



FIRST DIVISION, INNER HOUSE, COURT OF SESSION

[2021] CSIH 38
A74/21

Lord President
Lord Woolman
Lord Pentland

OPINION OF THE COURT

delivered by LORD CARLOWAY, the LORD PRESIDENT

in the cause

WILLIAM GRANT & SONS IRISH BRANDS LIMITED

Pursuers and Respondents

against

(FIRST) LIDL STIFTUNG & CO KG; (SECOND) LIDL UK GMBH and
(THIRD) LIDL GREAT BRITAIN LIMITED

Defenders and Reclaimers

Pursuers and Respondents: Dean of Faculty (Dunlop QC), Tariq Bumess Paul LLP
Defenders and Reclaimers: Lord Keen of Elie QC; Harper Madeod LLP

20 July 2021

Introduction

[1] This reclaiming motion (appeal) raises a question of trade mark law. Was the intellectual property judge entitled to interdict the defenders *ad interim* from selling their *Hampstead* gin? The answer turns on whether there was a *prima facie* case that they had taken unfair advantage of the pursuers' trade mark for *Hendrick's* gin under sub-section 10(3) of the Trade Marks Act 1994. A second question arises, by way of a cross

appeal, of whether the IP judge erred in restricting the scope of the *interim* interdict to Scotland.

Background

[2] The defenders operate a global discount supermarket enterprise. Collectively they will be referred to as Lidl. They have sold gin under the name *Hampstead London Dry Gin* for some time. Originally, this was in the following get-up:



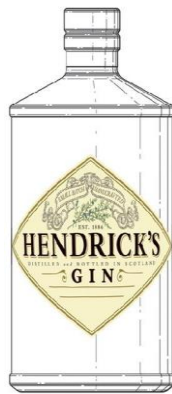
The bottle contained 500mls and the alcohol strength was 40%. It retailed at about £10.00.

Lidl have a trade mark relative to the gin dated 12 March 2013.

[3] From 2000 the pursuers began producing and marketing *Hendrick's* gin, with considerable success. The gin is distilled in Girvan and is regarded as Scottish in origin. The pursuers, who will be referred to as Grants, suggest that it be served with cucumber rather than the more traditional lemon or lime. The get-up of the bottle has been a factor in this success. It consists of a dark brown/black, opaque, Victorian apothecary-style bottle as follows:



[4] Grants registered a trade mark relative to this product (no UK00910544575; the “*Hendrick’s* Trade Mark”), effective from 6 January 2012, as follows:



Under the heading “Mark Description/Limitation” there is written “Colour claimed: cream, gold, black, white, green, blue and grey”. According to the IP judge, this trade mark was not restricted to specific colours; albeit that the label itself is coloured.

[5] In January 2021, Lidl changed the design of the *Hampstead* gin bottle. They altered the shape to a dark brown/black, opaque, Victorian apothecary-style bottle of the *Hendrick’s* type as follows:

ANNEX 1 – Infringing Product

The label included images of cucumber. The price was increased from about £10 to about £16. The alcohol by volume was changed from 40% to 41.4%. Grants maintain that these alterations mirror the image of *Hendrick's* gin.

[6] A hearing took place before the IP judge. He had the benefit of draft defences, detailed notes of argument and oral submissions. By interlocutor dated 18 May 2021, he interdicted Lidl *ad interim* from infringing the *Hendrick's* Trade Mark in Scotland by, *inter alia*, using, in relation to gin, the sign shown in the “Infringing Product” image (above), (the front face of the bottle) or a sign colourably similar. The *interim* interdict prevents Lidl from marketing *Hampstead* gin in the dark, apothecary-style bottle in Scotland.

[7] Following upon the IP judge’s interlocutor, and the calling of the summons, the defenders lodged defences in which they averred (for the first time) that the *Hendrick's* Trade Mark did specify the colours of the sign which was protected. The bottle was “white” or colourless. The point being made was that the trade mark did not include a dark, apothecary-style bottle. The pursuers responded to this by offering to amend their

conclusions and pleadings to refer to a “New *Hendrick’s* Trade Mark” (no UK00003581837).

The overview of the new mark is as follows:



This represents the get-up of *Hendrick’s* gin as it has been sold on a global basis for some time. The label is shown in more detail than in the previous mark and specific colours are mentioned in relation to different parts of the label.

[8] By interlocutor dated 30 June 2021, this court allowed the summons to be amended in terms of a Minute of Amendment, thus introducing the New *Hendrick’s* Trade Mark into the cause. At the hearing on the single bills, the court specifically sought the view of parties on whether to remit to the IP judge to re-determine the case on the new pleadings (RCS 38.17). Neither party requested such a remit.

