foreign party [which] is a very sensitive topic in many jurisdictions”. The procedure is now governed by the Hague Evidence Convention and, for incoming requests, by the Evidence (Proceedings in Other Jurisdictions) Act 1975. F

60 The 1975 Act contains safeguards to limit the disclosure which may be required, for example that a person shall not be required to state what documents relevant to the foreign proceedings are or have been in his possession, custody or power or to produce any documents other than particular documents specified in the order (section 1(4)); or to give evidence which would be prejudicial to national security (section 3(3)). G

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A 61 Other parties to the Hague Evidence Convention, including Cyprus, have made similar declarations limiting the scope of disclosure which they will permit pursuant to a letter of request. Such declarations are expressly permitted by article 23 of the Convention:

B “A contracting state may at the time of signature, ratification or accession, declare that it will not execute letters of request issued for the purpose of obtaining pre-trial discovery of documents as known in common law countries.”

C 62 Just as the English courts will not give effect to incoming requests which do not respect these limits, they will not make outgoing requests of foreign courts which would have that effect. As Wilson LJ put it in *Charman v Charman* [2006] 1 WLR 1053, para 29, following the decision of Sir Donald Nicholls V-C in *Panayiotou v Sony Music Entertainment (UK) Ltd* [1994] Ch 142, 152:

D “It would be unconscionable for the English court to make an outgoing request in circumstances in which, had it been incoming, it would not give effect to it; nor could the foreign court reasonably be expected to give effect to the English court’s request in such circumstances. ‘Do unto others as you would be done by’, as Lord Denning MR reminded us, in this context albeit obiter, in *In re Westinghouse Electric Corp’n Uranium Contract Litigation* MDL Docket No 235 [1978] AC 547, 560H.”

E 63 It is notable, therefore, that the letter of request procedure is distinctly narrower than the procedure for third party disclosure pursuant to section 34 of the SCA and CPR r 31.17. The letter of request procedure does not extend to requiring a person to state what documents are or have been in his possession, custody or power and is limited to disclosure of particular specified documents. This is a matter of express statutory provision in the case of incoming requests and of necessary restraint in the case of outgoing requests. In contrast, section 34 of the SCA and CPR r 31.17 expressly permit an order to be made requiring a person to state what documents are or have been in his possession, custody or power and permit also an order for disclosure of classes of documents. This is effectively the “pre-trial discovery of documents as known in common law countries” referred to in article 23 of the Hague Evidence Convention.

Orders for production of documents abroad

G 64 Against this background I consider next five cases in which the principle of territoriality has been applied to legislation empowering the court to order a person to give evidence or to produce documents.

H 65 In *Mackinnon v Donaldson, Lufkin and Jenrette Securities Corp’n* [1986] Ch 482 the claimant sought an order under section 7 of the Bankers’ Books Evidence Act 1879 (42 & 43 Vict c 11) (which enables a court to order inspection “of any entries in a banker’s book” for the purpose of legal proceedings) requiring an American bank with a branch in London to produce books and papers held at its head office in New York. Because the bank could be served at its London branch, there was no issue about the English court’s jurisdiction over the bank. Hoffmann J noted that, if there had been no London branch, the only ways in which an order could have been obtained for the production of such documents would have been by

way of a letter of request to the courts of New York or by direct application to the New York courts themselves. (The case was decided before the amendment of SCA section 34 removing the limitation to personal injury cases: therefore the issue we have to decide could not arise.) He held at p 493 that, although the English court had personal jurisdiction over the bank, it did not have subject matter jurisdiction:

“The content of the subpoena and order is to require the production by a non-party of documents outside the jurisdiction concerning business which it has transacted outside the jurisdiction. In principle and on authority it seems to me that the court should not, save in exceptional circumstances, impose such a requirement upon a foreigner, and, in particular, upon a foreign bank. The principle is that a state should refrain from demanding obedience to its sovereign authority by foreigners in respect of their conduct outside the jurisdiction.”

66 Hoffmann J went on to explain that the order for production of documents taking effect in New York was an infringement of the sovereignty of the United States and that it was necessary for the English court to exercise its jurisdiction with due regard to the sovereignty of other nations. He accepted at p 496 the bank’s submission that “as between states which should ordinarily be obtained only by the methods prescribed or permitted in the Convention”.

67 Turning to the question whether this was an exceptional case so as to justify an order for production of documents in New York, Hoffmann J held at p 499 that “it would be wrong to undertake a process of weighing the interests of this country in the administration of justice and the interests of litigants before its courts against those of the United States”. He continued:

“It is likewise inappropriate to decide the matter on a balance of convenience between the plaintiff and the bank. It seems to me that in a case like this, where alternative legitimate procedures are available, an infringement of sovereignty can seldom be justified except perhaps on the grounds of urgent necessity relied upon by Templeman J in *London and County Securities Ltd v Caplan* (unreported) 26 May 1978.”

68 It is fair to say that the principle of territoriality appears to have been applied in this case, not as a principle of statutory interpretation affecting the scope of section 7 of the Bankers’ Books Evidence Act 1879, but rather as a powerful and ultimately decisive factor going to the court’s discretion. There is, perhaps, some tension between saying on the one hand that the court did not have subject matter jurisdiction and, on the other hand, that production of documents abroad could be ordered in an exceptional case (a court either has jurisdiction or it does not), but the overall thrust of the judgment is clear. It is clear also that the availability of the letter of request procedure and the need to avoid circumventing the methods for obtaining documents prescribed or permitted in the Hague Evidence Convention were important considerations.

69 In *In re Tucker (RC) (A Bankrupt); Ex p Tucker (KR)* [1990] Ch 148 applications were made under section 25 of the Bankruptcy Act 1914 against a British subject resident in Belgium. Section 25(1) enabled the court to summon any person capable of giving information respecting the debtor,

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A his dealings or property to give evidence or produce documents, while section 25(6) enabled the court to order any person who, if in England, would be liable to be brought before it under the section to be examined in Scotland, Ireland, or any other place out of England.

B 70 It was held, however, that the section did not assert jurisdiction over persons resident abroad. After citing statements of the principle of territoriality in *Ex p Blain*; *In re Sawers* 12 ChD 522 and *Clark v Oceanic Contractors Inc* [1983] 2 AC 130 Dillon LJ (with whom Sir Nicolas Browne-Wilkinson V-C and Lloyd LJ agreed) continued at p 158:

C “I look, therefore, to see what section 25(1) is about, and I see that it is about summoning people to appear before an English court to be examined on oath and to produce documents. I note that the general practice in international law is that the courts of a country only have power to summon before them persons who accept service or are present within the territory of that country when served with the appropriate process. There are exceptions under RSC Ord 11, but even under those rules no general power has been conferred to serve process on British subjects resident abroad. Moreover, the English court has never had any general power to serve a subpoena ad testificandum or subpoena duces tecum out of the jurisdiction on a British subject resident outside the United Kingdom, so as D to compel him to come and give evidence in an English court. Against this background I would not expect section 25(1) to have empowered the English court to haul before it persons who could not be served with the necessary summons within the jurisdiction of the English court.

E “I then find that an alternative procedure is provided by orders in aid under section 122 which could be used to secure the examination of persons resident in Scotland or Ireland or within the jurisdiction of other British courts before the bankruptcy courts of those countries. This procedure, while taking advantage of the jurisdictions of those other courts, also respects those jurisdictions.”

F 71 Turning to section 25(6), Dillon LJ referred to the “established procedures” for obtaining evidence from witnesses abroad by the issue of a letter of request or by obtaining evidence on commission. He continued:

G “On the fundamental points, however, which Wright J had in mind and which led him to the conclusion which he put on construction of the subsection, I have no doubt that Parliament did not intend to confer on the bankruptcy court any jurisdiction which could be exercised in breach of the established criteria of international law with regard to comity. I have no doubt also that the question whether any person ordered to attend for examination abroad could be compelled to come up for examination or could be punished if he refused to come, or came and would not answer, are highly material to the making of any order.”

H 72 Four points of significance may be noted. First, the effect of the principle of territoriality was to limit the scope of the section as a matter of jurisdiction, and not merely to guide (or even constrain) the exercise of the court’s discretion. Second, the background was the absence of any power to issue a subpoena to a person abroad to give evidence or produce documents in English proceedings: this meant that it was unlikely to have been Parliament’s intention to create such a power by general words. Third, the

availability of an alternative route to obtain such evidence or documents in the foreign court where the person was to be found militated against the implication of such a power. Fourth, the difficulty of enforcing any order was also a material factor telling against any such implication.

73 In contrast, the decision of this court in *In re Seagull Manufacturing Co Ltd* [1993] Ch 345 was that section 133 of the Insolvency Act 1986, authorising the public examination of an officer of an insolvent company, a liquidator, administrator, receiver or manager, or a person concerned in the promotion, formation or management of the company, did enable an order to be made against a former director living in the Channel Islands.

74 The issue in *Masri v Consolidated Contractors International (UK) Ltd (No 4)* [2010] 1 AC 90 was whether an order could be made under CPR r 71.2 for the examination of an officer of a judgment debtor company who was resident and domiciled out of the jurisdiction. Giving the only reasoned speech, Lord Mance cited the principle of territoriality as stated in *Bennion, Statutory Interpretation*, 4th ed (2002), as approved by the House of Lords in *Al-Skeini* and Lord Wilberforce's statement in *Clark v Oceanic Contractors Inc* that the question whether an enactment applies in relation to foreigners outside the jurisdiction depends upon who is "within the legislative grasp, or intendment" of the relevant provision. He noted that where the court's power to issue a subpoena was plainly limited by section 36 of the SCA to witnesses within the United Kingdom, even a wide rule-making power would not enable a rule to be made permitting the issue of a subpoena to a witness outside the United Kingdom.

75 However, where no such "statutory constraint" applied, the terms of the rule-making power in section 1 of the Civil Procedure Act 1997 were sufficiently broad to permit the making of rules by which the English court would exercise jurisdiction over persons abroad to cover new causes of action and situations. Nevertheless, the presumption against extra-territoriality still applied when considering the scope of the rule actually made. Applying that principle, Lord Mance held that there was nothing in CPR Pt 71 to enable the court to summon a third party witness (even an officer of the judgment debtor) who might have information about the judgment debtor's assets. In reaching that conclusion, he had regard to *In re Tucker* and to the rule that there was no power to summon witnesses from abroad to give evidence in English proceedings. *In re Seagull*, on the other hand, was concerned with insolvency litigation in the public interest, in contrast with purely private civil litigation. Lord Mance's conclusion was that:

"26. In my view CPR Pt 71 was not conceived with officers abroad in mind, and, although it contains no express exclusion in respect of them, there are lacking critical considerations which enabled the Court of Appeal in *In re Seagull* to hold that the presumption of territoriality was displaced and that the relevant statutory provision there, on its true construction and having regard to the legislative grasp or intendment, embraced a foreign officer. Although CPR Pt 71 is limited to officers of the judgment debtor company, I regard the position of such officers as closer to that of ordinary witnesses than to that of officers of a company being compulsorily wound up by the court. I conclude that CPR Pt 71 does not contemplate an application and order in relation to an officer outside the jurisdiction."

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A 76 Again, therefore, the principle of territoriality operated to restrict the scope of apparently wide and unlimited general words.

B 77 Finally, *KBR* [2022] AC 519 was concerned with section 2(3) of the Criminal Justice Act 1987 which authorised the Director of the Serious Fraud Office to require a “person under investigation or any other person” to produce “any specified documents which appear to the Director to relate to any matter relevant to the investigation or any documents of a specified description which appear to him so to relate”. The issue was whether documents held in the United States by a United States company which was the parent company of the United Kingdom company under investigation could be obtained in this way. I have already cited Lord Lloyd-Jones JSC’s explanation of the principle (or presumption) of territoriality and its rationale. Turning to the question whether the presumption was rebutted in C *KBR*, Lord Lloyd-Jones JSC said that:

“27. . . . The answer will depend on the wording, purpose and context of the legislation considered in the light of relevant principles of interpretation and principles of international law and comity.”

D 78 He noted that when legislation is intended to have extra-territorial effect, Parliament frequently makes express provision to that effect; and that the more exorbitant the jurisdiction, the more is likely to be required in order to rebut the presumption. In the case of section 2 of the 1987 Act, there was no clear indication in the language either way, and it was therefore necessary to consider the purpose of the legislation, including whether it was necessary to give a statute extra-territorial effect in order to achieve that purpose and whether there are other means available by which the purpose E might be achieved. As in *Masri*, impracticability of enforcement was also “a particularly relevant consideration”.

79 Lord Lloyd-Jones JSC considered the legislative history, concluding as follows:

F “45. I have referred to this legislative history in some detail because it supports *KBR Inc*’s case. It can be seen that successive Acts of Parliament have developed the structures in domestic law which permit the United Kingdom to participate in international systems of mutual legal assistance in relation to both criminal proceedings and investigations. Of critical importance to the functioning of this international system are the safeguards and protections enacted by the legislation, including the regulation of the uses to which documentary evidence might be put and provision for its return. These provisions are fundamental to the mutual G respect and comity on which the system is founded. (See generally *Gohil v Gohil* [2013] Fam 276.) It is to my mind inherently improbable that Parliament should have refined this machinery as it did, while intending to leave in place a parallel system for obtaining evidence from abroad which could operate on the unilateral demand of the SFO, without any recourse to the courts or authorities of the state where the evidence was located H and without the protection of any of the safeguards put in place under the scheme of mutual legal assistance.”

80 The Divisional Court [2019] QB 675, while recognising the principle of territoriality, had considered that it could be given effect by treating section 2(3) of the 1987 Act as subject to a requirement, in the case of

documents held outside the jurisdiction by a foreign company, that there was “a sufficient connection between the company and the jurisdiction”. Lord Lloyd-Jones JSC referred to the example of some provisions of the Insolvency Act 1986 where legislation was interpreted as conferring wide powers, but subject to a safeguard against the exorbitant exercise of those powers in the form of judicial discretion. However, he rejected the suggestion that section 2(3) could be interpreted in this way for four reasons:

“65. . . . In this way, the courts have interpreted the 1986 Act as conferring the widest of powers but have provided a safeguard against the exorbitant exercise of those powers in the form of judicial discretion. This approach, however, provides no basis for the implication of a similar limitation on section 2(3) of the 1987 Act. First, it was only necessary under the 1986 Act because such a broad reading of the power was compelled by the language, purpose and context of the provision. In my view, for reasons already stated, there is no warrant for such a broad reading of section 2(3) of the 1987 Act. In particular, such a reading would be inconsistent with the Parliamentary intention as evidenced by the scheme and history of the legislation. Secondly, section 2(3) confers a power not on a court but on the SFO. As a result, there is no scope here for limiting the operation of a broad interpretation or safeguarding against exorbitant claims of jurisdiction by the exercise of judicial discretion. Thirdly, a statutory rule which empowers the SFO to demand the production of documents by foreigners outside the jurisdiction when there is a sufficient connection between the addressee and the jurisdiction, without defining what would constitute such a connection, would be inherently uncertain. Fourthly, there is no basis for the implication of such a limitation and any attempt to do so would exceed the appropriate bounds of interpretation and usurp the function of Parliament. As Hughes LJ put it in *Perry* [*Serious Organised Crime Agency v Perry*] [2013] 1 AC 182, to do so would involve illegitimately re-writing the statute.”

Analysis

81 The parties’ submissions on jurisdiction which I have summarised above adopted relatively extreme positions. Mr O’Leary for the Trustees submitted that, applying the principle of territoriality to section 34 of the SCA, the English court never has jurisdiction to order the production of documents by a third party outside the jurisdiction, while Mr Stanley for the claimant submitted that it always has jurisdiction to do so, albeit that in the majority of cases that jurisdiction will not be exercised as a matter of discretion.

82 In the typical case where it is sought to obtain documents held abroad from a person abroad, I have no doubt that the principle of territoriality has an important role in considering the scope of section 34 of the SCA. The cases have consistently held that apparently wide and general words enabling documents to be obtained should be interpreted subject to that principle. The existence of the letter of request procedure and the limitations to which it is subject would be circumvented if wide-ranging disclosure of documents held by third parties abroad could be too readily obtained by means of an application under section 34 and CPR r 31.17. That would infringe international comity in ways that would be objectionable to foreign states, just as the United Kingdom has objected when other states have sought to obtain documents here without using the letter of request procedure and,

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A even then, has limited the documents which can be obtained through that procedure. Moreover, such orders could not readily be enforced unless the persons against whom they were made chose to come within the jurisdiction.

B 83 However, the critical fact in the present case is that the documents whose production is sought are located in England, even though the Trustees whose consent (I will assume) is required for their production are outside the jurisdiction. Mr O’Leary submitted that in the case of documents held electronically, this is a matter of little or no consequence, but I would not accept this. The documents in question were sent to Forsters in England, albeit by electronic means, so that Forsters could give advice to the Trustees concerning various transactions, some of which occurred here. It is, as Jacobs J put it, not the result of chance that they are held within the jurisdiction.

C 84 In such circumstances the principle of territoriality has little or no application. To require the production of documents located within the jurisdiction does not involve any illegitimate interference with the sovereignty of the state where the owners of the documents, i.e the Trustees, are located. To the extent that there is any interference at all, arising from the fact that any order to produce the documents will be made against the Trustees personally, that interference is legitimate. By sending the documents to England, the D Trustees have made the documents subject to the jurisdiction of the English court and, to the extent necessary, can be regarded as having accepted the risk that, like any other documents within the jurisdiction, they may be subject to production in the courts of England and Wales.

E 85 The cases have recognised that the strength of the principle of territoriality varies according to the circumstances. None of the cases concerned with the principle of territoriality to which I have referred have been concerned with documents located within the jurisdiction. That includes *Nix v Emerdata Ltd* [2022] EWHC 718 (Comm), which is the only case directly concerned with third party disclosure, as well as *Obex* [2018] 1 WLR 1708, which was concerned with pre-action disclosure (although, as I have said, there was no issue there about the principle of territoriality). In all of the cases in which it has been necessary to consider whether an order to produce documents can be made against a person abroad, the documents themselves have been abroad. In those circumstances it is not difficult to see why careful consideration needed to be given to the principle of territoriality in interpreting the applicable legislation or why the application of that principle led to the conclusion that no order could be made as a matter of statutory interpretation.

G 86 But where the documents are here, the position is very different. It is in accordance with the purpose of the legislation that documents held by third parties which are within the jurisdiction should be available to ensure a just outcome in litigation, including in particular personal injury litigation which was the original subject matter of these provisions, regardless of the location of the third parties themselves: ex hypothesi, such documents will either have been created within the jurisdiction or will have been sent within H the jurisdiction by the third party against whom an order is sought. An example canvassed in argument was the case of a doctor in private practice who retires abroad, but whose documents, including a claimant’s medical records, remain here. It would defeat the purpose of the statute if those documents could not be obtained merely because the doctor had chosen to

retire abroad. To order the production of documents which are here involves no infringement of the sovereignty of any other state and no breach of comity. Moreover, even if the third parties are abroad, if the documents are here there will be no difficulty in enforcing any order for their production.

87 Conversely, it is not at all clear that documents located within the jurisdiction could be obtained by means of a letter of request to the courts of a foreign state. The foreign court might well take the view that production of such documents was a matter for the courts of England and Wales. At all events, we were shown no authority in which a court of one state has ordered disclosure of documents pursuant to a letter of request when the documents are located in the jurisdiction of the requesting court. There is, therefore, no question in the present case of circumventing the letter of request procedure. On the contrary, if the Trustees' documents cannot be obtained pursuant to section 34 of the SCA and CPR r 31.17, it may well be that they cannot be obtained at all.

88 I would hold, therefore, that section 34 of the SCA allows an application to be brought against a third party out of the jurisdiction for an order to produce documents which are located within England and Wales. I see no difficulty in interpreting the words "any documents" in section 34(2) as referring to any documents present within England and Wales.

89 That conclusion makes it unnecessary to decide whether the court would have jurisdiction to make such an order, and thus to permit service out of the jurisdiction, if the documents had been located elsewhere. There are two views as to the way in which the principle of territoriality would operate in such a case. One view is that section 34 should be interpreted as limited to the production of documents located within the jurisdiction, giving effect to the principle of territoriality with a hard-edged rule. The alternative view is that, as Mr Stanley submitted and as Jacobs J held, the court has jurisdiction to make such an order against a person located anywhere in the world, with the existence of judicial discretion providing a sufficient safeguard against any illegitimate interference with the sovereignty of other nations or inappropriate circumvention of the letter of request procedure; that would mean interpreting "a person" and "any documents" as referring to any person and any documents anywhere in the world.

90 There is something to be said for both of these views. The former view provides clarity and certainty, and avoids any possibility of an infringement of international comity. The latter view provides for the possibility of doing justice in an exceptional case, accepting the risk that cases may be argued to be exceptional, even if the argument is ultimately rejected. However, I think it preferable to leave this question to be decided in a case where it makes a difference. Such a case is likely to be rare. Even if jurisdiction exists to make an order against a third party for production of documents held abroad, in view of the availability of the letter of request procedure it would only be in an exceptional case that it would be appropriate to exercise that jurisdiction, for the reasons given by Cockerill J in *Nix v Emerdata Ltd*. Still less would it be appropriate to do so in order to obtain documents (for example, classes of documents) which could not be obtained pursuant to a letter of request.

91 If the question does arise, it will be necessary to consider, among other things, the extent of the court's jurisdiction to make orders in respect of property under section 34(3) (and the equivalent provision in section 33(1) dealing with pre-action orders) as well as the legislative history

- A by which the jurisdiction was initially limited to personal injury litigation and was subsequently extended to all kinds of civil litigation. At first blush it seems unlikely that sections 33(1) and 34(3) permit orders for (for example) the detention or taking of samples of property abroad and, if they do not, that might be an indication that the provisions for disclosure of documents are similarly limited in their territorial scope. Similarly, if the legislation
- B as originally enacted limited to personal injury cases did not apply to documents outside the jurisdiction, as to which I express no view, it seems unlikely that the removal of the limitation as part of the reforms to civil procedure following Lord Woolf's report were intended to change the position. However, these were matters which, understandably, were only lightly touched on in the submissions in this appeal.

- C 92 In the result, I consider that Jacobs J was right to conclude that the court has jurisdiction to make an order for disclosure of documents against the Trustees in this case, and therefore that there was jurisdiction to make an order for service of the application on the Trustees out of the jurisdiction under gateway (20).

Discretion

- D 93 I can deal with the issue of discretion more briefly. Jacobs J recognised that the judgment of Cockerill J in *Nix v Emerdata Ltd* "sets out powerful reasons why, generally speaking, applications against overseas third parties should generally be made using the letter of request regime". He considered, however, that the fact that the documents are here, that they concern transactions in respect of which the Trustees had engaged English solicitors for advice, and that some of those transactions had taken place
- E within the jurisdiction, was an important distinction. So too was the existence of as yet unresolved proceedings pursuant to section 34 of the SCA and CPR r 31.17 against Forsters, which it would be convenient to determine with the Trustees before the court. Jacobs J concluded:

- F "104. I consider that these matters are sufficient to justify the exercise of the court's discretion to order service out of the present proceedings on the Trustees, notwithstanding that (as shown by *Nix*), applications should generally use the letter of request procedure."

94 Mr O'Leary challenged this approach, but in my judgment this was an exercise of discretion which cannot be said to have been wrong.

Service by alternative means

- G 95 CPR r 6.15 enables a court to make an order for alternative service where it appears that there is "a good reason" to do so. It was common ground that the applicable principles were accurately summarised by Foxton J in *M v N* [2021] EWHC 360 (Comm) at [8] and [9]. In particular, where a respondent is domiciled in a state which is a party to the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters concluded on 15 November 1965 (Cmnd 3986) ("the Hague Service Convention"), it must be shown that there is a good reason for allowing alternative service instead of requiring service to be effected
- H pursuant to that Convention.

96 Jacobs J considered that there was a good reason to allow alternative service in the present case without requiring service to be effected pursuant

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to the Hague Service Convention in view of the existing and outstanding application for third party disclosure against Forsters, which needed to be determined quickly in view of the imminent trial date.

97 Mr O’Leary submitted that this was wrong. There was no need for the application against the Trustees to be determined before the trial, which could if necessary proceed without the evidence which the claimant hopes to obtain. Delay or inconvenience were not a good reason to bypass the Hague Service Convention. Moreover, Jacobs J had failed to take into account that any delay was of the claimant’s own making as the application against the Trustees was made very late, even though it had been apparent since August 2021 (when the claimant issued his application against Forsters) that the documents would not be provided voluntarily.

98 Once again, I consider that there was no error in the judge’s conclusion rendering it necessary for this court to interfere. It is true that he did not expressly mention the claimant’s delay in making the application when he dealt with the issue of alternative service at the conclusion of his judgment, and that this was a material factor to be considered, but I see no reason to doubt that the judge had it well in mind. He had set out the chronology earlier in his judgment and, as Mr O’Leary confirmed, the claimant’s delay was in the forefront of his submissions before the judge. The judge was entitled to conclude that, notwithstanding the delay, there was a good reason to permit alternative service.

Disposal

99 I would dismiss the appeal. The court has and should exercise jurisdiction in this case. Whether an order for third party disclosure should be made will be a matter for the Commercial Court to decide.

Note

1. Now KC, but QC when he made the submission.

LEWIS LJ

100 I agree.

NICOLA DAVIES LJ

101 I also agree.

Appeal dismissed.

4 January 2023. The Supreme Court (Lord Lloyd-Jones, Lord Kitchen and Lord Sales JJSC) dismissed an application by the trustees for permission to appeal.

ISABELLA MARSHALL, Barrister

EXHIBIT 17

Alexander Nix v Emerdata Limited, Schulte Roth and Zabel LLP



Mixed Judicial Consideration

Court

Queen's Bench Division (Commercial Court)

Judgment Date

18 February 2022

No. CL-2021-000612

High Court of Justice Business and Property Courts of England and Wales Commercial Court (QBD)

[2022] EWHC 718 (Comm), 2022 WL 01322129

Before: Mrs Justice Cockerill

Friday 18 February 2022

Representation

The Claimant did not attend and was not represented.

Mr J. Aldridge QC and Mr S. Hackett (instructed by Griffin Law) appeared on behalf of the Defendant/Applicant.

The Respondent did not attend and was not represented.

Judgment

Mrs Justice Cockerill:

1. I am not going to give you permission to serve out. Nothing you have said this morning has begun to touch the views which I came to on paper.
2. This litigation relates to the collapse of the business known as "Cambridge Analytica", with which the parties are associated. The business of Cambridge Analytics was operated in the UK by six companies, all of which are now in liquidation. The Defendant is a company which bought the business of Cambridge Analytica. The Claimant ("Mr Nix") was at all material times the CEO of Cambridge Analytica until his suspension on or around 19 March 2018 and his subsequent resignation on or around 15 April 2021.
3. On 13 December 2021 the Defendant issued an application for third party disclosure against the Respondent (the "Substantive Application"). As the Respondent is a New York situated LLP, and is a firm of lawyers which was advising the Claimant at the time of key points in the events which give rise to the dispute between the parties. The reason for the application is that the Defendant wishes to see the Respondent's file to understand what communications passed between its representatives and Mr Nix.
4. On the same day the Defendant also issued an application seeking permission to serve the Respondent with the Substantive Application out of the jurisdiction (and by email) (the "Permission Application").

5. On 21 January I dismissed the Permission Application on paper with the following reasoning:

"Application dismissed. The Court has no jurisdiction to make orders against third parties who are resident outside the jurisdiction. The appropriate route for obtaining evidence from a witness outside the jurisdiction is either via letter of request or via any jurisdiction which the local court may offer to grant disclosure in support of proceedings in this jurisdiction."

6. The Defendant requested me to restore the Permission Application at an oral hearing to hear further argument.

7. The respondent to this application is not the defendant and even within the jurisdiction, the [CPR 31.17](#) jurisdiction has to be carefully considered before it is exercised. This is a case where the respondent is outside the jurisdiction. The general principle in relation to people who are outside the jurisdiction is that which is expressed in **Dicey, Morris and Collins on the Conflict of Laws** para.11-142:

"The court ought to be cautious in allowing process to be served on a foreigner out of England. This has frequently been said to be because service out of the jurisdiction is an interference with the sovereignty of other countries. If there is doubt in the construction of any of the heads of jurisdiction, that doubt ought to be resolved in favour of the defendant...[and so on]. The court will refuse permission if the case is within the letter but outside the spirit of the rule."

8. The question which I have raised with Mr Aldridge QC today is: how does this court have jurisdiction over the third party from whom disclosure is sought - and why should a partnership based in the US, which *ex hypothesi* is not capable of being made subject to the jurisdiction by virtue of residence here, be susceptible to this court's orders?

9. Mr Aldridge has raised two arguments. In paragraph 14 of his skeleton he points to [CPR 6.39](#) and he submits that:

"it is plain that [CPR 6.39](#) can only be contemplating applications such as the present one:

14.1 Under [CPR 6.38\(1\)](#) , the permission of the court would apparently be required to serve an application on a non-resident non-party where permission had been required to serve the claim form out of the jurisdiction. This is not such a case, however, because both the Claimant and the Defendant are resident in England

14.2 [CPR 6.39](#) does not explicitly create an obligation to apply for permission to serve an application notice out of the jurisdiction on a non-resident non-party. However, it may, by selectively disapplying [CPR 6.35](#) and [parts of 6.37\(5\)\(a\)](#) , be implying that such permission is required.

14.4 Only one of the gateways – gateway 18 – appears specifically to contemplate what might be described as an application against a third party. Whilst still described as, "a claim", gateway 18 describes what would normally be called an application for a third party costs order. However, [CPR 46.2\(1\)\(a\)](#) provides that, when a court is considering whether to make a costs order against a non-party, that non-party will be added to proceedings. Therefore, [CPR 6.39](#) cannot be referencing that gateway.

14.5 One possibility, therefore, is that no application against a non-resident non-party is capable of being brought within one of the gateways. Yet if this were correct [CPR 6.39](#) would have no function.

14.6 The Defendant submits that the preferable interpretation is that gateway 20(a) is available for applications, such as the present, which are made under an enactment, but which do not require the issue of a claim form, but rather an application notice."

10. I am afraid I do not accept that submission. For example, the kinds of cases where [CPR 6.38](#) appears to be contemplated are the kind of thing one sees in *C Inc PLC v L & Anor* [2001] 1 All ER (Comm) 446 where Aikens J held that the court had power to grant a claimant permission to serve a freezing order against a non-party out of the jurisdiction where the claimant sought an order against the judgment debtor for the appointment of the receiver, and it was anticipated that the receiver would claim an indemnity against that person and there was a risk of dissipation. In those circumstances, Aikens J found that the " *necessary and proper party* " gateway was engaged. So in circumstances where, for example, there is an application which engages a third party such as an anti-suit on notice, or in the context of a letter of request outwards to enable a potential respondent abroad to appear if it so wished at that stage, those are the kinds of contexts in which one might expect an application notice to be needed to be served out of the jurisdiction.

11. The applicant's approach, in my judgment, involves an obvious logical fallacy. It really hinges on the proposition that 6.39 is there, therefore it must be used - and therefore this is what it is there for. That is obviously wrong. It is not a provision which has been used in this respect before. Nobody, I think, has suggested that it has been used in this respect before.

12. Mr Aldridge relies on *ED&F Man Capital Markets LLP v Obex Securities LLC* [2017] EWHC 2965 (Ch) in which Catherine Newman QC, sitting as a Deputy Judge of the Chancery Division, allowed an application for the pre-action disclosure under [CPR 31.16](#) to be served out using gateway 20(a). She decided that such an application was within the scope of the gateway at paragraph 20(a) of Practice Direction 6B, on the basis that such an application was a "proceeding", and as it was brought under [s.33 Senior Court Act 1981](#) it was accordingly a proceeding "under an enactment".

13. Of course, that was a different case and a different rule. It has been doubted by strong commentators. I agree with Mr Hollander in his book. At paragraph 1-10 where he suggests that "proceedings" should be given the same meaning in Practice Direction 6B. I certainly do not regard *ED&F Man* as being any sound basis for saying that 20(a) provides a gateway for applications such as this. The argument that that would mean there is no use for 6.39 is, it seems to me, wrong. One can contemplate, as I have indicated, plenty of other uses for 6.39 which would not involve necessarily using 20(a). In addition, there may be other enactments such as Insolvency Act proceedings where that is a gateway which is contemplated. An example of the kind of case I have in mind can be seen in *Re Mid East Trading Ltd* [1998] BCC 726

14. So far as sovereignty is concerned, again it seems to me that the fundamental point is that one has to respect sovereignty. Mr Aldridge has relied on *MacKinnon v Donaldson Lufkin & Jenrette Securities Corp* [1986] Ch 482; [1986] 2 W.L.R. 453. He notes that in that case the plaintiff had secured a Bankers Books Evidence Act order and had issued a subpoena in support

of compelling certain documents from a New York-based bank (with an English branch office). The documents in question were account statements in respect of an account maintained by a Bahamian company in the bank's New York branch.

15. Hoffmann J, as he was, reasoned as follows at page 493:

"The content of the subpoena and order is to require the production by a non-party of documents outside the jurisdiction concerning business which it has transacted outside the jurisdiction. In principle and on authority it seems to me that the court should not, save in exceptional circumstances, impose such a requirement upon a foreigner, and, in particular, upon a foreign bank. The principle is that a state should refrain from demanding obedience to its sovereign authority by foreigners in respect of their conduct outside the jurisdiction."

16. Mr Aldridge relies on the fact that Hoffmann J's reasoning was not that the court had no jurisdiction to compel documents from a non-party foreign resident person. It was rather that the court would generally not exercise that discretion against a non-party foreigner, "*in respect of their conduct outside the jurisdiction*". He notes also that in *MacKinnon* the court was dealing with a banking relationship between a New York bank and a Bahamian depositor – there was accordingly no conduct within England.

17. But as I have pointed out in the course of argument that was a very different case. Jurisdiction was established via the agency gateway; and the self-denying ordinance was there in the context of jurisdiction having been established but the documents being abroad. So the position in reality is that even in circumstances where there was jurisdiction against the party because they had a branch resident in the jurisdiction the court should not order disclosure of the documents abroad. It seems to me that that points very clearly against the argument which is raised here.

18. So too does the approach of the *Masri v Consolidated Contractors International Co SAL* [2009] UKHL 43; [2010] 1 AC 90. In that case the House of Lords was considering the scope to serve an order for the examination of a corporate judgment debtor's officer under CPR 71 on such an officer out of the jurisdiction. *MacKinnon* was cited in argument and was relied on by the Court of Appeal in support of the "*presumption against extra-territoriality*" (see e.g. paragraph 15 of Sir Anthony Clarke MR's judgment on page 106). The House of Lords found, reversing the Court of Appeal, that the application to examine an officer of a corporate judgment debtor could not be served out of the jurisdiction.

19. I should make abundantly clear also that even if, contrary to the views which I have just expressed, there were jurisdiction to make an order for service out contemplating an application against a foreign non-party for disclosure, I would not be minded to order it in circumstances where, for example, one is plainly trespassing on the letter of request regime. In that context there is ample high authority which indicates that the court will only exercise its discretion to order a letter of request outwards in circumstances which parallel the letter of request inwards. For example in *Charman v Charman* [2006] 1 WLR 1053 Wilson LJ stated:

"It would be unconscionable for the English court to make an outgoing request in circumstances in which, had it been incoming, it would not give effect to it; nor could the foreign court reasonably be expected to give effect to the English court's request in such circumstances. "Do unto others as you would be done by", as Lord Denning MR reminded us [in *Westinghouse*]."

20. To similar effect in *Sony v Panayiotou* [1994] Ch 142, 152, Nicholls VC held:

"In my view there is only one standard, applicable alike to subpoenas to produce documents, outgoing letters of request and incoming letters of request. In principle there ought to be only one standard".

21. As is equally well known and even more authoritatively stated this court will not permit letters of request inwards for disclosure - but only for what used to be a *subpoena duces tecum* (now a witness summons to compel documents). Section 2(4) of the Evidence (Proceedings in other Jurisdictions) Act states:

"An order under this section shall not require a person - (a) to state what documents relevant to the proceedings to which the application for the order relates are or have been in his possession, custody or power; or (b) to produce any documents other than particular documents specified in the order as being documents appearing to the court making the order to be, or to be likely to be, in his possession, custody or power."

22. That means that any foreign court seeking documents from somebody resident within this jurisdiction must only ask for "*individual documents separately described*" (a phrase dating back to Lord Diplock in *RTZ v Westinghouse*); and the court has repeatedly emphasised that the same principles should apply inwards and outwards.

23. This application is in essence (and acknowledged to be) a way around the letter of request regime. The letter of request regime is the proper, courteous, respectful method of obtaining evidence within a foreign jurisdiction from a foreign party. It is a very sensitive topic in many jurisdictions; one can see this in relation to disclosure via the many, many reservations to disclosure which are appended to the Hague Convention. Many countries take a still more cautious line as to disclosure generally and third-party disclosure in particular than this jurisdiction does. In those circumstances it would be invidious for this court to attempt to impose its standards on a third party based in another jurisdiction by an assertion of direct jurisdiction over them.

24. The letter of request jurisdiction is one which engages the jurisdiction of the court to which the respondent is properly subject. This is a case where it is validly accepted that the specificity requirements of the witness summons to compel documents could not be satisfied. It is also said that pursuing a letter of request would inevitably be slower. I have to say that I rather doubt that submission, given the novelty of the application and the radical nature of the proposition. Were this application to be pursued, I think one could confidently expect any order granting such relief to be appealed.

25. I would also say that a matter which would come into consideration as regards the exercise of any jurisdiction is the fact that the US actually has its own jurisdiction which enables people to apply for disclosure of this sort in assistance of foreign tribunals. It is in Title 28 United States Code 1782 which allows the US Court to grant assistance to foreign tribunals – and litigants before such tribunals. It is granted really quite generously.

26. In this case, there seems for some reason to have been a decision either not to engage with that jurisdiction or a decision that it is not available. In either circumstance, that would be a matter which would militate against the exercise of the disclosure.

27. I would add that the idea of seeking disclosure to plead the defence is, in itself, somewhat unorthodox and in circumstances where even if the application were to be permitted it would involve a very long extension of time, it seems rather remarkable proceeding.

28. For the reasons which I have given, I am not going to grant your application, Mr Aldridge.

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EXHIBIT 18

24

Lord Mackay
of Clashfern

Reg. v. Shivpuri (H.L.(E.))

[1987]

with the Lord Chancellor's view. Otherwise I agree with the reasons A
given by my noble and learned friend, Lord Bridge.

*Appeal against conviction dismissed.
Costs of appellant and respondent to
be paid out of central funds.*

Solicitors: Francis & Co., Cambridge; Solicitor, Customs and Excise. B

C. T. B.

C

[HOUSE OF LORDS]

SOUTH CAROLINA INSURANCE CO. . . . RESPONDENTS

AND

ASSURANTIE MAATSCHAPPIJ "DE ZEVEN
PROVINCIE" N.V. APPELLANTS D

SOUTH CAROLINA INSURANCE CO. . . . RESPONDENTS

AND

AL AHLIA INSURANCE CO. AND ANOTHER APPELLANTS E

1986 May 6, 7; Lord Bridge of Harwich, Lord Brandon of Oakbrook,
July 29 Lord Brightman, Lord Mackay of Clashfern and
Lord Goff of Chieveley

*Injunction—Jurisdiction to grant—Foreign proceedings—Action
brought in England—Defendants lodging petition in United States
court for pre-trial discovery—Whether defendants to be restrained
from proceeding with petition under court's inherent jurisdiction* F

The plaintiffs were an American insurance company, and, having reinsured the liability of another American insurance company, U.N.I., they reinsured the risk with the defendants in London. The plaintiffs claimed under the contract of reinsurance and, when the defendants disputed liability, they brought proceedings in the Commercial Court. Before the defence was served, the defendants lodged a petition in a United States district court seeking, inter alia, an order for pre-trial discovery of documents relevant to the claim and the plaintiffs' contract of reinsurance with U.N.I., against persons resident in the United States, who were not parties to the English action. On the plaintiffs' application in the Commercial Court, the judge made an order restraining the defendants from taking any further step in the American proceedings or enforcing any order made therein. On appeal by the defendants, the Court of Appeal dismissed the appeal. G H

1 A.C. South Carolina Co. v. Assurantie N.V. (H.L.(E.))

On appeal by the defendants:—

Held, allowing the appeal, that although the power of the High Court to grant injunctions, which was a statutory power conferred by section 37(1) of the Supreme Court Act 1981, was very wide it was limited, save for two exceptions irrelevant to the present proceedings, to the situations (Lord Mackay of Clashfern and Lord Goff of Chieveley dubitante) (i) where one party to an action could show that the other party had either invaded, or threatened to invade, a legal or equitable right of the former for the enforcement of which the latter was amenable to the jurisdiction of the court, and (ii) where one party to an action had behaved, or threatened to behave, in an unconscionable manner; that in the circumstances the plaintiffs had failed to show either that the defendants' conduct towards the plaintiffs was amenable to the jurisdiction of the court, or that it was unconscionable in the sense that it interfered with the due process of the High Court's jurisdiction, and that, accordingly, the injunctions granted would be discharged (post, pp. 31c-d, 39H—40D, 41A-D, 44A-B, C-D, E, F).

Siskina (Owners of cargo lately laden on board) v. Distos Compania Naviera S.A. [1979] A.C. 210, H.L.(E.); *Castanho v. Brown & Root (U.K.) Ltd.* [1981] A.C. 557, H.L.(E.) and *British Airways Board v. Laker Airways Ltd.* [1985] A.C. 58, H.L.(E.) applied.

Per Lord Goff of Chieveley. I am reluctant to accept the proposition that the power of the court to grant injunctions is restricted to certain exclusive categories. That power is unfettered by statute and it is impossible at the present time to foresee every circumstance in which it may be thought right to make the remedy available (post, p. 44G).

Decision of the Court of Appeal [1986] Q.B. 348; [1985] 3 W.L.R. 739; [1985] 2 All E.R. 1046 reversed.

The following cases are referred to in their Lordships' opinions:

Bank of Tokyo Ltd. v. Karoon (Note), post, p. 45; [1986] 3 W.L.R. 414; [1986] 3 All E.R. 468, C.A.

British Airways Board v. Laker Airways Ltd. [1985] A.C. 58; [1984] 3 W.L.R. 413; [1984] 3 All E.R. 39, H.L.(E.)

Castanho v. Brown & Root (U.K.) Ltd. [1981] A.C. 557; [1980] 3 W.L.R. 991; [1981] 1 All E.R. 143, H.L.(E.)

Court of Commissioner of Patents for Republic of South Africa, In re (1980) 88 F.R.D. 75

Deere (John) Ltd. and Deere & Co. v. Sperry Corporation (1985) 754 F. 2d 132

MacShannon v. Rockware Glass Ltd. [1978] A.C. 795; [1978] 2 W.L.R. 362; [1978] 1 All E.R. 625, H.L.(E.)

Siskina (Owners of cargo lately laden on board) v. Distos Compania Naviera S.A. [1979] A.C. 210; [1977] 3 W.L.R. 818; [1977] 3 All E.R. 803, H.L.(E.)

The following additional cases were cited in argument:

Armstrong v. Armstrong [1892] P. 98

Erhmann v. Ehrmann [1896] 2 Ch. 611, C.A.

Mike Trading and Transport Ltd. v. R. Pagnan & Fratelli (The Lisboa) [1980] 2 Lloyd's Rep. 546, C.A.

North Carolina Estate Co. Ltd., In re (1889) 5 T.L.R. 328

South Carolina Co. v. Assurantie N.V. (H.L.(E.))

[1987]

Straker Brothers & Co. v. Reynolds (1889) 22 Q.B.D. 262*Westinghouse Electric Corporation Uranium Contract Litigation M.D.L.**Docket No. 235 (Nos. 1 and 2), In re* [1978] A.C. 547; [1978] 2 W.L.R.

81; [1978] 1 All E.R. 434, H.L.(E.)

A

APPEAL from the Court of Appeal.

This was an appeal by leave of the House of Lords (Lord Scarman, Lord Templeman and Lord Mackay of Clashfern) dated 19 November 1985 by the defendants, Assurantie Maatschappij "De Zeven Provinciën" N.V., in the first action, and by the first defendants, Al Ahlia Insurance Co., and by the second defendants, Arabian Seas Insurance Co. Ltd., in the second action brought by the plaintiffs, South Carolina Insurance Co. from the judgment dated 23 May 1985 of the Court of Appeal (Griffiths, Slade and Lloyd L.J.J.) which affirmed orders made on 25 April 1985 by Hobhouse J., the effect of which was to restrain the defendants from taking any further steps in proceedings before a Federal District Court of the United States for production and inspection of documents against a number of companies and individuals not party to the present actions.

B

C

The facts are set out in the opinion of Lord Brandon of Oakbrook.

D

Robert Alexander Q.C. and *Jonathan Sumption Q.C.* for the defendants. The point raised by this appeal is novel. The question can be stated in this way: in what circumstances (if any) may the English courts restrain a party to an English action from availing himself of the process of a foreign court for the purpose of obtaining evidence relevant to the English action? The most authoritative decisions in this branch of the law are those of this House in *Siskina (Owners of cargo lately laden on board) v. Distos Compania Naviera S.A.* [1979] A.C. 210; *Castanho v. Brown & Root (U.K.) Ltd.* [1981] A.C. 557 and *British Airways Board v. Laker Airways Ltd.* [1985] A.C. 58.

E

In the present case the defendants against whom injunctive relief is sought availed themselves of a right open to them under the federal law of the United States and applied to a United States district court for an order requiring persons resident in the United States, but who were not parties to the English proceedings, to give pre-trial discovery of documents relevant to the English action. The particular issue, therefore, in this appeal is whether in the present circumstances it is right for the English court to restrain the defendants from prosecuting further the proceedings in the United States district court.

F

G

The rules of procedure in England provide a means whereby discovery can be obtained between parties to an action and witnesses can be subpoenaed to appear at the trial with relevant documents in their possession. The rules of procedure do not provide an exhaustive or exclusive code which prohibit a party from obtaining documents in any way other than those provided by the rules. For example, if a stranger to the action is prepared to give documents voluntarily to a party, that party is entitled to receive them without obtaining a subpoena. Further, a party may use the facilities of the courts of a friendly foreign state if that state is willing for them so to do. The defendants concede that

H

1 A.C. South Carolina Co. v. Assurantie N.V. (H.L.(E.))

A there are limits to this principle. Thus, it is inapplicable where it would be unconscionable for a party to obtain discovery, for example, of documents which in this country are subject to professional privilege.

B The documents sought are relevant to the defences pleaded in the action which in turn reflect enquiries which were pursued before the action was brought. The plaintiffs obtained the injunction in spite of refusing the defendants consent to have access to the documents in question. Since then they have granted the defendants access but it is the view of the defendants' solicitors that the strangers to the action have not made proper disclosure. The documents are not in the power or possession or control of the plaintiffs; therefore it is difficult to see why they object to disclosure. If the strangers to the action were in this country they could be required to produce the documents by subpoena duces tecum. As to any suggestion that the defendants could have applied for letters rogatory under R.S.C., Ord. 39, r. 2, the procedure is cumbersome and expensive and they can be issued only where other efforts have been made to obtain the documents in question.

C As stated previously, after the Court of Appeal gave judgment the plaintiffs did arrange for the defendants to have controlled access to certain documents in the possession of certain third parties resident in the United States. This was a facility which the defendants hoped would make the prosecution of the present appeal unnecessary. However, the restrictions imposed upon the defendants' inspection of documents made the facilities which were offered to them most unsatisfactory. They have therefore with regret concluded that certain documents have been withheld in a manner which can be remedied only by the compulsory procedure of the United States district court.

E 28 United States Code, section 1782, is a clear provision enabling parties to an English action to obtain from the courts of the United States documents for use in proceedings in this country. That being the rule, the question then arises: on what principle should the English court prevent disclosure where the United States courts would allow disclosure directed to a company which is subject to the jurisdiction of the United States courts? It is the plaintiffs' contention that in the circumstances it is unconscionable for the defendants to apply for disclosure of these documents. The Court of Appeal held that in principle a party to litigation in this country should not avail itself of 28 United States Code, section 1782, against non-parties resident in the United States.

F Reliance is placed on the following propositions: (i) In principle it is open to the defendants to seek material to enable them to conduct their case and to obtain that material as early as possible. A party can gather evidence for use in litigation either through the use of English procedures or through other means. (ii) There is no objection to these other means including means provided by United States proceedings. This does not, as the Court of Appeal suggested, deprive the English court of control over the proceedings. (iii) Caution is required before the conduct of any foreign proceedings is restrained. (iv) The use of the United States processes could be restrained by injunction if it involved the breach of some legal or equitable right of the party claiming the injunction or was unjust or unconscionable to that other party but not otherwise. The

defendants dissent from the general approach of the Court of Appeal in the present case. A

As to the authorities, reliance is placed on *Siskina (Owners of cargo lately laden on board) v. Distos Compania Naviera S.A.* [1979] A.C. 210, 211c–d, 255f–g, 256e–257, per Lord Diplock. As to *Castanho v. Brown & Root (U.K.) Ltd.* [1981] A.C. 557, see per Lord Scarman, at pp. 572f–g, and 574d. It is to be noted that that was a forum conveniens case. In *British Airways Board v. Laker Airways Ltd.* [1985] A.C. 58, the observations of Lord Diplock at pp. 80a–b et seq., and Lord Scarman at p. 95c, show that the category of cases there under discussion have no relevance to the issue in the present case. The defendants would apply by analogy to the present case the observations of Dunn L.J. in *Mike Trading and Transport Ltd. v. R. Pagnan & Fratelli (The Lisboa)* [1980] 2 Lloyd's Rep. 546, 551. B

On the facts of the present case it is not unreasonable or unjust for the defendants to apply for the documents in question. It is said that the documents would be obtained earlier than if they were obtained by subpoena in the English proceedings. But this is only a quirk of English procedure. The advantage of being able to obtain the documents at an earlier stage of the proceedings is in no way unconscionable to the plaintiffs. This is particularly so since otherwise they are not likely to be obtained at all. The defendants do not accept that the procedure by way of letters rogatory is open to them. Further, it is an expensive procedure. It cannot be unjust or unconscionable for the defendants to take the “direct route” for obtaining these documents. C

As to the United States authorities cited by Griffiths L.J. [1986] Q.B. 348, 357, those authorities are not contemplating the situation which has arisen in the present case. The principles laid down by the Court of Appeal here it may be said to act unconscionably against the defendants rather than the plaintiffs. [Reference was also made to *In re North Carolina Estate Co. Ltd.* (1889) 5 T.L.R. 328; *Straker Brothers & Co. v. Reynolds* (1889) 22 Q.B.D. 262, and *Bank of Tokyo Ltd. v. Karoon (Note)* [1987] A.C. 45.] D

Kenneth Rokison Q.C., Christopher Symons and Thomas Weitzman for the plaintiffs. Attention is drawn to the width of the inquiry requested by the defendants in the United States proceedings. They are seeking third party discovery which would not be allowed at all in England. The United States court will not allow that which would not be allowed by the court hearing the substantive issue between the parties. The defendants are in effect seeking to take part of the English proceedings out of the jurisdiction and control of the English court. The difference between the disclosure of documents as a result of letters of request and the present case is that the defendants here have first gone to the foreign court and requested that court to make an order in English proceedings. E

In re Westinghouse Electric Corporation Uranium Contract Litigation M.D.L. Docket No. 235 (Nos. 1 and 2) [1978] A.C. 547, is the antithesis of the present case. The House there held that an English court will not, even when so requested by a foreign court, make an order in respect of an English person or company requiring that person or company to give F

H

1 A.C.

South Carolina Co. v. Assurantie N.V. (H.L.(E.))

- A documentary or testamentary discovery for the purposes of the foreign proceedings. The present case is the reverse position since although the American court is being asked to assist the English court, the American court is being asked to admit a wider class of documents than is allowable under English procedure. It is thus an even stronger case than the *Westinghouse* case. The correct way for the defendants to proceed in the present issue is under R.S.C., Ord. 39, r. 1. Further, Ord. 38, r. 9 specifically relates to depositions in any cause or matter and links them to those under Ord. 39, r. 1.

- The approach of Griffiths L.J. in the Court of Appeal is adopted. The plaintiffs are prejudiced by the American procedure because the defendants can obtain documents which could not be obtained under English procedure. Further, the plaintiffs are necessarily prejudiced by the costs and expense of the American proceedings for they are bound to take part in those proceedings to protect their interests. The question also arises whether, if the English court would not make an order for third party discovery as sought by the defendants, the American court would make any order at all. It is plain from the American decisions in *In re Court of Commissioner of Patents for Republic of South Africa* (1980) 88 F.R.D. 75, 77, and *John Deere Ltd. and Deere & Co. v. Sperry Corporation* (1985) 754 F. 2d 132, 135, 136, that a United States court will only grant an applicant an order under 28 United States Code, section 1782, if it is satisfied that an order of the same nature would be made in like circumstances by the foreign court seised of the dispute at that stage of the proceedings. The effect of those decisions is that any American court properly advised as to English law on discovery would deny the defendants' request as being for third party discovery which is not allowable under English procedure. If it be said that this question can be left for the United States district court to decide, the answer is that it is better for the English court to deal with the matter and "nip it in the bud." It may be that the United States court would not be properly advised as to the relevant English law.

- The English court has jurisdiction to restrain a party to proceedings pending in England from seeking or continuing to seek interlocutory orders in a foreign jurisdiction for the purposes of those proceedings. The English court has an inherent jurisdiction to control its own proceedings. Further, it is well established that where proceedings are pending before the English court, and proceedings are brought in a foreign jurisdiction which concern the same issues, the English court has a discretionary jurisdiction either to stay the English proceedings or to restrain by injunction a party to those proceedings from continuing to proceed in the foreign court. This jurisdiction was recognised by this House in *British Airways Board v. Laker Airways Ltd.* [1985] A.C. 58, 80D-F *per* Lord Diplock. This jurisdiction is commonly invoked in the so-called "forum conveniens" cases, where there is a choice of forum for determination of substantive issues between the parties. See *per* Lord Scarman, at p. 95D. This jurisdiction must also exist where the foreign proceedings are of a purely interlocutory nature, but which overlap with the normal interlocutory processes before the English court. Indeed, it is an obvious and an "a fortiori" case. Thus here the United States

proceedings are only ancillary proceedings and therefore there is no reason why the English court should not have granted the injunction appealed against. A

The Lisboa [1980] 2 Lloyd's Rep. 546 is distinguishable because that was a case where proceedings were started in Venice in order to obtain security if the action was subsequently instituted in Italy. That case cannot be described as one of a foreign court's interlocutory jurisdiction being invoked in English proceedings. It was not an interlocutory application for the purposes of English proceedings. The line of cases cited by Robert Goff L.J. in *Bank of Tokyo Ltd. v. Karoon (Note)* [1987] A.C. 45, is closer to the present case. The present case is one where it is proper to grant an injunction to protect the jurisdiction of the English court. B

Armstrong v. Armstrong [1892] P. 98 lays down the correct approach to the present problem; the principles stated there are applicable to the present case. The essential question is: who should have control over the present matter? The true answer is that it should be the English court which should have control. C

Suppose that in the present case the plaintiffs had attempted in the United States Court to obtain pre-trial depositions from the defendants' employees. Such an application would surely be restrained because it would be so alien to English procedure. So also third-party discovery is alien to English procedure. The matter can be tested by the following example. If a party went to an English court and asked it to issue letters rogatory in relation to third parties' documents under Order 39, such an application would be dismissed. If the party then went to the United States court and requested it under 28 United States Code, section 1782, the English court should intervene on the ground that it was vexatious; the party having failed before the English court, it cannot obtain the evidence by utilising a foreign jurisdiction. But the answer cannot be any different merely because the party in question goes to the United States court first as in the present case. D

Erhmann v. Ehrmann [1896] 2 Ch. 611, shows that the English court will not grant letters rogatory except in relation to evidence which is directly relevant to the issues in the case. Wider "discovery" will not be made the subject of letters rogatory—let alone in respect of documents held by a third party. E

In conclusion, it is the plaintiffs' contention that they have a legal or equitable right which it is appropriate for the English court to protect by injunction, namely the right, as parties to proceedings in the English court, to have those proceedings conducted in accordance with the procedural laws and practices of England, and of no other jurisdiction. Moreover, it is their contention that the defendants' application for interlocutory relief in the United States is unconscionable and unjust to the plaintiffs. If granted, it would allow the defendants to take advantage of procedural steps and remedies available under English procedural law, while at the same time avoiding some of the restrictions on those steps and remedies which would nevertheless continue to impinge upon the plaintiffs. F

Symons followed. G

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A *Alexander Q.C.* in reply. In the present case it is accepted that there is an advantage under the foreign proceedings which cannot be obtained in the English proceedings. It is this factor which distinguishes the present case from *Armstrong v. Armstrong* [1892] P. 98, as applied by Robert Goff L.J. in the *Tokyo Bank* case (*Note*) [1987] A.C. 45. The defendants rely on the principle on which they opened this appeal, namely, that the plaintiffs can only succeed if they can show that the defendants' application before the United States court is unconscionable. As to the principle adumbrated by Griffiths L.J. below, the manner in which a party gathers evidence is for that party. It may gather it voluntarily or in pursuance of a contract. These methods do not deprive the English court in any way of control of its own proceedings.

B [Reference was also made to *In re Westinghouse Electric Corporation Uranium Contract Litigation M.D.L. Docket No. 235 (Nos. 1 and 2)* [1978] A.C. 547, 562B–F.]

Their Lordships took time for consideration.

D 29 July. LORD BRIDGE OF HARWICH. My Lords, for the reasons given in the speech of my noble and learned friend, Lord Brandon of Oakbrook, with which I agree, I would allow this appeal.

E LORD BRANDON OF OAKBROOK. My Lords, the question for decision in this appeal is a novel one and can be stated in this way. An action between A and B is pending before an English court. While it is pending B, exercising a statutory right potentially available to him under the federal law of the United States, applies to a district court of the United States for an order that persons resident in the United States, who are not parties to the action before the English court, should give him pre-trial discovery of documents relevant to the issues in that action. In those circumstances, is it right for the English court, on the application of A, to grant an injunction against B prohibiting him from prosecuting further his proceedings in the United States district court? F Hobhouse J. at first instance, and the Court of Appeal (Griffiths, Slade and Lloyd L.JJ.) on appeal from him, have held that it is right for such an injunction to be granted. The parties enjoined (for in the instant case there are three of them) now bring a further appeal with the leave of your Lordships' House.

G The background of the case is to be found in what can conveniently be described as a three-tier insurance arrangement. The company which first insured the relevant risks was a United States company, United National Insurance Co. ("United National"). United National re-insured the risks which it had insured with another United States company, South Carolina Insurance Co. ("South Carolina"). South Carolina in turn re-re-insured the risks which it had re-insured with a number of other insurance companies in the London market. These other insurance companies included a Dutch company, Assurantie Maatschappij "De Zeven Provinciën" (Seven Provinces) and two Middle or Far Eastern companies, Al Ahlia Insurance Co. ("Al Ahlia") and Arabian Seas Insurance Co. ("Arabian Seas"). In or about 1984 South Carolina called

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upon Seven Provinces, Al Ahlia and Arabian Seas to pay substantial sums which South Carolina claimed to be due from them under the contracts of re-re-insurance concerned. Seven Provinces, Al Ahlia and Arabian Seas refused to make the payments asked for, denying that they were liable to do so.

As a result South Carolina brought two actions in the Commercial Court here in order to recover the sums which they claimed to be payable, together with interest on such sums. In the first action, which was begun on 12 December 1984, Seven Provinces is the sole defendant. In the second action, which was begun on 28 February 1985, Al Ahlia is the first defendant and Arabian Seas is the second defendant. It was the original intention of the solicitors acting for South Carolina to seek summary judgment in both actions under R.S.C., Order 14. However, at an application to fix a date for the hearing of the Order 14 proceedings against Seven Provinces, counsel for the latter indicated that a number of substantial defences would be raised to South Carolina's claim. These defences included (1) misrepresentation or non-disclosure regarding the retention position on the part of South Carolina; (2) non-disclosure of a previous bad loss record on the business concerned; (3) excessive deductions from premiums; and (4) payment of claims outside the limits of the relevant treaty.

The underwriting agent for United National through whom business was placed with it was Pacific General Agency Inc. ("P.G.A."). The loss adjusters who investigated the claims made against United National were Arthur Campbell-Husted and Co. ("Campbell-Husted"). The principal place of business of both P.G.A. and Campbell-Husted is in the State of Washington.

My Lords, Seven Provinces, Al Ahlia and Arabian Seas ("the re-insurers") are, by reasons of their position, remote from the facts in dispute, and obliged to rely for detailed information about them on such documents as they can obtain from South Carolina or P.G.A. and Campbell-Husted. The latter two, however, were not the agents of South Carolina in connection with the relevant transactions; it follows that discovery of documents by South Carolina in the two actions in England would not extend to relevant documents held by them. In this situation, if the re-re-insurers are to achieve their legitimate object of inspecting and copying where necessary, relevant documents held by P.G.A. and Campbell-Husted, some other means have to be found to enable them to do so.

In November 1984, after South Carolina had put forward its claims against the re-re-insurers, but before the two actions in England were begun, the latter had asked P.G.A. if they could inspect the documents in which they were interested at Seattle on 7 December 1984. P.G.A. referred the request to their principal, United National, which in turn consulted South Carolina. It appears that, on the advice of South Carolina's English solicitors, the request for inspection was, in effect, refused. The two actions in England were subsequently begun.

My Lords, 28 United States Code, section 1782, provides:

"Assistance to foreign and international tribunals and to litigants before such tribunals. (a) The district court of the district in

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- A which a person resides or is found may order him to give his testimony or statement or to produce a document or other thing for use in a foreign or international tribunal. The order may be made pursuant to a letter rogatory issued, or request made, by a foreign or international tribunal or upon the application of any interested person and may direct that the testimony or statement be given, or the document or other thing be produced, before a
- B person appointed by the court. By virtue of his appointment, the person appointed has power to administer any necessary oath and take the testimony or statement. The order may prescribe the practice and procedure, which may be in whole or in part the practice and procedure of the foreign country or the international tribunal, for taking the testimony or statement or producing the
- C document or other thing. To the extent that the order does not prescribe otherwise, the testimony or statement shall be taken, and the document or other thing produced, in accordance with the Federal Rules of Civil Procedure."

- D On 28 March 1985, before the re-re-insurers had served their points of defence and counterclaim in the two actions against them in England, they applied by motion to the district court of the United States, Western District of Washington, at Seattle, for an order under section 1782 above. The motion, the title of which referred to the two actions in England, asked for an order against P.G.A. and Campbell-Husted involving two matters. The first matter was the production and inspection of numerous specified classes of documents of the kind which could
- E reasonably be expected to have come into being in the course of the transaction of the insurance business which had led to United National, having settled claims itself, to recover from South Carolina as its re-insurers, and to South Carolina then claiming to recover over from the re-re-insurers. The second matter was the appearance of three named persons from P.G.A. and Campbell-Husted to give testimony by deposition. The motion was supported by a memorandum and an
- F affidavit.

- G Notice of the re-re-insurers' motion was served on P.G.A. and Campbell-Husted. South Carolina was also served with notice of the motion, or otherwise made aware of its having been lodged. Neither P.G.A. nor Campbell-Husted appeared before the district court to resist the application. South Carolina, however, did so appear, and having indicated their objection to it, was given until 29 April 1985 to file its affidavit in opposition. It is to be inferred from the foregoing that neither P.G.A. nor Campbell-Husted objects to producing the documents listed in the motion for inspection, and where necessary for copying, by the re-re-insurers, and that it is only the objection of South Carolina that has stood in the way of their doing so.

- H On 24 April 1985, before the date fixed for filing its affidavit in opposition in the United States district court, South Carolina issued summonses in the two actions in England. By their summonses South Carolina sought (1) an order that the re-re-insurers should withdraw their application to the United States district court, (2) an injunction

restraining the re-re-insurers from proceeding further with such application, and (3) a declaration that the application was an abuse of the process of the English court. A

My Lords, the summonses were heard by Hobhouse J. on 25 April 1985. He declined to make the declaration asked for, but granted South Carolina injunctions restraining the re-re-insurers until further order from taking any further steps in their motion before the United States district court and from enforcing any order made by that court on such motion. The main ground on which Hobhouse J. decided to grant such injunctions appears from pp. 10 and 11 in Appendix I to the printed case. Having set out what he called the framework of the matter, he said: B

“It involves a question of principle as to whether or not the English court should retain the control of its own procedure and the proceedings that are before it. I have no doubt that the answer to be given to that question is that the English court should retain that control.” C

The decision of Hobhouse J. was, as I indicated earlier, affirmed by the Court of Appeal [1986] Q.B. 348. Griffiths L.J. gave the principal judgment, with which Slade and Lloyd L.JJ. both agreed. The main reason which Griffiths L.J. gave for his decision was similar to that relied on by Hobhouse J. He said, at p. 358: D

“Once the parties have chosen or accepted the court in which their dispute is to be tried they must abide by the procedure of that country and that court must be master of its own procedure. Litigation is expensive enough as it is, and if a party fighting a case in this country has to face the prospect of fighting procedural battles in whatever other jurisdiction his opponent may find a procedural advantage it may impose intolerable burdens, and encourage the worst and most oppressive form of procedural forum shopping. We should set our face against any such situation developing. E

“Severe dislocation to the timetable of the English litigation is a readily foreseeable consequence of unrestrained access to foreign procedural remedies. This is likely to cause hardship or inconvenience not only to the other party to that litigation but will also affect other litigants whose cases are listed upon forecasts dependent upon litigation being conducted in accordance with our own rules of procedure. As the judge said, the court will lose control of its own proceedings. Furthermore, one party might be able to gain a very unfair advantage in the English procedure if he was able to take the deposition of and cross-examine a witness whom he would never call on his own behalf at the trial, for example, the employees or business associates of his opponent. I think Mr. Sumption [counsel for the re-re-insurers] recognised this when he said he would be content to accept the stay in respect of his application to take the depositions of the witnesses from P.G.A. and Arthur Campbell-Husted & Co. I am therefore satisfied that as a matter of principle the court must have an inherent jurisdiction to make any necessary F G H

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A order to ensure that the litigation is conducted in accordance with its own procedures.”

My Lords, before examining the question whether Hobhouse J. and the Court of Appeal were right or wrong to grant the injunctions now appealed against, it is necessary to draw attention to a number of preliminary matters.

B The first matter to which attention needs to be drawn is the existence of an essential difference between the civil procedures of the High Court in England on the one hand, and of courts of the United States on the other, with regard to what may be compendiously described as pre-trial discovery. Under the civil procedure of the High Court in England, pre-trial discovery may take two forms. The first form, which is far and away the more common, is by way of disclosure and inspection of relevant documents under R.S.C., Ord. 24. The second form, which is comparatively rare, is by way of the asking and answering on oath of interrogatories under R.S.C., Ord. 26. Such discovery is, however, subject to two important limitations, one relating to its scope and the other to the stage of an action at which it normally takes place. So far as the scope of discovery is concerned, it is limited to the disclosure and inspection of documents in the possession or power of the parties to the action, or to the asking and answering on oath of interrogatories as between such parties. So far as the stage of an action at which discovery normally takes place is concerned, it is the general rule that the two forms of discovery to which I have referred do not take place until the formal pleadings by both sides have been completed and the issues in disputes thereby fully and clearly defined. In this connection, however, it is right to say that the court has power to order either form of discovery at any stage of an action, including a stage earlier than the completion of pleadings; but such power is rarely exercised and then only on special grounds, for instance when discovery is needed in order that justice may be done in interlocutory proceedings.

F Because of the first limitation to which I have referred, there is no way in which a party to an action in the High Court in England can compel pre-trial discovery as against a person who is not a party to such action, either by way of the disclosure and inspection of documents in his possession or power, or by way of giving oral or written testimony. I would, however, stress the word “compel” which I have used in the preceding sentence, for there is nothing to prevent a person who is not a party to an action from voluntarily giving to one or other or both parties to it either disclosure and inspection of documents in his possession or oral or written testimony.

H The procedure of the High Court in England, while not enabling parties to an action to compel pre-trial discovery as against a person who is not a party to such action, nevertheless affords ample means by which such a person, provided that he is within the jurisdiction of the court, can be compelled either to give oral testimony, or to produce documents in his possession or power, at the trial of the action itself. Under R.S.C., Ord. 38, Part II, such a person may be compelled to give oral testimony at the trial by the issue and service on him of a subpoena

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ad testificandum, or to produce documents in his power or possession (so long as they are adequately described and defined) by the issue and service on him of a subpoena duces tecum. The issue of such subpoenas is in the first instance a ministerial rather than a judicial act, and a party may therefore issue subpoenas of either kind as he thinks fit; the court, however, has power to set aside any subpoena on proper grounds, for instance, irregularity of form, irrelevance, oppressiveness or abuse of the process.

The procedure of the High Court in England includes a further power of the court, conferred on it by R.S.C., Ord. 38, r.13, to order any person to attend any proceedings in a cause or matter and produce any document to be specified or described in the order, the production of which appears to the court to be necessary for the purpose of that proceeding. It has, however, long been established that this rule is not intended to be used, and cannot properly be used, to enable a party to an action to obtain pre-trial disclosure and inspection of documents in the possession or power of a person who is not a party to such action. It is a rule of limited application, involving the production of a document or documents to the court itself rather than to either of the parties to an action.

My Lords, the civil procedure of courts in the United States differs essentially from that in the High Court in England in that under it parties to an action can compel, as against persons who are not parties to it, a full measure of pre-trial discovery, including both the disclosure and production for inspection and copying of documents, and also the giving of oral or written testimony. This power of compulsion can be, and regularly is, used at an early stage of an action.

The second matter to which attention needs to be drawn is that 28 United States Code, section 1782, as appears from its terms which I set out earlier, expressly provides that an order made under it may prescribe the practice and procedure, which may be in whole or in part the practice and procedure of the foreign country or the international tribunal, for taking the testimony or statement or producing the document or other thing; and that, to the extent that the order does not prescribe otherwise, the testimony or statement shall be taken, and the document or other thing produced, in accordance with the Federal Rules of Procedure.

Reference was made in the two courts below and again in your Lordships' House to certain United States authorities which bear on the exercise of a district court's powers under section 1782. In a decision of the United States District Court of Pennsylvania, *In re Court of the Commissioner of Patents for Republic of South Africa* (1980) 88 F.R.D. 75, 77, Judge Newcomer said:

"[1, 2] It is of great concern to this court that counsel for opponent has not been able to represent to this court that the documents and testimony for which opponents request a discovery order are discoverable under South African law. Indeed, discussions with counsel lead this court to suspect that these materials would *not* be available through South African procedures. Clearly, this court should not by its exercise of the discretion allowed it under section

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A 1782 allow litigants to circumvent the restrictions imposed on discovery by foreign tribunals. Few actions could more significantly impede the development of international co-operation among courts than if the courts of the United States operated to give litigants in foreign cases processes of law to which they are not entitled in the appropriate foreign tribunals."

B Further in *John Deere Ltd. and Deere & Co. v. Sperry Corporation* (1985) 754 F.2d 132, 135, Judge Garth, giving the judgment of the United States Court of Appeals for the Third Circuit, said:

C "As a co-operative measure, section 1782 cannot be said to ignore those considerations of comity and sovereignty that pervade international law. A grant of discovery that trenched upon the clearly established procedures of a foreign tribunal would not be within section 1782."

D My Lords, it was contended for South Carolina, on the basis of these authorities, that the re-re-insurers' application to the district court of the United States was bound to fail. The ground relied on was that, since the procedure of the High Court in England did not enable parties to an action to compel pre-trial discovery against persons not parties to it, the district court would not permit the re-re-insurers to circumvent that limitation by granting them an order for such discovery under section 1782.

E It appears to me that there may well be considerable force in this contention. It is not possible, however, for your Lordships, on the limited material before you, to decide for yourselves in advance how the United States district court would see fit to exercise the discretion conferred on it by section 1782, in the particular circumstances of this case, and having regard to the characteristics of civil procedure in the High Court in England which I endeavoured to summarise earlier.

F The third matter to which attention needs to be drawn concerns certain changes in the positions of the parties which have occurred since the original hearing of South Carolina's two summonses before Hobhouse J. The first change of position relates to the memorandum lodged in support of the re-re-insurers' application to the United States district court, in which they asserted:

G "As evidenced by the attached affidavit of Francis Otley Mackie the petitioners herein are seeking this court's assistance in obtaining information and documentation which is necessary, material and relevant to litigation pending in the courts of England for use in those proceedings. The affidavit further establishes that were all the parties residents of England, the requested discovery would be permitted pursuant to the rules of procedure and discovery in England. Accordingly, the petitioners' motion for taking of testimony and the production of documents should be granted."

H Mr. Mackie, whose affidavit is referred to at the beginning of the above passage, is a partner in the firm of solicitors acting for the re-re-insurers in the two actions in England. The relevant part of that affidavit is paragraph 12, in which Mr. Mackie deposed, inter alia, as follows:

"Discovery of such documentation and testimony is permitted according to the English rules of procedure Petitioners would be able to obtain writs of subpoena duces tecum issued by the High Court of England . . . directing these entities to produce the documents requested and directing them individually to appear and give testimony at depositions."

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These statements in the re-re-insurers' memorandum and Mr. Mackie's affidavit were criticised by Hobhouse J. and by Griffiths L.J. in the Court of Appeal as giving such an incomplete and inaccurate account of the procedure of the High Court in England with regard to discovery as seriously to mislead the United States district court. Griffiths L.J., however, expressly acquitted Mr. Mackie of any deliberate intention to mislead. Before your Lordships Mr. Robert Alexander, who appeared as leading counsel for the appellants re-re-insurers, accepted unreservedly that the passages in question were incomplete and inaccurate, and as a consequence liable to mislead. The main error, as will be apparent, is the failure to distinguish clearly between compelling a person not a party to an action to give pre-trial discovery on the one hand, and compelling him to give oral evidence and produce documents at the trial itself on the other hand. I think that it is right for your Lordships to say that the criticisms of that error made by the two courts below were fully justified and that it is most unfortunate that it should ever have occurred. That said, however, having regard to the admission of such error freely made by Mr. Alexander for the re-re-insurers, and having regard further to the summary which I endeavoured to give earlier of the relevant procedure of the High Court in England, it seems to me that the error is no longer of significance in the consideration of this appeal.

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The second change of position concerns the scope of the re-re-insurers' application to the United States district court. As I indicated earlier, that application as originally framed covered two distinct matters: first, the production and inspection of specified classes of documents; and, secondly, the appearance of three named persons from P.G.A. and Campbell-Husted to give testimony by depositions. On the face of the motion it appeared that what the re-re-insurers were seeking in relation to the second of these matters was the taking of oral evidence from the persons named relevant to the issues in the English actions, such evidence to be recorded in depositions. Before the Court of Appeal, however, Mr. Sumption for the re-re-insurers expressly abandoned any intention to achieve this end, and before your Lordships Mr. Alexander made it clear that the appearance of the named persons was only sought for the purpose of their producing and identifying the relevant documents held by P.G.A. and Campbell-Husted, and in no way for the purpose of their giving oral evidence to be recorded in depositions with regard to issues of fact arising in the English actions.

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The third change of position arises from the stage which the two actions in England have now reached. At the time when South Carolina's applications first came before Hobhouse J. the re-re-insurers had not yet served their points of defence and counterclaim, so that the issues between the parties had not yet been defined by pleadings and no

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A discovery of documents as between the parties had yet taken place. Hobhouse J. regarded this as a significant matter in exercising the discretion to grant injunctions which he held that he had. During the hearing before the Court of Appeal, however, the re-re-insurers served points of defence and counterclaim, and since then discovery of documents as between the parties has taken place. The actions in England are, therefore, much further advanced than they were when South Carolina's applications first came before the judge.

B The fourth change of position is this. Following the decision of the Court of Appeal South Carolina arranged for the re-re-insurers to have controlled access to certain documents held by P.G.A. and Campbell-Husted. According to the re-re-insurers, however, substantial restrictions were imposed by South Carolina on the documents which they were allowed to inspect under this arrangement. It is the re-re-insurers' case, therefore, that their application to the United States district court remains necessary in order to enable them to have inspection of other documents to which, by reason of the control exercised by South Carolina, they have not so far had access. Your Lordships were not asked to go into the details of these matters, which are in dispute between the parties, and it is right, I think, for the purposes of this appeal for your Lordships to proceed on the basis that the re-re-insurers have at least an arguable case with regard to them.

C The fifth and final matter to which attention should be drawn is that the judge of the United States district court before whom the re-re-insurers' application under section 1782 is pending has helpfully directed that further proceedings in that application should be stayed until the determination first of the re-re-insurers' appeal to the Court of Appeal, and then of their further appeal to your Lordships' House.

E My Lords, having drawn attention to these various preliminary matters, I turn to consider whether the injunctions granted by Hobhouse J. and affirmed by the Court of Appeal should be allowed to stand. I put the question in that form because of the various ways described by me above in which the positions of the parties have changed since the original hearing before Hobhouse J.

F As appears from the passages from the judgments of Hobhouse J. and Griffiths L.J. which I set out earlier, both courts below treated South Carolina's applications for injunctions as raising matters of principle for decision. I have no doubt that they were right so to treat them. Putting the point differently, the question which your Lordships have to decide is whether the circumstances of the case are such as to give the court power to grant the injunctions at all, and not whether, there being such power, it was a proper exercise of discretion to grant them rather than to refuse them.

G In considering the question which I have formulated, it will be helpful in the first place to state certain basic principles governing the grant of injunctions by the High Court. The first basic principle is that the power of the High Court to grant injunctions is a statutory power conferred on it by section 37(1) of the Supreme Court Act 1981, which provides that "the High Court may by order (whether interlocutory or final) grant an injunction in all cases in which it appears to the court to

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be just and convenient to do so.” That provision is similar to earlier provisions of which it is the successor, namely, section 45(1) of the Supreme Court of Judicature (Consolidation) Act 1925 and section 25(8) of the Supreme Court of Judicature Act 1873. The second basic principle is—that, although the terms of section 37(1) of the Act of 1981 and its predecessors are very wide, the power conferred by them has been circumscribed by judicial authority dating back many years. The nature of the limitations to which the power is subject has been considered in a number of recent cases in your Lordships’ House: *Siskina (Owners of cargo lately laden on board) v. Distos Compania Naviera S.A.* [1979] A.C. 210; *Castanho v. Brown & Root (U.K.) Ltd.* [1981] A.C. 557; and *British Airways Board v. Laker Airways Ltd.* [1985] A.C. 58. The effect of these authorities, so far as material to the present case, can be summarised by saying that the power of the High Court to grant injunctions is, subject to two exceptions to which I shall refer shortly, limited to two situations. Situation (1) is when one party to an action can show that the other party has either invaded, or threatens to invade, a legal or equitable right of the former for the enforcement of which the latter is amenable to the jurisdiction of the court. Situation (2) is where one party to an action has behaved, or threatens to behave, in a manner which is unconscionable. The third basic principle is that, among the forms of injunction which the High Court has power to grant, is an injunction granted to one party to an action to restrain the other party to it from beginning, or if he has begun from continuing, proceedings against the former in a foreign court. Such jurisdiction is, however, to be exercised with caution because it involves indirect interference with the process of the foreign court concerned.

The latter form of injunction may be granted in such circumstances as to constitute an exception to the second basic principle stated above. This may occur where one party has brought proceedings against another party in a foreign court which is not the forum conveniens for the trial of the dispute between them, as that expression was defined and applied in *MacShannon v. Rockware Glass Ltd.* [1978] A.C. 795. In such a case the party who has brought the proceedings in the foreign court may not, by doing so, have invaded any legal or equitable right of the other party, nor acted in an unconscionable manner. The court nevertheless has power to restrain him from continuing his foreign proceedings on the ground that there is another forum in which it is more appropriate, in the interests of justice, that the dispute between the parties should be tried. The present case, however, is not concerned with a choice between two competing forums for the trial of a dispute, and the exception to which I have just referred is therefore not relevant to it.

The power of the court to grant *Mareva* injunctions may also, before it was statutorily recognised, have been a further exception to the second basic principle stated above. That power, however, has now been expressly recognised by section 37(3) of the Supreme Court Act 1981, and again the present case is in no way concerned with it.

Ignoring these exceptions, therefore, and applying the basic principles which I have stated to the present case, the first question for consideration is whether South Carolina has shown that what I have

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A described above as situation (1) exists. Has South Carolina shown that the re-re-insurers, by beginning and intending to prosecute their application to the United States district court, has invaded, or threatened to invade, a legal or equitable right of South Carolina for the enforcement of which the re-re-insurers are amenable to the jurisdiction of the court? It was contended by Mr. Rokison on behalf of South Carolina that South Carolina did indeed have such a legal or equitable right, but it appeared to me that he had great difficulty in formulating the legal or equitable right on which he relied. Neither of the courts below decided as they did on the basis that the re-re-insurers had by their conduct invaded a legal or equitable right of South Carolina, and I cannot see how such a case can be made out. I would therefore hold that South Carolina has not shown that situation (1) exists.

B The second question for consideration is whether South Carolina has shown that what I have described above as situation (2) exists. Has South Carolina shown that the re-re-insurers, by beginning and intending to prosecute their application to the United States district court, have acted in a manner which is unconscionable? It is difficult, and would probably be unwise, to seek to define the expression "unconscionable conduct" in anything like an exhaustive manner. In my opinion, however, it includes, at any rate, conduct which is oppressive or vexatious or which interferes with the due process of the court.

C Although neither Hobhouse J. at first instance, nor Griffiths L.J. in the Court of Appeal, stated in terms that they thought it right to grant injunctions on the ground that the conduct of the re-re-insurers in making their application to the United States district court was unconscionable, it seems to me to be implicit in their reasons that they regarded it as being so. Hobhouse J. based his decision expressly on the need for the court to retain control of its own process, with the necessary implication that the re-re-insurers' conduct was an interference with such control and therefore an interference with the due process of the court. Griffiths L.J. based his decision on three grounds: first (like Hobhouse J.), that the court must retain control of its own process; secondly, that the civil procedure of United States courts is significantly different from that of English courts, and the parties, by submitting to the jurisdiction of an English court, must be taken to have accepted its procedure; and, thirdly, that unrestricted access to foreign procedural remedies was liable to produce hardship in the form of increased costs and inconvenience. I shall consider each of these grounds in turn.

E I consider, first, the ground that the re-re-insurers' conduct was an interference with the court's control of its own process. It is not clear to me why this should be so. Under the civil procedure of the High Court the court does not, in general, exercise any control over the manner in which a party obtains the evidence which he needs to support his case. The court may give him help, certainly; for instance by discovery of documents inter partes under R.S.C., Ord. 24; by allowing evidence to be obtained or presented at the trial in various ways under Orders 38 and 39; and by the issue of subpoenas under Part II of Order 38, to which I referred earlier. Subject, however, to the help of the court in these various ways, the basic principle underlying the preparation and

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presentation of a party's case in the High Court in England is that it is for that party to obtain and present the evidence which he needs by his own means, provided always that such means are lawful in the country in which they are used. It was not in dispute that, if P.G.A. and Campbell-Husted, uninfluenced by the control exercised over them by South Carolina on the advice of the latter's English solicitors, had freely and voluntarily allowed the re-re-insurers to inspect, and where necessary to copy, all the documents referred to in the latter's application, it could not possibly have been said that there had been any interference with the English court's control of its own process. That being so, I cannot see why, since the Federal law of the United States authorises an application of the kind made by the re-re-insurers in this case, the making of such application, which may or may not succeed in whole or in part, should be regarded as being such an interference either. I cannot, therefore, agree with the first ground of decision relied on by the Court of Appeal.

I consider, secondly, the ground that the procedure of United States courts is significantly different from that of English courts, and the parties, by submitting to the jurisdiction of an English court, must be taken to have accepted its procedure. It is, no doubt, true that the re-re-insurers, by entering unconditional appearances in the two English actions, can be said in a certain sense to have accepted the procedure of that court. Your Lordships were not, however, informed of any ground on which the re-re-insurers could, with any prospect of success, have contested the jurisdiction of the High Court in England in respect of the disputes which are the subject matter of the two actions concerned. Be that as it may, I cannot see that the re-re-insurers, by seeking to exercise a right potentially available to them under the Federal law of the United States, have in any way departed from, or interfered with, the procedure of the English court. All they have done is what any party preparing his case in the High Court here is entitled to do, namely to try to obtain in a foreign country, by means lawful in that country, documentary evidence which they believe that they need in order to prepare and present their case. It was said that the re-re-insurers could have applied to the High Court under R.S.C., Ord. 39, r. 2, for letters of request to issue to the proper judicial authorities in the United States. But 28 United States Code, section 1782, allows an application to be made either indirectly by the foreign court concerned or directly by an interested party, and I can see no good reason why the re-re-insurers should not have chosen whichever of these two alternatives they preferred. It is, I think, of the utmost importance to appreciate that the reason why English procedure does not permit pre-trial discovery of documents against persons who are not parties to an action is for the protection of those third parties, and not for the protection of either of the persons who are parties to the action. I cannot, therefore, agree with the second ground of decision relied on by the Court of Appeal.

I consider, thirdly, the ground that unrestrained access to foreign procedural remedies was liable to cause hardship in the form of increased costs and inconvenience. So far as increased costs are concerned, Griffiths L.J. was referring to increased costs incurred or to be incurred

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A by South Carolina in contesting the proceedings in the United States district court. If, however, the re-re-insurers are right in their contention that they have not yet, by reason of the control exercised by South Carolina, had access to all the documents to which they believe that they need access in order to prepare their case in the two English actions, it can reasonably be said that any liability for increased costs incurred by South Carolina is in a sense self-imposed. If they had been

B willing to permit P.G.A. and Campbell-Husted to allow the re-re-insurers to inspect, and where necessary copy, all the documents to which the latter had sought access, the making or prosecution of the re-re-insurers' application to the United States district court would not have been necessary. In this connection it is right to stress what I have already stated earlier, that P.G.A. and Campbell-Husted, left to

C themselves, would voluntarily have given the re-re-insurers permission to inspect, and where necessary copy, all the documents to which the latter sought access. It was said for South Carolina that the documents not so far disclosed were not relevant to the issues in the two English actions. If that is so, I cannot help asking myself why South Carolina has gone to such lengths to prevent the disclosure of such documents. So far as inconvenience is concerned, it is apparent that Griffiths L.J. had two

D kinds of inconvenience in mind: first inconvenience in relation to the two actions immediately concerned in the form of delay in getting them tried and possible prolongation of the trial when it took place; and, secondly, inconvenience to other litigants by reason of the consequent dislocation of the time-table for the trial of other cases in the congested list of the Commercial Court. So far as delay is concerned, it is perhaps

E ironical that the only result of South Carolina seeking to obtain injunctions against the re-re-insurers has been to increase greatly whatever delay the re-re-insurers' application, if allowed to proceed unopposed, might otherwise have caused. I recognise that the re-re-insurers' application may result in some increased costs to South Carolina, but these could, as I indicated earlier, have easily been avoided by a different attitude on South Carolina's part. I recognise also

F that some inconvenience of the two kinds to which I have referred may arise from the re-re-insurers' application; but, if there is a reasonable possibility that such inconvenience is the price of justice being fully done at the trial of the two English actions, then it seems to me to be a price which must necessarily be paid. In any event, I cannot see how the re-re-insurers' application, made in what may prove to be a just cause, can,

G solely on the ground that it occasions the extra costs and inconvenience under discussion, be categorised as an interference with the court's control of its own process. The court can control any excessive delay by fixing such date for the trial of the two actions as may be just, and nothing which the re-re-insurers can do can take away or interfere with the court's control in this respect. As to increased costs these will, no doubt, be a matter for the consideration of the Commercial judge at the

H conclusion of the trial, and I do not think it would be right for your Lordships to express any views, one way or the other, about such matter. For these reasons I cannot agree with the third ground of decision relied on by the Court of Appeal.

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My Lords, the result of the views which I have expressed is that there was, in my opinion, no such interference with the procedure of the English High Court by the re-re-insurers as would amount to unconscionable conduct on their part, and so justify, in accordance with the basic principles which I stated earlier, the exercise of the court's power to grant injunctions against them. It follows that I would allow the appeal and set aside the orders of Hobhouse J. dated 25 April 1985 and of the Court of Appeal dated 23 May 1985. As regards costs in your Lordships' House, I have no doubt that South Carolina should pay the costs of the re-re-insurers. As regards costs in the two courts below, different considerations may apply, first, because of the breadth of the re-re-insurers' application to the United States district court as originally framed, and, secondly, because of the misleading nature, in the respect to which I referred earlier, of the memorandum and affidavit lodged in support of such application. I therefore think it desirable that, in relation to those costs, your Lordships should have the assistance of further argument from counsel on either side.

LORD BRIGHTMAN. My Lords, in this appeal I respectfully differ from the conclusion reached by the Court of Appeal. I have had the privilege of studying in advance the speech of my noble and learned friend, Lord Brandon of Oakbrook, and I find myself wholly convinced by his reasons for moving that this appeal should be allowed. I agree with the orders that he proposes should be made.

LORD MACKAY OF CLASHFERN. My Lords, I have had the advantage of reading in draft the speeches prepared by my noble and learned friends, Lord Brandon of Oakbrook and Lord Goff of Chieveley. I agree that it would be wise to make the reservation on the matter to which Lord Goff of Chieveley has drawn attention but, like him, I agree with the conclusion reached by Lord Brandon of Oakbrook and with the reasons he has given for reaching that conclusion.

LORD GOFF OF CHIEVELEY. My Lords, I find myself to be in respectful agreement with the conclusion reached by my noble and learned friend, Lord Brandon of Oakbrook, on this appeal, and with the reasons given by him for reaching that conclusion. I wish, however, to draw attention to one matter upon which I have certain reservations, and to which I attach importance.

I am reluctant to accept the proposition that the power of the court to grant injunctions is restricted to certain exclusive categories. That power is unfettered by statute; and it is impossible for us now to foresee every circumstance in which it may be thought right to make the remedy available. In particular, I do not regard the exercise of the power to restrain a person from commencing or continuing proceedings in a foreign forum as constituting an exception to certain limited categories of case in which it has been said that the power may alone be exercised. In my opinion, restraint of proceedings in a foreign forum simply provides one example of circumstances in which, in the interests of justice, the power to grant an injunction may be exercised. I have

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- A elsewhere explained in detail, for reasons which it is unnecessary for me to repeat in the present case, why, on the basis of a line of established authority, I am at present inclined to the opinion that an injunction has generally been granted in such circumstances for the purpose of protecting the English jurisdiction, and why I doubt, with all respect, whether the speech of my noble and learned friend, Lord Scarman, in *Castanho v. Brown & Root (U.K.) Ltd.* [1981] A.C. 557, contains the last word on the subject. I refer, in this connection, to my judgment in *Bank of Tokyo Ltd. v. Karoon* (Note) [1987] A.C. 45.
- B

Even so, I can see no basis for the grant of an injunction in the present case. In particular, in agreement with my noble and learned friend Lord Brandon of Oakbrook, and respectfully differing from Hobhouse J. and the Court of Appeal, I do not consider that the grant of the injunction can be justified as necessary to protect the English jurisdiction on the facts of the present case. In this, I find myself entirely in agreement with the reasons expressed in the speech of my noble and learned friend, Lord Brandon of Oakbrook. I therefore agree that the appeal should be allowed.

C

Appeal allowed with costs.

Solicitors: Clyde & Co.; Herbert Smith & Co.

J. A. G.

E

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NOTE

[COURT OF APPEAL]

BANK OF TOKYO LTD. v. KAROON AND ANOTHER

1984 April 3, 4, 5;
May 24

Ackner and Robert Goff L.JJ.

G

Injunction—Jurisdiction to grant—Foreign proceedings—Interpleader proceedings to determine ownership of money held by bank in England—Bank's subsidiary in New York providing information concerning claimant and his accounts—Claimant bringing proceedings in New York against subsidiary—Whether bank entitled to injunction to restrain proceedings in New York

H

APPEAL from Bingham J.

In 1983 Mr. Majid Karoon started proceedings in New York against the Bank of Tokyo Ltd., a Japanese bank carrying on business in London, and also against a wholly-owned subsidiary of that bank, the Bank of Tokyo Trust Co.

EXHIBIT 19

Nokia Corporation (a company incorporated under the laws of Finland) v Interdigital Technology Corporation (a company incorporated under the laws of the State of Delaware, USA)



Positive/Neutral Judicial Consideration

Court

Chancery Division (Patents Court)

Judgment Date

8 December 2004

Case No: HC 04 C01952

High Court of Justice Chancery Division Patents Court

Neutral Citation Number: [2004] EWHC 2920 (Pat), 2004 WL 3111426

Before : The Honourable Mr. Justice Pumfrey

Date: Wednesday, 8th December 2004

Representation

Mr. Michael Silverleaf QC , Mr. Henry Whittle and Mr. Brian Nicholson (instructed by Messrs. Bird & Bird) for the Claimant.

Mr. Guy Burkill QC and Mr. Colin Birss (instructed by Messrs. Milbank, Tweed, Hadley & McCloy) for the Defendant.

APPROVED JUDGMENT

Mr. Justice Pumfrey:

1.. In this action Nokia seek revocation of three United Kingdom patents owned by InterDigital Technology Corporation (“InterDigital”). InterDigital is a patent holding and licensing company for InterDigital Communications Corporation (“ICC”). The patents in suit are 2,174,571 (“571”), 2,208,774 (“774”) and 2,224,114 (“414”). They relate to aspects of the transmission of telephony signals over a wireless loop using time-division multiplexing techniques.

2.. The significance of these patents to Nokia is that at least two of them are alleged by InterDigital to be not only relevant but actually “essential” to the practice of the GSM standards for digital cellular mobile telephones and infrastructure. Nokia are leading manufacturers in this field. These are international standards with which all manufacturers of GSM mobile telephones and associated infrastructure must necessarily comply. ETSI (the European Telecommunication Standards Institute) requires notification to it of any patents believed to be essential for compliance with its standards or proposed standards. InterDigital notified the three patents in suit in 2001 (long after the standard was formulated) but had been asserting them to be essential from about 1993.

3.. The three patents in suit have equivalents in numerous territories throughout the world, all of which have been notified by InterDigital to ETSI as essential to GSM. The claimants say that the patents in suit are representative of over 140 corresponding patents (or pending applications) worldwide, which are the core patents of those said to be essential to GSM.

4.. There are before me two applications. The first is the case management conference sought by Nokia. The second is an application by InterDigital seeking four heads of relief as set out in the notice of application dated 27th October 2004. The relief sought is:

- (a) an injunction to restrain Nokia from pursuing applications made in the US courts under 28 USC, section 1782 for documents and other evidence from Ericsson Inc. and Sony Ericsson Mobile Communications AB;
- (b) a declaration that the discovery sought in the above applications is irrelevant to any issue in the present proceedings;
- (c) an order striking out parts of the claimant's pleadings which relate to construction of the claims of the patents in suit;
- (d) a stay of the proceedings until after the outcome of an ICC arbitration presently taking place between the parties to this action in New York.

5.. The background to the action and the present applications may be briefly outlined as follows. As I have indicated, since the early 1990s, InterDigital have been representing to the mobile communications industry that they require licences under InterDigital's patent portfolio for GSM. InterDigital has pursued an aggressive licensing policy, threatening litigation if licences are not taken and making it clear that its portfolio of patents is so geographically and technically extensive that it is uneconomic to resist.

6.. After several years of negotiation with InterDigital, Nokia took a lump sum licence in 1999, but is allowed by the terms of the licence to bring this action. The licence is split into two periods — 1 and 2. Period 1 ran up to the end of 2001 and Nokia paid a royalty of \$31.5 million for that period. For period 2 (from the beginning of 2002, until the expiry of the licence) no royalty is payable unless certain conditions are satisfied. One of those is that a “major competitor” of Nokia has taken a licence. There is a dispute between the parties as to whether further royalties have become due for period 2 under the licence, and if so what royalties are payable. InterDigital relies, as I understand it, upon a licence taken by Ericsson and a joint venture company, Sony-Ericsson, in settlement of a ten-year long action originally commenced in 1993 between InterDigital and Ericsson in the United States for infringement of a number of InterDigital's patents. One of the terms of the settlement between InterDigital and Ericsson was that Ericsson and its joint venture company took a licence under InterDigital's patent portfolio. This dispute, that is to say the dispute between Nokia and InterDigital as to the payability of royalty, is the subject of an ICC arbitration in New York.

7.. Some of InterDigital's patents have been the subject of litigation. Action was brought against Motorola who was largely successful in its resistance to the claims. Nokia's contention is that the basket of patents under which a licence is available contains a number that are either invalid or not infringed by a manufacturer who seeks to comply with the GSM standards. Part of the motive for these proceedings is to obtain a judgment on validity which can be deployed in the arbitration; although if the timetable for the arbitration remains as it is, then any use of a putative judgment on invalidity will be impossible. The arbitration is due to be heard in January 2005.

8.. Surprisingly, perhaps, for patents of the age of those in suit that have been licensed, the patentee's response to this action is to apply to amend all three. Some of the amendments are not mere deletion of claims accepted to be invalid but involve the rewriting of new claims. Nokia plead a number of grounds they say would justify the court in holding that the amendments should not be allowed in the exercise of the court's discretion. They plead, inter alia, that the patents have been known by InterDigital to be invalid and that the licence with Ericsson (which is, with all the negotiations leading up to it, entirely secret until disclosure in this action) was entered into at least in part in bad faith and with a view to putting Nokia at a disadvantage in the setting of the period 2 royalties which InterDigital publicly estimate to be about \$130 million year on the basis of the Ericsson settlement.

The application for a stay

9.. With that brief introduction, I can turn to InterDigital's application for a stay. I can discern no basis for a stay of these proceedings whatever. It is not suggested that these proceedings are subject to a mandatory stay under the [Arbitration Act 1996](#). It is also accepted that by [section 72 of the Patents Act 1977](#), any person may bring proceedings to revoke a patent. But it is said that the underlying motive of these proceedings is to produce what InterDigital call an advisory opinion on the validity of the patents, that the court should encourage alternative dispute resolution, and that the arbitration already on foot involves alternative resolution of this dispute without a disproportionately expensive recourse to the court, whose decision cannot much affect the outcome of what is said to be the “real” or “commercial” dispute between the parties. InterDigital rely also upon the fact that Nokia decided to take a licence in 1999, albeit one which permitted them to challenge the validity of the patents.

10.. There is no dispute that there is a wide power to stay proceedings whenever the court thinks fit. Of course, an action which is an abuse of process will be stayed or struck out. Multiplicity of proceedings will be discouraged if possible and there are numerous specific statutory provisions providing for the staying of proceedings in certain defined circumstances. There is also a long list of specific circumstances in which the [CPR](#) provide for a staying of proceedings.

11.. The case management powers contained in [CPR 3.1\(1\)\(f\)](#) apply generally, and these powers must be exercised with a view to achieving the so-called overriding objective. However, when in a properly-constituted action the claimant seeks appropriate relief, the dispute is not the subject to an arbitration agreement and the action itself cannot be said to be an abuse of process, it seems to me that the primary duty of the court is to bring it on for trial as fairly and as quickly as the circumstances permit and not to stay it.

12.. Validity and infringement of the three patents in suit were removed from purview of the arbitrators by the agreement of Nokia and InterDigital. Indeed, this appears to have been the result of an objection by InterDigital (see clause 4(vi) of the terms of reference in the arbitration.

13.. Having objected to the issues of infringement and validity being considered by the arbitrators in the existing arbitration, InterDigital could not, before me, identify any form of alternative dispute resolution that could even dispose of the issues of infringement and validity inter partes. It goes without saying that in the absence of an agreement to surrender a patent or consent to its revocation, no private dispute resolution could result in revocation of one or more of the patents if it were found to be invalid. There is no offer of any such agreement; so the arguments relating to proportionality and alternative dispute resolution have no foundation and must fail. There is no other basis advanced for a stay.

The Section 1782 application

14.. The application which is made in the appropriate district court in the United States is said to relate to these proceedings. It seeks both evidence on deposition and discovery of documents in specified classes as follows. The application after formal matters proceeds as follows:

“Nokia is a party to a court proceeding in England before the High Court of Justice, Chancery Division, Patents Court, in which Nokia seeks to revoke certain United Kingdom patents that have been granted to InterDigital Technology Corporation (‘InterDigital’). These UK patents are the counterparts of certain US patents that are presently at issue in an arbitration between InterDigital and Nokia in the United States. Nokia believes that Ericsson, a Delaware corporation that is found in this district [the East District of Texas, Sherman Division] has evidence relevant to the validity and scope of the patents that are at issue in the English patent proceeding. Nokia submits this application to obtain this evidence from Ericsson by means of an order for discovery from this Court.”

15.. Without reading through the whole of the application, it is difficult to give a proper flavour of the basis upon which the application is brought, but it is necessary to pay attention first to the description of the Ericsson and InterDigital lawsuit on printed page 3, which is as follows:

“The Ericsson/InterDigital lawsuit continued following the Motorola verdict. Ericsson and InterDigital eventually settled their dispute, but only after ten years of litigation. During the course of the litigation, the parties extensively litigated the scope of InterDigital's US patents and exchanged evidence regarding the prior art.”

16.. On printed page 4:

“InterDigital's patent portfolio includes patents granted by the United Kingdom Patent Office, of which two are counterparts of the US patents involved in the Ericsson/InterDigital litigation. On June 14, 2004, Nokia initiated a proceeding before the High Court of Justice, Chancery Division, Patents Court, to revoke these UK patents, together with a third InterDigital patent, the Swedish equivalent of which Ericsson opposed in the Swedish Patent Office. The UK proceeding will address many of the same issues addressed in the litigation and opposition between Ericsson and InterDigital, and in the licensing discussions between Ericsson and InterDigital, namely the scope and validity of InterDigital's patents. InterDigital may try to place some reliance upon the fact that other companies have taken licenses to its patents.”

17.. Then the application seeks to justify the request on the basis of the terms of section 1782 . On page 12 it says this:

“Allowing Nokia to obtain discovery from Ericsson would equitably and efficiently assist Nokia's efforts in the English proceeding. Nokia seeks to revoke certain of InterDigital's patents that InterDigital contends covered Nokia's technology. During the course of Ericsson's ten years of United States litigation with InterDigital over the validity and scope of InterDigital's US patents together with many years of opposing InterDigital's Swedish patents, and during the licensing discussions with InterDigital, it amassed a universe of knowledge and evidence relevant to the validity and scope of InterDigital's patents. It is undisputable that during the protracted litigation, opposition and licensing discussions with InterDigital, Ericsson either provided or received evidence pertinent to the scope and validity of InterDigital's patents. The patents that were at issue in the Ericsson/InterDigital litigation are the counterparts of the patents Nokia seeks to revoke in the UK revocation proceeding. The third patent at issue in the UK revocation proceeding was opposed by Ericsson in Sweden. Moreover, when the litigation ended in early 2003, Ericsson agreed to licence InterDigital's entire patent portfolio. Ericsson's decision to take a licence to InterDigital's portfolio is, and of itself, a source of evidence material to Nokia's revocation proceeding. Therefore, for all these reasons, Nokia believes that Ericsson has evidence that can assist Nokia.

Nokia's discovery of this evidence will assist Nokia's efforts in the United Kingdom proceeding. Many of the same issues present in the Ericsson/InterDigital lawsuit, or close corollaries, may arise in the context of the UK proceeding. Allowing Nokia's requested discovery will allow the English court, and the parties to that proceeding, to benefit from the ten year effort spent in resolving such issues in the US litigation, the Swedish opposition and from any evidence arising in connection with the licensing discussions. This request also obviates the need for letters rogatory, or other lengthy and cumbersome procedures, to obtain this evidence from Ericsson, a US resident and a non-participant to the UK proceeding.”

18.. The relief sought in the district court against Ericsson is set out in two exhibits to the application, exhibit A and exhibit B. Exhibit A seeks depositions on certain specified deposition topics in a manner which I understand to be usual in the ordinary United States litigation. As always, it is necessary to read what is already a very broad order with regard to exhibit C, which contains the definitions which render terms which, on their face, are broad into terms which are very wide indeed. The order is to Ericsson to designate one or more officers, directors, or managing agents, or other persons who consent to testify on Ericsson's behalf, with respect to the following matters. Four classes of matter are set out.

“1. Prior art to UK Patent No. 2,174,571, UK Patent No. 2,208,774 or UK Patent 2,224,414 or any prior art to any counterparts within the same patent families of these patents in other jurisdictions, including information concerning the publication date of the said prior art.

2. Ericsson's claim construction and invalidity contentions in the Ericsson/InterDigital lawsuit and any oppositions carried out by Ericsson against the counterparts of the UK Patents referred to in paragraph 1 above, and the identity of relevant prior art and factual support for all those contentions.

3. The negotiation of the 2003 Patent Licences including efforts by Ericsson, Sony-Ericsson, or InterDigital to negotiate, execute, or structure any agreements that were made in connection with, at the time of, or as part of, the resolution of the Ericsson/InterDigital Lawsuit or the execution of the 2003 Patent Licences.

4. The performance under the 2003 Patent Licences, including of any amendments or modifications (whether oral, written or by conduct) to the 2003 Patent Licences, to the agreements resolving the Ericsson/InterDigital Lawsuit, or to any other agreements within the scope of topic 3 above.”

19.. The request for documents, which is contained in exhibit B, is that upon which the discussion before me principally turned, but in fact the documents are complimentary to the depositions which are sought in exhibit A. I need not read paragraph 1, which again seeks prior art in relation to the patents in suit, counterparts of the patents in suit within the same patent families and documents relative to publication dates. Then paragraph 2 specifies certain classes of documents in relation to the Ericsson/InterDigital lawsuit, including witness expert reports and declarations, affidavits or witness statements relating to construction. Paragraph 3 relates to the negotiation and execution of the Ericsson settlement agreement, and paragraph 4 relates to any amendments or modifications, rather surprisingly, whether, oral, written or by conduct, which were made to the patents licences and the agreements resolving the Ericsson lawsuit.

20.. I am asked to restrain the claimants from further continuing with this application against Ericsson and Sony Ericsson, or in the alternative for the declaratory relief, which I have already set out, indicating that the classes of documents in question are irrelevant in this action. There is no doubt that I have jurisdiction to restrain the section 1782 proceedings and this jurisdiction is described in the decision of the *House of Lords in South Carolina Insurance Co v Assurantie Maatschappij “De Zeven Provinciën NV”* [1987] AC 24 . The speech of Lord Brandon, with whom the remainder of their Lordships largely concurred, sets out the principles upon which the English court will interfere by injunction with an application made under the United States provision by a party to litigation in this country, and I am bound by it. Before turning to the principles established by this decision, however, I should briefly refer both to Title 28 section 1782 and to the leading case on the exercise of power arising under section 1782 , the recent decision of the *United States Supreme Court in a case called Intel Corporation v. AMD* .

21.. In its present form, what I will call subsection (a) of section 1782 , which has the cross-head “Assistance to foreign and international tribunals and to litigants before such tribunals” is as follows:

“The district court of the district in which a person resides are is found may order him to give his testimony or statement or to produce a document or other thing for use in a proceeding in a foreign or international tribunal, including criminal investigations conducted before formal accusation. The order may be made pursuant to a letter rogatory issued, or request made, by a foreign or international tribunal or upon the application of any interested person and may direct that the testimony or statement be given, or the document or other thing be produced, before a person appointed by the court. By virtue of his appointment, the person appointed has power to administer any necessary oath and take the testimony or statement. The order may prescribe the practice and procedure, which may be in whole or in part the practice and procedure of the foreign country or the international tribunal, for taking the testimony or statement or producing the document or other thing. To the extent that the order does

not prescribe otherwise, the testimony or statement shall be taken, and the document or other thing produced, in accordance with the Federal Rules of Civil Procedure ”.

22.. *Intel v. AMD* itself concerned an application under section 1782 for documents with a view to providing them to the European Commission for the purpose of a complaint under Articles 81 and 82 of the EC Treaty . Justice Ginsburg delivered the majority opinion. I believe that the following propositions may be derived from that opinion that are directly relevant to the issues which arise before me today.

- (a) Section 1782 authorizes but does not require the federal district court to grant discovery in aid of the foreign proceedings.
- (b) The proceeding in question must be within reasonable contemplation, but need not be pending or imminent. I infer from this that the provision may be used to obtain evidence prior to issue of proceedings in this country.
- (c) There is no requirement that the discovery sought in section 1782 proceedings be discoverable in the foreign jurisdiction if located there.
- (d) Considerations of comity between jurisdictions and parity between litigants may be legitimate touchstones for the district court's exercise of discretion in a particular case, but that is no reason for imposing a general foreign-discoverability rule. For example, a foreign court's reluctance to order discovery of particular documents may be no indication at all of a reluctance to receive them in evidence — the example given by Justice Ginsburg is the South Carolina case itself. The foreign tribunal may itself place such limitations as it thinks appropriate on the admission of material obtained pursuant to section 1782 .
- (e) In exercising the discretion, a number of factors need to be borne in mind:
 - (i) Where the parties to the section 1782 proceedings are the same as those in the foreign proceedings, the need for aid is not as apparent as it is when evidence is sought from a non-participant in the matter arising abroad, when the foreign tribunal can itself decide whether to order the parties to produce evidence.
 - (ii) The stature of the foreign tribunal, the character of the proceedings underway abroad and the receptivity of the foreign court to federal court judicial assistance must also be considered.
 - (iii) Whether the section 1782 request “conceals an attempt to circumvent foreign proof-gathering limits or other policies of a foreign country or of the United States is also relevant.
 - (iv) Unduly burdensome requests may be rejected or trimmed.

23.. It is clear that the jurisdiction will be exercised having regard to the attitude that the foreign court will take to the material produced by the section 1782 request. As is well known, the attitude of this court, that is to say the English court, towards disclosure is regulated by the [CPR](#) and the scope of disclosure is essentially circumscribed by the pleaded issues. At the same time, the court is generally indifferent as to the source of admissible material. Let me give a simple example. In a patent action, the validity of the patent is challenged on the grounds of anticipation or obviousness on the basis of a single prior publication. The scope of disclosure is limited to documents advancing the parties' respective cases, including their attacks on the other's case, within the time window of four years around the priority date: see paragraph 5.1(2) of the Practice Direction under [Part 63 of the CPR](#) .

24.. This means there will be no disclosure relating to other grounds of invalidity, for example, prior use by the patentee, and the defendant must himself uncover at least the possible existence of such prior uses by the patentee for himself before he can obtain the court's assistance in compelling disclosure from the patentee. On the other hand, if he does obtain evidence of prior use by the patentee, the court is not generally concerned as to how that evidence was obtained. As I understand the decision of the House of Lords in the South Carolina case, to which I now turn, one possible route is by way of a section 1782 request.

25.. Mr. Silverleaf QC, who appears on behalf of Nokia, submits that the following propositions may be derived from Lord Brandon's speech in the South Carolina case.

- (a) The English courts do not, in general, exercise any control over the way in which a party obtains the evidence it wishes to present to support its case: See *[1987] AC 41 G–H* .
- (b) If a third party voluntarily assists a party by providing evidence, there can be no objection to that evidence being used by the party. The provision of material in this way does not interfere with the court's control of its own process. (Page 42 A).
- (c) Consequently, by exercising a right potentially available to it under US law to obtain documents or evidence from a third party, a party to litigation is not departing from or interfering with the procedure of the English court. (Page 42 C).
- (d) Accordingly, a party should normally be permitted to exercise its rights under Title 28 of the US Code section 1782 .

- (e) It is for the US court hearing the section 1782 application to decide upon the merits of the application under US law and to determine the nature and scope of the relief to be granted. The fact that a party is enabled by exercising those rights to obtain documents and evidence which would not otherwise be available to it is not a ground for interference by the English court.
- (f) Before the court should restrain a party's use of the section 1782 procedure, it has to be satisfied that the use being made is either a breach of some legal or equitable right of the objecting party (page 41, B to C) or is vexatious or oppressive or is in some other way unconscionable. (Page 41 D).

26.. This summary seems to me to be correct and it shows why the decision whether or not to restrain section 1782 proceedings is not a mere case management decision. There can be no doubt that leaving express or implied obligations aside, the jurisdiction to interfere is based on the need to show that the application is abusive in its context in the English proceedings. This is confirmed by *Banker's Trust international PLC v PT Dharmala* (unreported, 1st December 1995, Mance J, as he then was) and *Omega v Viktor Kozeny* [2002] CLC 132 (Mr. Peter Gross QC, as he then was). In the former case, the application under section 1782 was made after trial but before judgment, no doubt with a view to improving the evidence in the proceedings and making an application to re-open the trial. Mance J appears to have found little difficulty in concluding that such an application was abusive. In the latter case, Mr. Gross QC was confronted by an application to depose individuals who would be giving evidence in this country, thereby exposing them twice to the burden of cross-examination, which he considered to be abusive in the context of the English proceedings.

27.. Mr. Burkill's submission on behalf of InterDigital is that the depositions sought on the present application and the classes of documents sought are of undue width and purely fishing. The definitions of the classes make no attempt to distinguish that which is relevant from that which is not, and are for that reason objectionable. The fact that the second, third and fourth classes closely mirror the terms of a subpoena issued by the arbitrators against Ericsson reveals, he submits, that the real purpose of the section 1782 application is to produce documents in aid of the arbitration and that this is confirmed by the unwillingness of Nokia's advisers to agree to protective orders preventing the employment of the documents in the arbitration.

28.. Accordingly, he says that the application is oppressive and is an abuse of process and should be restrained by this court.

29.. It is necessary to make a number of elementary observations before turning to Mr. Burkill's contentions. First, the issues in the English proceedings are defined by the pleadings. Second, documents and other evidence are not admissible unless either relevant to an issue so defined or (although relevant to the issues in the case) as tending to go impugn the credit of a witness. The court will not compel production of documents going only to credit. Third, disclosure will only be ordered on the basis set out in the CPR, which is to say, that a party will only be required to make a search ultimately as is reasonable and proportionate.

30.. I agree with Mr. Burkill that the classes of documents as drawn would not be ordered by way of disclosure in the present proceedings. As he correctly observes, the first class (all prior art to the three patents) covers prior art that has not pleaded and this class is, from the perspective of this court, too broad. I am equally satisfied, however, that any new prior art discovered could, in principle, be introduced by amendment of the pleadings into the action.

31.. If any document obtained in the second, third and fourth categories could be relevant to these proceedings, in the sense that it would be disclosable if in the possession, custody or power of InterDigital, it could only be because it related to Nokia's contention that the court should not exercise its discretion to permit the amendments sought to the three patents in suit. InterDigital is under a duty to disclose documents in its power (a term defined in the relevant provisions of the CPR) that are disclosable in the light of the pleaded case. While I might be privately sceptical as to the likelihood that the discovery by Ericsson will turn up material in addition to that which must be disclosed in these proceedings in any event, I certainly cannot say that it will not do so.

32.. It follows that it cannot be said a priori or that the material which would be obtained on discovery in this case, as sought in the section 1782 proceedings, would not be capable of being deployed in these proceedings. This approach, which is quite different from the approach which I would take to a request for specific disclosure of class of documents in the context of English proceedings, is appropriate for the following reasons:

- (a) Subject to the restrictions placed on the jurisdiction by Federal law, the request is not circumscribed by the issues at stake in the foreign proceedings. There do not even have to be any proceedings on foot for the request to be considered. It is therefore in part investigatory in nature.
- (b) It follows that the English court should not seek to circumscribe the discretion possessed by the district court by imposing its own view as to the appropriateness of the classes of documents sought by reference to the issues in proceedings as they stand. It is legitimate for the requesting party to use the request to ascertain facts and obtain documents of which

the requesting party is unaware, but which may be in the future deployed in the English proceedings, if necessary, after appropriate amendment.

(c) The question of the extent to which the district court should accede to the request is a matter for it alone, on the evidence made available, and the English court should only interfere if the invocation of the jurisdiction is either contrary to some legal or equitable right of the other party to the English litigation or is otherwise oppressive or vexatious or tends to interfere with the due process of the English court. In my judgment it should also, if possible, express a view as to the likely deployability of the documents sought if that is possible and if such an expression will be of assistance to the district court.

(d) The final decision on admissibility will be in any event for the English court, in the light of the issues as defined in the pleadings, and the English court should not, subject to the caveat set out above, concern itself with the manner in which the material sought matters sought to be admitted is obtained.

(e) This is a different problem from the problem of ordering disclosure of a class of documents of which it can be said that a substantial proportion are irrelevant. The court will not order disclosure of such a class because the English court will not exercise its coercive powers to compel the production of material irrelevant on the pleadings as they stand. But it is for the district court to form its own view in the United States, having regard to the nature of the jurisdiction and to the fact that it is not circumscribed by the pleaded issues in pending litigation, as to the material the production of which should be compelled.

33.. The position in respect of the depositions is more difficult. Experience of the use of transcripts of deposition evidence in other cases suggests that it is most unusual for deposition evidence which is not focused on the issues in the English proceedings to be of any practical utility at all. Again, it is possible, but the possibility is a remote one. In this connection I say nothing about depositions ancillary to the document request whose only purpose is to locate relevant documents.

34.. On the whole, I conclude that while it does not seem likely that the material requested in the 1782 proceedings will be of utility in this action, that possibility cannot in any circumstances be excluded. If I am to restrain Nokia from pursuing their request, InterDigital must satisfy me that in the context of these proceedings the request is not merely an of doubtful utility but an abuse of process. If it were the case that the request would be automatically complied with by the district court in the United States, then I would be prepared to confer a wide ambit on the term “abuse of process”. But it is clear from the Intel case that the district court is required to exercise a judicial consideration in considering the request and the factors urged on me are equally considerations which can be, and in fact are being, urged upon it as reasons for not exceeding to the request or, in the words of the Supreme Court, trimming it.

35.. Accordingly, it seems to me that I must be able to identify abusive behaviour in the sense that the request is intended to, or at least will have the effect of, causing unfair prejudice to the opposing party in the present proceedings. This I cannot do. In this connection, I have not overlooked the question whether the real purpose of the request is to assist in the arbitration. This, it seems to me, is preeminently a matter for the district court. The extent to which a collateral purpose is an objection to a section 1782 request is a matter for the district court in the light of the guidance provided to it by Intel and other cases. It is not a matter for me.

36.. Since there is nothing in the request that could be described as abusive in the context of the English proceedings, I must refuse the injunction sought.

37.. Finally, I should mention the question of costs of the section 1782 request. Dr. Laakkonen from Nokia suggests in his evidence (for some reason) that if successful Nokia will seek its costs of the section 1782 proceedings from InterDigital. I cannot pre-empt the exercise of this discretion by the judge who ultimately deals with the question, and for present purposes I should only say that this risk is not of itself oppressive of InterDigital and is not enough to justify me in restraining the section 1782 application by injunction.

Declaratory relief

38.. While pressing his application for injunctive relief, Mr. Burkill QC submits that in the alternative I should declare that the classes of documents specified in the 1782 request are irrelevant to the action as presently constituted. For the reasons that I have set out, I agree that the great majority of the documents falling within the second, third and fourth classes are, or are likely to be, irrelevant. But for the reasons I have also stated, I cannot say that they all are. For this reason, I cannot make a declaration in the categorical terms that Mr. Burkill requests. I accept that, as I have indicated, I would not have made an order for disclosure in the current proceedings on the present state of the pleadings of the classes of documents which are specified in the request under section 1782, but for the reasons that I have also stated, that consideration seems to me to be irrelevant to the present question.

Amendment

39.. I turn, finally, to an application to amend the pleadings which is made by Nokia. As pleaded, it is clear that Nokia's case on invalidity of the patents is in part contingent on the allegation that lies at the commercial heart of this dispute, which is that use of the inventions of the patents in suit, among others, is essential at least to G2 and G2.5 mobile digital cellular telephony. The patents have been notified to ETSI on the basis that the "proprietor believes that the [patents] may be considered essential" to the specified standards. InterDigital say most emphatically that a notification is not an assertion of essentiality, but only of possible or potential essentiality. In my view, something is only possibly or potentially essential to compliance with the standard during the period before the question of essentiality has been determined, whereafter it is either optional or essential.

40.. Before me, InterDigital were initially unwilling to state whether they considered that use of any of the inventions the subject matter of the patents in suit was in fact essential to compliance with the relevant standards. In response to a direct question from me, Mr. Burkill QC took instructions and then informed me that essentiality was not asserted in relation to 571, use of which was therefore optional, but was asserted in relation to 774 and 414.

41.. Once the assertion of essentiality is made, it seems to me that it is open to Nokia to argue that the contents of the standard will force a particular construction of the claims on the patentee if the invention is to be essential to compliance. Whether the argument is compelling is not for me to say at this stage, but it is clearly possible without the need for examination of any particular embodiment. Where the employment of the invention is alleged to be optional, then if there is an assertion of infringement sufficient to support a prayer for a declaration of non-infringement under the inherent jurisdiction of the court, that may also be sufficient. It depends upon the terms of the assertion

42.. Conscious of the difficulties of merely applying to revoke the patents on the basis of a construction which may be disputed in respect of a standard which may or may not be relevant, Nokia seek to amend their claim by adding a declaration of non-infringement in respect (put shortly) of equipment complying with the standards. InterDigital object on the basis that the claims relate to apparatus; that the specifications do not describe apparatus; and that to grant a declaration of non-infringement (or, I suppose, non-essentiality) in respect of the standard is potentially embarrassing

43.. The draft pleading is as follows. Passing over the matters which are merely common form, I can pick it up as amended at paragraph 4.

"4. The Defendant's publicly stated position is that the manufacturer of and commercial dealing in mobile telephone equipment which complies with GSM standards infringes the Patents (and corresponding patents worldwide). 'GSM standards' refers to the standards issued by the European Telecommunications Standards Institute (ETSI) relating to the European digital cellular telecommunications systems, known as Global System for Mobile Communications (GSM).

(i) The Defendant has notified ETSI in accordance with the ETSI IPR Policy, that the Patents are 'Essential IPR' in respect of the GSM standards. A copy of the relevant entries in the database maintained and published by ETSI is attached hereto as Annex 1.

(ii) The Defendant has licensed the Patents (and corresponding patents elsewhere in the world) to manufacturers of equipment falling within the GSM standards, on the basis that such licences are necessary for compliance with those standards. The Claimant, amongst others, has entered into such a licence.

(iii) 'Essential IPR' under the ETSI IPR Policy, a copy of which is attached as Annex 2 hereto, is defined by clause 15(6) thereof in the following terms:

'ESSENTIAL' as applied to IPR means that it is not possible on technical (but not commercial) grounds, taking into account normal technical practice and the state of the art generally available at the time of standardisation, to make, sell, lease, otherwise dispose of, repair, use or operate equipment or methods which comply with a standards without infringing that IPR. For the avoidance of doubt in exceptional cases where a standard can only be implemented by technical solutions, all of which are infringements of IPR, all such IPRs shall be considered ESSENTIAL."

44.. The particular (iii) under paragraph 4 which is sought to be added by amendment pleads the meaning of the word “essential” upon which Nokia rely, and paragraph 6, which is added by amendment, seeks in the alternative, or in any event, a declaration of non-infringement in relation to all Nokia equipment complying with the relevant standards. It is claimed that InterDigital have made a general assertion of infringement in relation to all three patents in relation to the handsets and other infrastructure manufactured by Nokia, and it is sought to add to the prayer for relief a declaration that importation, manufacture, sales, supply, offer for sale or supply, and keeping of the relevant hardware in compliance with the specified standards without the consent of the defendant, InterDigital does not require infringement of the identified patents and that the patents in each of them are not essential IPR for GSM Release 4.

45.. That in terms is not a declaration of non-infringement: it is a declaration of non-essentiality. What Nokia are seeking to do is to keep open the possibility which I think Mr. Silverleaf articulated by saying if they are not saying it is essential, we are not worried.

46.. I have been in two minds as to whether this is a possible approach to a patent action. However, having regard to the assertion of essentiality which was made to me by Mr. Burkill, I am satisfied, for the reasons that I have endeavoured to express, that the court should, if at all possible, resolve the commercial issue in the terms that it is understood by the parties. The position is far more difficult in relation to the patent whose use is said to be optional. It does seem to me that on ordinary principles the question of non-infringement becomes an entirely theoretical one. Non-essentiality is accepted, and in those circumstances it seems to me that either there must be a clear assertion of infringement identified or a specimen hardware in respect of which InterDigital seek royalty should be identified.

47.. It is not clear to me, as at present, whether that has happened and for this reason I will hear further submissions in the light of these observations in relation to the patent whose use is said to be optional. Subject as aforesaid, however, InterDigital's applications fail.

Crown copyright

EXHIBIT 20

Omega Group Holdings Ltd & Ors v Kozeny & Ors.

Queen’s Bench Division (Commercial Court).
Peter Gross QC (sitting as a deputy High Court judge).
Judgment delivered 6 September 2001.

Civil procedure – Conflict of laws – Anti-suit injunction – Claimants claimed damages against defendants for fraudulent misrepresentation, breach of fiduciary duty, breach of contract and conspiracy – Defendant sought to depose certain US witnesses intended to be called to give evidence in the English proceedings – Whether use of US deposition procedure unconscionable and an abuse of process – United States Code, Title 28, s. 1782.

This was an application by the claimants for an injunction restraining the first defendant from pursuing various proceedings commenced by him in the US.

The claimants were investment vehicles of various investment funds. In proceedings in England they claimed damages against the defendants for fraudulent misrepresentation, breach of fiduciary duty, breach of contract and conspiracy relating to an investment in the privatisation process in the republic of Azerbaijan. The claimants’ case was that they had been defrauded into investing some US\$182m into privatisation options and vouchers issued by the republic of Azerbaijan and that the defendants had misappropriated the moneys for their own purposes. They claimed an account of what the defendants had done with the moneys. They obtained worldwide freezing orders. There was satellite litigation in other jurisdictions to protect assets in those jurisdictions and thereby ensure the effectiveness of the English proceedings. The defendants alleged, among other defences, that the claimants’ investments were accompanied by substantial corrupt payments and that accordingly their claims were tainted with illegality and should fail for that reason. The first defendant obtained orders from US District Courts, pursuant to s. 1782 of Title 28 of the United States Code, for employees and former employees of the claimants and for investors to make witness statements. The claimants objected to the proposed deposition of the witnesses who were going to give evidence in the English proceedings. The claimants argued that in the circumstances the use of s. 1782 was unconscionable and therefore an abuse of process and should be restrained by injunction. The first defendant argued that he was entitled to use US procedure to obtain evidence in the US. The first defendant further argued that the claimants had in effect agreed to that position when obtaining a stay in Colorado and resisting a stay of the English proceedings and should not be allowed to resile from it.

Held, granting an injunction:

1. In general the English court left it to the parties to obtain the evidence they thought necessary for the advancement of their case by the means of their choosing, provided such means were lawful in the country where they were deployed. The fact that a party to English litigation was able to obtain evidence by means of a right available in a foreign country significantly different from that available in the English system did not by itself constitute unconscionable conduct. No injunctive relief was to be granted unless the applicant satisfied the threshold test of unconscionability. It could be unconscionable for a party to English litigation to apply for US pre-trial depositions under s. 1782. (South Carolina Insurance Co v Assurantie Maatschappij ‘De Zeven Provinciën’ NV [1987] AC 24 considered.)

2. In this case it would be unconscionable, in the sense that it would be oppressive, vexatious and an interference with the process of the court, for the first defendant to pursue the s. 1782 applications in respect of witnesses intended to be called to give evidence in the English proceedings. The witnesses would be subjected to unwarranted double cross-examination and the trial would suffer from unnecessary duplication. It did not matter that the witnesses might be familiar with US procedure; oppression had to be

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A judged from the English perspective. There was also a real risk that a witness once deposited in the US might be discouraged from attending the trial in England.

B 3. The balance of convenience was in favour of an injunction. If the witnesses did give evidence in England, the first defendant had nothing to gain from the US pre-trial depositions. If the witnesses did not produce witness statements in the English proceedings, the defendant could apply to lift the injunction. The risk of a last minute failure to appear did not outweigh the factors which led to the conclusion that pursuit of the s. 1782 applications was unconscionable.

4. The claimants were right to have brought the application for an injunction in England rather than raising it in each individual court in the US. The US courts had no selfish interest in s. 1782 applications and recognised that parties might be enjoined by foreign courts from invoking the section.

C 5. The stay in Colorado was obtained by the claimants on the basis only that the first defendant would be entitled to make such use of s. 1782 as was proper in all the circumstances. Likewise the claimants, resisting a stay in England, refused to give an undertaking to permit the defendant to adopt US deposition procedures.

D 6. The claimants were entitled to an injunction, conditional on the giving of an undertaking to use best endeavours to produce witness statements and to call the relevant witnesses at trial and to inform K promptly if they believed that that was not going to happen.

The following case was referred to in the judgment:

South Carolina Insurance Co v Assurantie Maatschappij 'De Zeven Provinciën' NV [1986] QB 348 (CA); [1987] AC 24 (HL).

Simon Mortimore QC and Dominic Dowley (instructed by Macfarlanes) for the claimants.

E Bernard Eder QC and Huw Davies (instructed by SJ Berwin) for the defendants.

JUDGMENT

Peter Gross QC: Introduction and overview

F 1. The claimants are investment vehicles of various investment funds. In proceedings in this country, they claim damages against the defendants for fraudulent misrepresentation, breach of fiduciary duty, breach of contract and conspiracy relating to an investment in the privatisation process in the republic of Azerbaijan; they further claim an account of what the defendants have done with their moneys. In essence, the claimants' case is that in March to June 1988 they were defrauded by the defendants into investing some US\$182m into privatisation vouchers and options issued by the republic of Azerbaijan; they allege that moneys paid by them were misappropriated by the defendants for their own purposes.

G 2. As is apparent, the first defendant is an individual ('Mr Kozeny'). He, together with the third and fourth defendants (collectively, 'the Kozeny defendants') allege, amongst other defences, that the claimants' investments were accompanied by substantial corrupt payments, totalling over US\$50m, to the president of Azerbaijan and other Azeri officials. The Kozeny defendants say that these arrangements were known to and agreed by the claimants; accordingly, the claimants' claims are tainted with illegality and corruption and must fail. I shall refer to this as the 'illegality and corruption' defence.

H 3. It follows from this briefest of factual summaries in litigation replete with factual controversy, that the parties are advancing grave allegations against each other. Moreover, it is at once plain that Mr Kozeny faces claims of a most substantial nature.

4. Against this background, which is all or virtually all that needs be said concerning the underlying issues in the English litigation, the claimants make the present application. In

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summary, the claimants apply for an injunction restraining Mr Kozeny from pursuing various proceedings commenced by him in the US. Again in summary, those proceedings, in the courts of New York and Connecticut, were brought by Mr Kozeny pursuant to s. 1782 of Title 28 of the United States Code, for the purpose of deposing certain individuals in accordance with the well-known US procedure and in order to obtain documents from them. As I understand it, in each case the s. 1782 applications were made without prior warning to the witnesses or the claimants and in each case the District Court made the orders sought.

5. In the event and following the hearing before me, the parties have helpfully agreed that the question of documentary disclosure from the individuals in question can be stood over for the time being. I am therefore concerned only with the deposition aspect of the US proceedings brought by Mr Kozeny and the claimants' application to injunct him from pursuing those proceedings in that regard.

6. Section 1782 provides, in so far as material, as follows:

'Assistance to foreign and international tribunals and to litigants before such tribunals:
(a) The district court of the district in which a person resides or is found may order him to give his testimony or statement... for use in a foreign or international tribunal. The order may be made... upon the application of any interested person and may direct that the testimony or statement be given... before a person appointed by the court... To the extent that the order does not prescribe otherwise, the testimony or statement shall be taken... in accordance with the Federal Rules of Civil Procedure.'

7. The claimants object to the proposed deposition of witnesses who may be identified and categorised as follows ('the relevant witnesses'):

(1) *Employees*

(i) Mr Leon Cooperman, chairman and chief executive officer of Omega Advisors Inc (the parent of claimants 1–5 in the Omega action);

(ii) Mr Clayton Lewis, a former employee of Omega Advisors Inc and managing principal of Pharos Capital, whose funds were invested through the sixth claimant in the Omega action;

(iii) Mr Maurice Greenberg, Mr Ed Matthews, Mr Frank Wisner and Mr David Pinkerton, AIG (whose subsidiary Marlwood Commercial Inc is the claimant in the Marlwood action).

(2) *Ex-employees*

Mr Eric Vincent and Mr Paul Swigart, both former employees of Omega Advisors Inc.

(3) *Investors*

Mr Aaron Fleck and Mr Frederick Bourke, both investors in the third defendant, Oily Rock Group Ltd.

8. In a nutshell, the claimants object to the proposed deposition of the relevant witnesses because they intend to produce witness statements from them and to call them to give oral evidence at the trial of the English proceedings in London (save that it is intended that Mr Greenberg should give his evidence by way of video-link). Each of the relevant witnesses, save for Mr Greenberg, has confirmed in writing his willingness to 'submit a witness statement and to attend to give evidence at trial in London' in the English proceedings; it has been confirmed in writing on behalf of Mr Greenberg that he intends to submit a witness statement and to attend through video-link to give evidence at the London trial. In these circumstances, the claimants say that Mr Kozeny's use of s. 1782, so far as concerns the relevant witnesses, is unconscionable and an abuse of the process of this court and should be restrained by injunction accordingly.

9. It may be noted that the claimants do not object to Mr Kozeny's use of s.1782 to depose other individuals, including notably Senator George Mitchell, whom the claimants do not intend to call to give evidence at the London trial.

A 10. Again in a nutshell, Mr Kozeny submits that there is jurisdiction to grant an injunction to restrain the taking of the proposed depositions if and only if it is held that to do so would be unconscionable in the sense of abuse of process; here it would not be unconscionable. To the contrary, his case is that he is, as he is entitled to do, gathering evidence to defend himself, utilising means lawful in the country in which they are being invoked, namely the US. He also has a 'short answer' as to why an injunction should in any event not be granted; namely, that the claimants are resiling from a position previously adopted both in obtaining a stay of proceedings in the USA and in resisting a stay here and for that reason alone should be barred from obtaining the injunctive relief sought.

B 11. Later, I shall revert to the rival cases in a little more detail. Before proceeding further, it is, however, convenient to 'clear the decks' so to speak, in order to clarify and focus on the real issues in dispute.

C (1) For the purposes of the present application, the claimants accept that the illegality and corruption defence is arguable.

(2) The claimants likewise accept that the relevant witnesses have relevant evidence to give; indeed such acceptance on the part of the claimants is inevitable, given that they intend to call those witnesses to give evidence at the trial in London.

D (3) Certain of the witnesses, it may be noted, are individuals of considerable eminence, obvious examples being Mr Greenberg and Senator Mitchell. I mention this matter because it has been touched on in the affidavit evidence. Eminence does not, of course, confer immunity from the taking of depositions. Nor do the claimants in fact contend otherwise, as their approach to the proposed deposition of Senator Mitchell makes clear. The eminence of any witness is accordingly an irrelevance and I put it to one side.

E (4) Further and for completeness, many of the matters canvassed, in particular by the claimants, in the vigorous exchanges between the parties in their affidavit or statement evidence were, rightly, not pursued before me. I need say no more of them.

(5) The application before me is brought by the claimants for an injunction. The claimants must satisfy the relevant test for an injunction in this context, or fail. This is not an application by Mr Kozeny for the grant of letters rogatory or any relief.

12. With these considerations in mind, I can state the question of principle which arises on this application:

F 'Given the intention on the part of the claimants to call the relevant witnesses to give oral evidence at the trial in London, is it unconscionable for Mr Kozeny to pursue the s. 1782 applications in the USA?'

If the answer is 'no', then the claimants' application must fail. If the answer is 'yes', then it is common ground that there is jurisdiction to grant the injunction sought by the claimants but (i) I would still need to be satisfied as a matter of discretion that I should do so and (ii) Mr Kozeny's 'short answer' would remain to be considered.

G

The rival cases

13. Mr Mortimore QC's argument for the claimants may be summarised as follows:

H (1) The conduct of Mr Kozeny in pursuing the s. 1782 applications in the USA is unconscionable, in the sense of being oppressive, vexatious and interfering with the due process of the court. Whether conduct is oppressive must be judged by English standards in the context of litigation being pursued here under English procedure; what is normal in the USA is irrelevant. Mr Kozeny's conduct is unconscionable (in the relevant sense) because the witnesses will be subjected to double cross-examination; once in the USA by way of deposition and once here at the trial. There is, further, a risk that such conduct will interfere with and prejudice preparation for the trial or the trial itself, not least in that a witness or witnesses might be discouraged by the deposition cross-examination from attending at the trial to be cross-

examined again. *South Carolina Insurance Co v Assurantie Maatschappij 'De Zeven Provinciën' NV* [1987] AC 24 was not in the event concerned with depositions (as opposed to documentary disclosure), let alone depositions of witnesses who are coming to give evidence at an English trial; its reasoning either supports the claimants' case or is at least not adverse to it.

(2) As to the balance of convenience, that favours the grant of an injunction. Building on the arguments as to unconscionability, the grant of an injunction avoids duplication and the risk of prejudice to preparation for the trial and the trial itself. The claimants do not wish and should not be obliged to prepare for trial under two different legal systems. Conversely, the evidence which it is the avowed intention of Mr Kozeny to secure and preserve by way of the s. 1782 applications, will be available for the trial by way of witness statements and the attendance of the witnesses to give oral evidence at the trial. The witnesses are key witnesses so the claimants will or will do all in their power to produce them; if witness statements are not forthcoming, Mr Kozeny could renew his application; as to non-attendance of a witness or witnesses at the trial, the claimants would be foolhardy to permit such a situation to develop; it would risk aborting or postponing the trial which is the last thing the claimants want; the risk of non-attendance is accordingly negligible. Further, the exercise contemplated by Mr Kozeny will be costly, in circumstances where Mr Kozeny has himself asserted that he does not have the resources to defend the English proceedings; accordingly, even if the claimants in due course obtained an order for costs against Mr Kozeny in respect of the s. 1782 applications, there is serious doubt as to recoverability. Mr Kozeny, it is said, is adopting a 'scorched earth' policy.

(3) Mr Kozeny's 'short answer' will not bear the weight sought to be put on it. The claimants have not resiled from any previous position. Neither in seeking a stay of the Colorado proceedings nor in resisting a stay of the English proceedings have the claimants ever agreed to anything more than that Mr Kozeny will be free in English proceedings to make proper use of s. 1782. That he may do with regard to witnesses whom it is not intended to call in the English proceedings; conversely, the claimants have never agreed, to a hybrid procedure involving witness statements under English rules and depositions under the US system, in respect of the same witnesses. Moreover, as a matter of perspective, the English proceedings have always been intended as the substantive proceedings; it is here that worldwide freezing orders have been obtained in both actions. Other proceedings, in the Bahamas, the British Virgin Islands and Colorado have been satellite proceedings launched to protect assets in those jurisdictions and, thereby, to ensure the effectiveness of the English proceedings. Mr Kozeny's attempt to stay the English proceedings and to proceed with the Colorado proceedings should be seen in this context.

(4) For completeness, it is appropriate to make the application once, before this court, rather than in the individual US courts, seized of the s. 1782 applications; such an application should be brought before the Court which is, effectively, the 'seat' of the substantive proceedings. An injunction granted by the English court would assist not interfere with the US courts. It is to be remembered that the s. 1782 procedure is designed to assist foreign courts and litigants before such courts; the US courts have no 'selfish' interest in s. 1782; as the US authorities to which I was referred (but which are unnecessary to list here) make clear, the US courts contemplate that parties may be enjoined by foreign courts from invoking s. 1782.

14. Again in summary, Mr Eder QC put the case for Mr Kozeny as follows:

(1) First and as foreshadowed, Mr Eder underlined that this was an application for an injunction. The application must fail, unless, on the question of principle, the claimants satisfied me that Mr Kozeny's pursuit of the s. 1782 applications in the US was unconscionable. Having regard to the unconscionability test, the determination of this threshold inquiry may well substantially dispose of the second question as to the balance of convenience; at all events, here, the questions of jurisdiction and balance of convenience did not fall into watertight compartments.

(2) Both the outcome of and the reasoning in *South Carolina* [1987] AC 24 before the House of Lords assisted Mr Kozeny. A party was free to obtain and present the evidence which he

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A needs in English proceedings by his own means provided that such means are lawful in the country in which they are used. To the contrary, the claimants' submissions contained echoes of the approach adopted at first instance and in the Court of Appeal in the *South Carolina* litigation, overturned in the House of Lords.

B (3) Viewed in the light of *South Carolina*, there was nothing unconscionable in Mr Kozeny utilising s. 1782. This was so whether or not the relevant witnesses were coming to give evidence here. All Mr Kozeny was doing was obtaining evidence which, as was common ground, was relevant to the English proceedings. Mr Kozeny, it was to be remembered, had not chosen England as a forum for these proceedings.

(4) As to the position of the relevant witnesses, they were all perfectly familiar with the US procedure of pre-trial depositions. It should not be assumed that they would regard it as anything out of the ordinary still less oppressive.

C (5) Importantly, the highest the claimants could put the matter was that they intended that the relevant witnesses should attend and give evidence. They did not however control the witnesses or all of them. The risk of their not producing witness statements or not attending at trial could not in any way be dismissed as fanciful. It was a real risk, if anything, emphasised by the claimants' concerns that the experience of pre-trial deposition might put the witnesses off attending. As the trial date approached, witnesses might well become reluctant to attend. If one or two important witnesses did not attend at the last minute, there would be real difficulties in curing prejudice to Mr Kozeny, if indeed it was possible to cure it at all.

D (6) Pre-trial depositions would 'not necessarily' be co-extensive with cross-examination at the trial. It was possible that the deposition procedure might generate answers leading to a further train of inquiry.

E (7) As to costs, these would be comparatively small indeed in the context of the litigation as a whole; in any event, however, it would be unconscionable to enjoin Mr Kozeny from defending himself as he sees fit, faced as he is with a claim for nearly US\$200m.

F (8) For all these reasons, the application for an injunction should be refused as a matter of principle. Additionally, the claimants had no answer to Mr Kozeny's 'short answer'. In order to obtain the stay of the Colorado proceedings and resist the stay of the English proceedings, the claimants had asserted that Mr Kozeny would not be prejudiced. Had the proceedings continued in Colorado, Mr Kozeny could have invoked the US pre-trial deposition procedure as of right. It was not, by whatever legal route, open to the claimants now to resist Mr Kozeny's pursuit of his s. 1782 applications on grounds which would not have been available to them had the matter proceeded before the Colorado court.

15. As will be apparent, the arguments on both sides were formidable and, if I may say so, formidably presented. I am very grateful to both Mr Mortimore QC and Mr Eder QC for their respective submissions.

G 16. For completeness, I record that both parties approached the application on an 'all or nothing' basis. Understandably, neither party promoted a solution involving an injunction in respect of some but not all of the relevant witnesses. When I asked as to the possibility of a 'halfway house' there was distinctly muted enthusiasm from both sides. On reflection, I shall deal with the application on an 'all or nothing' basis and say no more of any 'halfway house'.

H The South Carolina case

17. It is next appropriate to turn to the *South Carolina* case [1987] AC 24, from which both parties sought to derive assistance. The facts were these. South Carolina, an American insurance company, reinsured the liability of another American insurance company, UNI. In turn, South Carolina reinsured (or retroceded) this risk in the London market with Dutch, Middle Eastern and Far Eastern companies (for brevity, 'the retrocessionnaires'). South Carolina commenced proceedings in London against the retrocessionnaires, advancing a claim

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under the contract between them. The retrocessionnaires were (as noted by Lord Brandon, [1987] AC, at p. 32E–F) remote from the facts in dispute. Before service of a defence in the English action the retrocessionnaires lodged a petition in a US district court seeking, *inter alia*, an order for pre-trial discovery of documents relevant to the claim and South Carolina’s contract of reinsurance with UNI, against persons resident in the US who were not parties to the English action, or agents of any party to the English action (‘the American third parties’). There was no other way in which the retrocessionnaires could obtain the documents in question (save by agreement from South Carolina, which was not forthcoming); discovery was not available as the documents were not in the possession or control of South Carolina; nor could the documents be obtained by subpoena because their possessors, the American third parties, were not within the jurisdiction of the English court.

18. South Carolina applied to the Commercial Court for an injunction restraining the retrocessionnaires from taking any further step in the American proceedings or enforcing any order made therein. Hobhouse J granted the injunction. The retrocessionnaires appealed to the Court of Appeal: [1986] QB 348; at this stage, the retrocessionnaires abandoned that part of their original application which had sought the pre-trial deposition of witnesses from the American third parties: [1986] QB, at p. 358D–E. The application continued as one for discovery of documents alone. The Court of Appeal dismissed the retrocessionnaires’ appeal. The retrocessionnaires appealed to the House of Lords who allowed their appeal.

19. There can be no doubt that if the South Carolina litigation had rested with the decisions of Hobhouse J and the Court of Appeal, it would have been at the very least strongly supportive (indeed, probably decisive) of this case in favour of the claimants. The flavour of the judgment of Hobhouse J (unreported) can be taken to appear from a short passage cited by Lord Brandon ([1987] AC, at p. 34C):

‘[the matter] involves a question of principle as to whether or not the English court should retain the control of its own procedure and the proceedings that are before it. I have no doubt that the answer... to that question is that the English court should retain that control.’

In the Court of Appeal, Griffiths LJ, with whom Slade LJ and Lloyd LJ agreed, said ([1986] QB, at p. 358B–E):

‘Once the parties have chosen or accepted the court in which their dispute is to be tried they must abide by the procedure of that country and that court must be master of its own procedure. Litigation is expensive enough as it is, and if a party fighting a case in this country has to face the prospect of fighting procedural battles in whatever other jurisdiction his opponent may find a procedural advantage it may impose intolerable burdens, and encourage the worst and most oppressive form of procedural forum shopping. We should set our face against any such situation developing. Severe dislocation to the timetable of the English litigation is a readily foreseeable consequence of unrestrained access to foreign procedural remedies. This is likely to cause hardship or inconvenience not only to the other party to that litigation but will also affect other litigants... As the judge said, the court will lose control of its own proceedings. Furthermore, one party might be able to gain a very unfair advantage in the English procedure if he was able to take the deposition of and cross-examine a witness whom he would never call on his own behalf at the trial, for example, the employees or business associates of his opponent. I think Mr Sumption [counsel for the retrocessionnaires] recognised this when he said he would be content to accept the stay in respect of his application to take the depositions of the witnesses from... [the American third parties]... I am therefore satisfied that as a matter of principle the court must have an inherent jurisdiction to make any necessary order to ensure that the litigation is conducted in accordance with its own procedures.’

20. As already noted, matters did not, of course, rest with the decision of the Court of Appeal. The House of Lords allowed the retrocessionnaires’ appeal, dealing with the matter as

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A did the courts below, as a matter of principle: p. 39G. The leading speech was delivered by Lord Brandon; for present purposes, I would respectfully seek to summarise his reasoning as follows:

(1) The relevant test for the grant of an injunction was whether the conduct complained of was unconscionable. No exhaustive definition of ‘unconscionable’ should be attempted but it included conduct which was oppressive, vexatious or which interfered with the due process of the court: see pp. 40C–E, 41D.

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For completeness and interposing here, it may be noted that Lord Goff of Chieveley expressed certain reservations as to the proposition that the power of the court to grant injunctions is restricted to certain categories: pp. 44–45. As, with respect, nothing in this case turns on these reservations, it is unnecessary to say more of them here.

C

(2) The retrocessionnaires’ conduct did not constitute an interference with the (English) court’s control of its own process; in general, the court does not exercise any control over the manner in which a party obtains the evidence which he needs to support his case. The basic principle,

‘underlying the preparation and presentation of a party’s case in the High Court in England is that it is for that party to obtain and present the evidence which he needs by his own means, provided always that such means are lawful in the country in which they are used.’

D

The application to the US court did not constitute an interference with the English court’s control of its own process: see pp. 41G–42C.

(3) Further, by utilising a right potentially available to them under US law, albeit significantly different from that available in the English court, the retrocessionnaires had not interfered with the procedure of the English court:

E

‘All that they have done is what any party preparing his case in the High Court here is entitled to do, namely to try to obtain in a foreign country, by means lawful in that country, documentary evidence which they believe that they need in order to prepare and present their case.’

(See p. 42D–H.)

(4) Finally, Lord Brandon addressed questions of costs and convenience but in terms related to the facts of that case and which (as I understood it) did not assist one way or the other on the argument in the present case: see pp. 42H–43H.

F

(5) In the result, Lord Brandon concluded that there was no such interference by the retrocessionnaires with the procedure of the English court as would amount to unconscionable conduct and so justify the grant of an injunction: p. 44A–B.

21. In these circumstances, the guidance for the present case which I respectfully derive from *South Carolina* is as follows:

G

(1) No injunctive relief is to be granted unless the applicant satisfies the threshold test of unconscionability.

(2) In general, the English court leaves it to the parties to obtain the evidence they think necessary for the advancement of their case by the means of their choosing, provided such means are lawful in the country where they are deployed.

H

(3) The fact that a party to English litigation is able to obtain evidence by means of a right available in a foreign country significantly different from that available in the English system does not, by itself, constitute unconscionable conduct. Essentially, this is a corollary of proposition (2) above.

(4) It follows that there is no blanket ban on a party to English litigation seeking to utilise the US procedure for pre-trial deposition in order to obtain evidence for his case.

(5) That said, I do not read *South Carolina* as constituting authority for the proposition that it can never be unconscionable for a party to English litigation to apply for US pre-trial

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depositions by way of s. 1782. I do not think that *South Carolina* goes or could go that far, essentially for the following reasons: A

(i) The decision in *South Carolina* was confined to documentary disclosure; on the facts as outlined by Lord Brandon, it might be thought that there was a strong case for permitting the retrocessionnaires to obtain such disclosure.

(ii) As noted, the application for pre-trial depositions had been abandoned. While I do not think that it is permissible to read into the decision of the House of Lords the inference that the result would have been different had it not been abandoned, such abandonment was regarded as a factor of note: see, per Lord Brandon, at p. 38E–H. It follows that the decision as such does not address the considerations raised specifically by pre-trial depositions, still less by a s. 1782 application in respect of witnesses whom it is intended to call to give oral evidence in English proceedings. B

(iii) In the present context, blanket permissions are, perhaps, inherently unlikely. C

(6) Accordingly, it remains open to an applicant to demonstrate on the facts of the case that a particular application for US pre-trial depositions by way of s. 1782 is unconscionable. I am fortified in reaching this conclusion by a consideration of the views expressed, albeit briefly, in *Documentary Evidence*, Hollander & Adam (7th edn.) at pp. 266–267.

Decision – the question of principle D

22. With *South Carolina* very much in mind, I turn to answer the question of principle, outlined in para. 12 above. Notwithstanding the force of Mr Eder’s arguments, I have come to the conclusion that Mr Mortimore’s are to be preferred and that the answer should be ‘yes’. That answer is subject to an undertaking to be given by the claimants, as dealt with below. In the light of the discussion so far, my reasons can be expressed relatively shortly and are these.

23. I do think that it would be unconscionable, in the sense that it would be oppressive, vexatious and constitute an interference with the due process of this court, for Mr Kozeny to pursue the s. 1782 applications in the US in respect of witnesses, whom it is intended to be called to give oral evidence at the trial in this country. As it seems to me, in the case of such witnesses and as a matter of practical justice and good sense, the hybrid procedure produces the worst of all worlds: E

(1) If the relevant witnesses (i) give English witness statements, (ii) are then deposed in the US, (iii) thereafter attend to be cross-examined in the English trial, they will have been subjected to unwarranted double cross-examination and the trial will suffer from unnecessary duplication. I am not persuaded to reach a contrary view by the fact that the witnesses are or may be familiar with US deposition procedures in the context of US litigation. In any event, I accept Mr Mortimore’s submission in this regard that, here, oppression must be judged by English standards. F

(2) Conversely, accepting as I do that there is a real, if unquantifiable, risk that a witness once deposed in the US may be discouraged from attending the trial in England in order to be cross-examined a second time, the s. 1782 applications pose a risk of interference with the trial itself. It would be most unsatisfactory for the trial court to be left with depositions from witnesses in such circumstances and to be deprived of their live testimony at the trial itself. G

(3) For the reasons already discussed, I do not think that *South Carolina* precludes the conclusion which I have reached. In this case and in respect of witnesses who are intended to come and give oral evidence at trial here, depositions are different and unconscionable. I should add that each party addressed me on the apprehended consequences of a ruling adverse to its case; the claimants submitted that if I was against them, the use of pre-trial depositions would become commonplace whenever witnesses were located in the US; for Mr Kozeny, it was argued that an unfavourable decision would render s. 1782 of little use. I am not sure that it is right to view the matter in this way; individual cases ultimately turn on their own facts. So H

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A far, however, as a decision of this court, necessarily subject to *South Carolina*, may have wider policy ramifications, then I do not shrink from saying that the use of s. 1782 to depose the selfsame witnesses who will give witness statements and attend to give oral evidence here, has, in general, little to commend it.

B (4) The conclusion that the pursuit of the s. 1782 applications is unconscionable is not displaced by Mr Kozeny's concerns, to which I have given anxious consideration. These concerns are addressed more fully in para. 24 below; to the extent that they go to the threshold inquiry of unconscionability rather than the balance of convenience, then my reasoning in para. 24 is applicable here.

I accordingly conclude that there is jurisdiction to grant the injunction sought by the claimants.

C 24. While accepting, as I do, from Mr Eder that in this case there is no watertight compartment dividing questions of jurisdiction and balance of convenience, I turn next and separately to the balance of convenience. Sometimes, it will not be appropriate to enjoin even unconscionable conduct. But this is not such a case. I am satisfied that on the question of principle the balance of convenience tells in favour of the grant of an injunction:

(1) For the same reasons which render the pursuit of the s. 1782 applications unconscionable.

D (2) Because I am satisfied that Mr Kozeny's understandable concerns can be met, to a very large extent, without dooming the parties to pursuit of the s. 1782 applications, at least in the circumstances which presently prevail; I elaborate on this point in subpara. (3)–(7) below.

(3) On the assumption that the relevant witnesses do give witness statements and attend to give oral evidence, Mr Kozeny stands to gain no legitimate advantage by the use of pre-trial depositions.

E (4) Mr Kozeny is not in a position to identify any specific, concrete matter which would be covered by pre-trial depositions that would not be covered by cross-examination at the trial. Very fairly and accurately but instructively, Mr Eder's submission was only that the pre-trial depositions would 'not necessarily' prove co-extensive with cross-examination at the trial.

F (5) I am satisfied on the evidence which I have seen from very reputable London solicitors and the witnesses themselves that there is, presently, a genuine intention to produce witness statements and to attend the trial to give oral evidence.

G (6) Should, however, any of the relevant witnesses not produce a witness statement, then doubtless, Mr Kozeny could apply to lift the injunction. Should the situation with regard to attendance at the trial change, then, provided that Mr Kozeny (or his legal team) is promptly informed, steps could again rapidly be taken to lift the injunction. Should a last minute crisis develop which could have been averted by the claimants, then although the matter would be one for the trial judge, the claimants will be manifestly at risk of having the trial aborted or delayed at their cost and the court is unlikely, in such circumstances, to be powerless to exclude witness statement evidence.

H (7) What remains are last minute crises over which the claimants have no control or instances of sudden and irreparable ill-health. I accept that to such extent Mr Kozeny may be exposed but (i) the claimants too would be deprived of a witness whom (ex hypothesi) they wish to call; (ii) while a matter for the trial Judge, Mr Kozeny's predicament would at least be likely to attract sympathetic consideration; (iii) I am simply not satisfied that the risk factor is such as to outweigh the considerations which lead me to conclude that pursuit of the s. 1782 applications is unconscionable.

25. Subject, therefore, to consideration of Mr Kozeny's suggested 'short answer', I am minded to grant an injunction. Before turning to that 'short answer' and to the question of an appropriate undertaking, I mention certain matters for completeness:

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(1) I have not been influenced in my decision in favour of the grant of an injunction by questions of costs. Such concerns are not unimportant but are outweighed by Mr Kozeny’s need to defend himself.

A

(2) I am satisfied, to the extent that it is in dispute, that the claimants are right to have brought this application to this court rather than raising it in each individual court in the US, seized of a s. 1782 application.

(3) While questions of comity always require careful consideration in connection with injunctions impacting, however indirectly, on the pursuit of legal proceedings in another country, I do not see any particular problem here. As already mentioned, US courts have no selfish interest in s. 1782 applications; the s. 1782 jurisdiction exists, helpfully, to assist foreign courts and parties to foreign legal proceedings.

B

Decision – Mr Kozeny’s ‘short answer’

C

26. While attractive at first blush, I am satisfied that Mr Kozeny’s suggested ‘short answer’ is unsustainable; I am unable to accept Mr Eder’s submission that the claimants have resiled from any previously held position adopted to obtain a stay of the Colorado proceedings and to resist a stay of the English proceedings. I do not think that the claimants have, either in Colorado or here, ever said more than that, in this jurisdiction, Mr Kozeny will be entitled to make such use of s. 1782 as is proper in the circumstances. I cannot find any agreement or representation to the effect that Mr Kozeny is to be placed in an identical position to that which he would have been in had the matter proceeded in Colorado (even assuming, without deciding, that, had it done so, he would have been entitled to have pre-trial depositions taken without limit as of right).

D

27. So far as concerns the proceedings in Colorado, Babcock CJ appears, with respect, to have had this very matter in mind in his memorandum opinion and order granting the claimants a stay. Having weighed in the balance the fact that Mr Kozeny would have less access to discovery in England than in the federal court, nonetheless the Chief Justice granted a stay. I am unable to read the reference to s. 1782 in that memorandum opinion and order as suggesting that Mr Kozeny would be placed in a position in London equivalent to that which would or might have prevailed had the Colorado proceedings continued. Nor am I able to read anything said by the claimants to the Colorado court (and to which I have been referred) as going beyond that which I have already suggested; namely, that Mr Kozeny will be entitled to such use of s. 1782 as is proper in all the circumstances.

E

28. To my mind, the position in the English proceedings is even plainer. The evidence from Mr Kozeny expressly recognised the risk that s. 1782 was not a substitute for Mr Kozeny’s rights under the Federal Rules of Civil Procedure. On the material available to me, nothing said by the claimants contradicted this assertion. To the contrary, Mr Mortimore QC for the claimants said (according to the relevant transcript) that although the US procedure was different:

G

‘there is no reason why we should be required... to give some sort of undertaking to permit them to adopt US deposition procedures if we are allowed to proceed in England.’

29. I therefore reject Mr Kozeny’s suggested ‘short answer’. Though it is academic, had I been of the view that the ‘short answer’ was well-founded, I would have agreed with Mr Eder that, by whichever precise legal route, it would have barred the grant of an injunction.

H

An appropriate undertaking

30. For the reasons given, I am therefore minded to grant the claimants the injunction sought. While the precise terms of any order must await a further hearing and the assistance of counsel, it seems right to me and I so hold, that the grant of an injunction is conditional on the

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- A claimants giving an appropriate undertaking, designed to reflect the claimants’ current stance and to protect Mr Kozeny so far as consistent with the grant of an injunction in principle. Subject to matters of drafting, this undertaking should require the claimants:
- (1) To exercise best endeavours, (i) to produce witness statements from the relevant witnesses, (ii) to call the relevant witnesses at trial to give oral evidence (in the case of Mr Greenberg, by way of video-link);
- B (2) To notify Mr Kozeny promptly should they have reason to believe that (1)(i) and/or (1)(ii) cannot be achieved.

(Order accordingly)

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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

In re Application of

ALASKA AIRLINES, INC.

Petitioner, for an Order Pursuant to
28 U.S.C. § 1782 to Conduct
Discovery for Use in a Foreign
Proceeding

No. _____

**[PROPOSED] ORDER GRANTING ALASKA AIRLINES, INC.’S *EX
PARTE* APPLICATION FOR AN ORDER TO CONDUCT
DISCOVERY FOR USE IN A FOREIGN PROCEEDING**

THIS CAUSE came before the Court upon the Application of Alaska Airlines, Inc. pursuant to 28 U.S.C. § 1782 (the “Application”). The Court has considered the Application, the Declarations of John C. Quinn and Susana Cao Miranda in support of the Application, and other supporting materials. The Court finds as follows:

A. Alaska Airlines, Inc. has met the requirements set forth by 28 U.S.C. § 1782 because Alaska Airlines, Inc. seeks documentary and testimonial evidence for use in a foreign proceeding against a discovery target that resides or is found in the Northern District of Georgia and Alaska Airlines, Inc. is an interested person within the meaning of § 1782.

B. The discretionary factors identified by the United States Supreme Court in *Intel Corp. v. Advanced Micro Devices, Inc.*, 542 U.S. 241 (2004), also sufficiently weigh in favor of granting the Application.

Accordingly, it is hereby **ORDERED** and **ADJUDGED** as follows:

1. Alaska Airlines, Inc.'s Application is **GRANTED**.
2. Any discovery taken pursuant to this Order, and any related motion practice, shall be governed by the Federal Rules of Civil Procedure.
3. Alaska Airlines, Inc. is hereby authorized to issue and serve a subpoena on the discovery target that is substantially similar in form to the subpoena attached to the Application.

IT IS SO ORDERED, this ____ day of July 2025.

UNITED STATES DISTRICT JUDGE

CIVIL COVER SHEET

The JS44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form is required for the use of the Clerk of Court for the purpose of initiating the civil docket record. (SEE INSTRUCTIONS ATTACHED)

I. (a) PLAINTIFF(S)

Alaska Airlines, Inc.

Pursuant to 28 U.S.C. § 1782 for an Order to Conduct Discovery for Use in a Foreign Proceeding Pending in the United Kingdom.

DEFENDANT(S)**(b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF**

(EXCEPT IN U.S. PLAINTIFF CASES)

COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT

(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED

(c) ATTORNEYS (FIRM NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS)

Arnall Golden Gregory LLP, 171 17th Street NW Suite 2100 Atlanta, Georgia 30363, (404) 873-8504, aaron.danzig@agg.com; Hecker Fink LLP, 350 Fifth Avenue, 63rd Floor, New York, New York, 10118, (212) 763-0883, jquinn@heckerfink.com

ATTORNEYS (IF KNOWN)**II. BASIS OF JURISDICTION**

(PLACE AN "X" IN ONE BOX ONLY)

- ☐ 1 U.S. GOVERNMENT PLAINTIFF
☐ 2 U.S. GOVERNMENT DEFENDANT
☒ 3 FEDERAL QUESTION (U.S. GOVERNMENT NOT A PARTY)
☐ 4 DIVERSITY (INDICATE CITIZENSHIP OF PARTIES IN ITEM III)

III. CITIZENSHIP OF PRINCIPAL PARTIES(PLACE AN "X" IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT)
(FOR DIVERSITY CASES ONLY)

PLF	DEF		PLF	DEF	
☐ 1	☐ 1	CITIZEN OF THIS STATE	☐ 4	☐ 4	INCORPORATED OR PRINCIPAL PLACE OF BUSINESS IN THIS STATE
☐ 2	☐ 2	CITIZEN OF ANOTHER STATE	☐ 5	☐ 5	INCORPORATED AND PRINCIPAL PLACE OF BUSINESS IN ANOTHER STATE
☐ 3	☐ 3	CITIZEN OR SUBJECT OF A FOREIGN COUNTRY	☐ 6	☐ 6	FOREIGN NATION

IV. ORIGIN (PLACE AN "X" IN ONE BOX ONLY)

- ☒ 1 ORIGINAL PROCEEDING
☐ 2 REMOVED FROM STATE COURT
☐ 3 REMANDED FROM APPELLATE COURT
☐ 4 REINSTATED OR REOPENED
☐ 5 TRANSFERRED FROM ANOTHER DISTRICT (Specify District)
☐ 6 MULTIDISTRICT LITIGATION - TRANSFER
☐ 7 APPEAL TO DISTRICT JUDGE FROM MAGISTRATE JUDGE JUDGMENT
☐ 8 MULTIDISTRICT LITIGATION - DIRECT FILE

V. CAUSE OF ACTION

(CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE - DO NOT CITE JURISDICTIONAL STATUTES UNLESS DIVERSITY)

28 U.S.C. § 1782 petition for judicial assistance in obtaining evidence for use in foreign proceedings

- ☐ YES ☒ NO Does the relief requested in the complaint or petition seek to bar or mandate statewide and/or nationwide enforcement of a state and/or federal law, including a rule, regulation, policy, or order of the executive branch or a state and/or federal agency, whether by declaratory judgment and/or any form of injunctive relief?

(IF COMPLEX, CHECK REASON BELOW)

☐ 1. Unusually large number of parties.	☐ 6. Problems locating or preserving evidence
☐ 2. Unusually large number of claims or defenses.	☐ 7. Pending parallel investigations or actions by government.
☐ 3. Factual issues are exceptionally complex	☐ 8. Multiple use of experts.
☐ 4. Greater than normal volume of evidence.	☐ 9. Need for discovery outside United States boundaries.
☐ 5. Extended discovery period is needed.	☐ 10. Existence of highly technical issues and proof.

CONTINUED ON REVERSE

FOR OFFICE USE ONLY

RECEIPT # _____	AMOUNT \$ _____	APPLYING IFP _____	MAG. JUDGE (IFP) _____
JUDGE _____	MAG. JUDGE _____ (Referral)	NATURE OF SUIT _____	CAUSE OF ACTION _____

VI. NATURE OF SUIT (PLACE AN "X" IN ONE BOX ONLY)CONTRACT - "0" MONTHS DISCOVERY TRACK

- ☐ 150 RECOVERY OF OVERPAYMENT & ENFORCEMENT OF JUDGMENT
- ☐ 152 RECOVERY OF DEFAULTED STUDENT LOANS (Excl. Veterans)
- ☐ 153 RECOVERY OF OVERPAYMENT OF VETERAN'S BENEFITS

CONTRACT - "4" MONTHS DISCOVERY TRACK

- ☐ 110 INSURANCE
- ☐ 120 MARINE
- ☐ 130 MILLER ACT
- ☐ 140 NEGOTIABLE INSTRUMENT
- ☐ 151 MEDICARE ACT
- ☐ 160 STOCKHOLDERS' SUITS
- ☐ 190 OTHER CONTRACT
- ☐ 195 CONTRACT PRODUCT LIABILITY
- ☐ 196 FRANCHISE

REAL PROPERTY - "4" MONTHS DISCOVERY TRACK

- ☐ 210 LAND CONDEMNATION
- ☐ 220 FORECLOSURE
- ☐ 230 RENT LEASE & EJECTMENT
- ☐ 240 TORTS TO LAND
- ☐ 245 TORT PRODUCT LIABILITY
- ☐ 290 ALL OTHER REAL PROPERTY

TORTS - PERSONAL INJURY - "4" MONTHS DISCOVERY TRACK

- ☐ 310 AIRPLANE
- ☐ 315 AIRPLANE PRODUCT LIABILITY
- ☐ 320 ASSAULT, LIBEL & SLANDER
- ☐ 330 FEDERAL EMPLOYERS' LIABILITY
- ☐ 340 MARINE
- ☐ 345 MARINE PRODUCT LIABILITY
- ☐ 350 MOTOR VEHICLE
- ☐ 355 MOTOR VEHICLE PRODUCT LIABILITY
- ☐ 360 OTHER PERSONAL INJURY
- ☐ 362 PERSONAL INJURY - MEDICAL MALPRACTICE
- ☐ 365 PERSONAL INJURY - PRODUCT LIABILITY
- ☐ 367 PERSONAL INJURY - HEALTH CARE/ PHARMACEUTICAL PRODUCT LIABILITY
- ☐ 368 ASBESTOS PERSONAL INJURY PRODUCT LIABILITY

TORTS - PERSONAL PROPERTY - "4" MONTHS DISCOVERY TRACK

- ☐ 370 OTHER FRAUD
- ☐ 371 TRUTH IN LENDING
- ☐ 380 OTHER PERSONAL PROPERTY DAMAGE
- ☐ 385 PROPERTY DAMAGE PRODUCT LIABILITY

BANKRUPTCY - "0" MONTHS DISCOVERY TRACK

- ☐ 422 APPEAL 28 USC 158
- ☐ 423 WITHDRAWAL 28 USC 157

CIVIL RIGHTS - "4" MONTHS DISCOVERY TRACK

- ☐ 440 OTHER CIVIL RIGHTS
- ☐ 441 VOTING
- ☐ 442 EMPLOYMENT
- ☐ 443 HOUSING/ ACCOMMODATIONS
- ☐ 445 AMERICANS with DISABILITIES - Employment
- ☐ 446 AMERICANS with DISABILITIES - Other
- ☐ 448 EDUCATION

IMMIGRATION - "0" MONTHS DISCOVERY TRACK

- ☐ 462 NATURALIZATION APPLICATION
- ☐ 465 OTHER IMMIGRATION ACTIONS

PRISONER PETITIONS - "0" MONTHS DISCOVERY TRACK

- ☐ 463 HABEAS CORPUS- Alien Detainee
- ☐ 510 MOTIONS TO VACATE SENTENCE
- ☐ 530 HABEAS CORPUS
- ☐ 535 HABEAS CORPUS DEATH PENALTY
- ☐ 540 MANDAMUS & OTHER
- ☐ 550 CIVIL RIGHTS - Filed Pro se
- ☐ 555 PRISON CONDITION(S) - Filed Pro se
- ☐ 560 CIVIL DETAINEE: CONDITIONS OF CONFINEMENT

PRISONER PETITIONS - "4" MONTHS DISCOVERY TRACK

- ☐ 550 CIVIL RIGHTS - Filed by Counsel
- ☐ 555 PRISON CONDITION(S) - Filed by Counsel

FORFEITURE/PENALTY - "4" MONTHS DISCOVERY TRACK

- ☐ 625 DRUG RELATED SEIZURE OF PROPERTY 21 USC 881
- ☐ 690 OTHER

LABOR - "4" MONTHS DISCOVERY TRACK

- ☐ 710 FAIR LABOR STANDARDS ACT
- ☐ 720 LABOR/MGMT. RELATIONS
- ☐ 740 RAILWAY LABOR ACT
- ☐ 751 FAMILY and MEDICAL LEAVE ACT
- ☐ 790 OTHER LABOR LITIGATION
- ☐ 791 EMPL. RET. INC. SECURITY ACT

PROPERTY RIGHTS - "4" MONTHS DISCOVERY TRACK

- ☐ 820 COPYRIGHTS
- ☐ 840 TRADEMARK
- ☐ 880 DEFEND TRADE SECRETS ACT OF 2016 (DTSA)

PROPERTY RIGHTS - "8" MONTHS DISCOVERY TRACK

- ☐ 830 PATENT
- ☐ 835 PATENT-ABBREVIATED NEW DRUG APPLICATIONS (ANDA) - a/k/a Hatch-Waxman cases

SOCIAL SECURITY - "0" MONTHS DISCOVERY TRACK

- ☐ 861 HIA (1395ff)
- ☐ 862 BLACK LUNG (923)
- ☐ 863 DIWC (405(g))
- ☐ 863 DIWW (405(g))
- ☐ 864 SSID TITLE XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS - "4" MONTHS DISCOVERY TRACK

- ☐ 870 TAXES (U.S. Plaintiff or Defendant)
- ☐ 871 IRS - THIRD PARTY 26 USC 7609

OTHER STATUTES - "4" MONTHS DISCOVERY TRACK

- ☐ 375 FALSE CLAIMS ACT
- ☐ 376 Qui Tam 31 USC 3729(a)
- ☐ 400 STATE REAPPORTIONMENT
- ☐ 430 BANKS AND BANKING
- ☐ 450 COMMERCE/ICC RATES/ETC.
- ☐ 460 DEPORTATION
- ☐ 470 RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS
- ☐ 480 CONSUMER CREDIT
- ☐ 485 TELEPHONE CONSUMER PROTECTION ACT
- ☐ 490 CABLE/SATELLITE TV
- ☒ 890 OTHER STATUTORY ACTIONS
- ☐ 891 AGRICULTURAL ACTS
- ☐ 893 ENVIRONMENTAL MATTERS
- ☐ 895 FREEDOM OF INFORMATION ACT 899
- ☐ 899 ADMINISTRATIVE PROCEDURES ACT / REVIEW OR APPEAL OF AGENCY DECISION
- ☐ 950 CONSTITUTIONALITY OF STATE STATUTES

OTHER STATUTES - "8" MONTHS DISCOVERY TRACK

- ☐ 410 ANTITRUST
- ☐ 850 SECURITIES / COMMODITIES / EXCHANGE

OTHER STATUTES - "0" MONTHS DISCOVERY TRACK

- ☐ 896 ARBITRATION (Confirm / Vacate / Order / Modify)

*** PLEASE NOTE DISCOVERY TRACK FOR EACH CASE TYPE. SEE LOCAL RULE 26.3**

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF CLASS ACTION UNDER F.R.Civ.P. 23 DEMAND \$ _____

JURY DEMAND ☐ YES ☒ NO (CHECK YES ONLY IF DEMANDED IN COMPLAINT)

VIII. RELATED/REFILED CASE(S) IF ANY

JUDGE _____ DOCKET NO. _____

CIVIL CASES ARE DEEMED RELATED IF THE PENDING CASE INVOLVES: (CHECK APPROPRIATE BOX)

- ☐ 1. PROPERTY INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- ☐ 2. SAME ISSUE OF FACT OR ARISES OUT OF THE SAME EVENT OR TRANSACTION INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- ☐ 3. VALIDITY OR INFRINGEMENT OF THE SAME PATENT, COPYRIGHT OR TRADEMARK INCLUDED IN AN EARLIER NUMBERED PENDING SUIT.
- ☐ 4. APPEALS ARISING OUT OF THE SAME BANKRUPTCY CASE AND ANY CASE RELATED THERETO WHICH HAVE BEEN DECIDED BY THE SAME BANKRUPTCY JUDGE.
- ☐ 5. REPETITIVE CASES FILED BY PRO SE LITIGANTS.
- ☐ 6. COMPANION OR RELATED CASE TO CASE(S) BEING SIMULTANEOUSLY FILED (INCLUDE ABBREVIATED STYLE OF OTHER CASE(S)):

- ☐ 7. EITHER SAME OR ALL OF THE PARTIES AND ISSUES IN THIS CASE WERE PREVIOUSLY INVOLVED IN CASE NO. _____, WHICH WAS DISMISSED. This case ☐ IS ☐ IS NOT (check one box) SUBSTANTIALLY THE SAME CASE.

/s/ Aaron M. Danzig 7/9/2025

SIGNATURE OF ATTORNEY OF RECORD

DATE