The Intellectual Property Judge’s reasoning

[9] Grants originally claimed that Lidl had infringed the *Hendrick’s* Trade Mark under sub-sections 10(2) and (3) of the 1994 Act and, in addition, were passing off their *Hampstead* gin as *Hendrick’s* gin. The IP judge rejected the arguments based upon both section 10(2) and passing off. He did not accept that customers would confuse the two products. He held,

however, that Grants had a *prima facie* case based on section 10(3) and that the balance of convenience was in their favour.

[10] The IP judge held that there was a link (*Intel Corp v CPM United Kingdom* [2009] ETMR 13) between the two products, even if the public would not confuse them. It was sufficient that Lidl's product called the registered mark to mind (*Specsavers International Healthcare v Asda Stores* [2012] ETMR 17 at para 121). It did so because the sign was sufficiently similar to the trade mark. Social media and *YouTube* material supported the view that the trade mark was called to mind and that there may well be "a transfer of image". The question was whether Lidl's use of the sign took unfair advantage of, or was detrimental to, the distinctive character or the repute of the trade mark. A change in the economic behaviour of Lidl's customers would be sufficient to show unfair advantage (*Argos v Argos Systems* [2019] Bus LR 1728 at para 107). It was likely to be unfair if Lidl intended to benefit from the reputation and goodwill of the trade mark.

[11] There was a reasonable prospect of Grants showing that Lidl intended to benefit from the pursuers' trade mark. Whether or not there was an intention to deceive, there was a basis for showing that there was an intention to benefit. It was "difficult to view the re-design, including the change in colour of the bottle, as accidental or coincidental" (opinion at para [58]). Grants had a reasonable prospect of establishing that the defenders were seeking to "enhance the attraction of [their] own brand goods by adopting an aspect of the get-up of prestigious branded goods" (*Argos* at paras 109-110) and were "seeking to influence the economic behaviour of consumers". Lidl's plan was to improve the attraction of the *Hampstead* product to their customers. The IP judge was satisfied that Grants had a reasonable prospect of success in showing a change in economic behaviour by Lidl's customers and hence that Lidl had created an unfair advantage.

[12] On the balance of convenience, Lidl had only sold *Hampstead* in the new get-up since late 2020. By comparison *Hendricks* had an established reputation. There was a risk of damage to the *Hendrick's* Trade Mark in the interim period before proof. Damages would be difficult to quantify. If Lidl succeeded, any damage would be limited to a loss of sales and some associated inconvenience. Lidl had another get-up with which to sell their product. The balance of convenience favoured Grants.

[13] On the territorial scope of the order, the IP judge had regard, *inter alia*, to *UVG Ambulances v Auto Conversions* [2000] ECDR 479, at para [10] and *Speechworks v Speechworks International* [2000] ETMR 982 at para [27]). He felt “unable to conclude” that he could make an *interim* order with a territorial scope beyond Scotland.

Submissions

Lidl

[14] Lidl moved the court to recall the *interim* interdict and to remit the cause to the IP judge to proceed as accords. They submitted that the IP judge had made a fundamental error in considering that the *Hendrick's* Trade Mark was a black and white and not a colour mark. Grants had acknowledged that the *Hendrick's* Trade Mark was a colour mark. It did not include a dark coloured bottle. That inevitably led to the granting of the reclaiming motion. The new trade mark had never been disclosed to the IP judge. The Inner House ought not to hear matters which were not previously canvassed before the judge at first instance. To do so would deny the unsuccessful party of a right of appeal; it being unlikely that permission to appeal to the Supreme Court of the United Kingdom would be granted in respect of an *interim* order.

[15] Grants had failed to specify the nature of the injury to their trade mark. There had to be a similarity between Lidl's sign and the trade mark such that the average consumer would make a link between them (*Comic Enterprises v Twentieth Century Fox Film* [2016] ETMR 22 at paras 107-123). The *Hendrick's* Trade Mark was a figurative one which showed specific colours. The bottle was shown as white or clear. A trade mark had to be capable of being represented graphically in "clear, precise, self-contained, easily accessible, intelligible, durable and objective terms" (*Sieckmann v Deutsches Patent und Markenamt* [2003] Ch 487 at para 55, cited in *Glaxo v Sandoz* [2017] ETMR 27, Kitchin LJ at paras 35-36). If the mark was capable of numerous different forms, it was not a relevant sign. The *Hendrick's* Trade Mark could not have a coloured label but a bottle of any imaginable colour. Where a mark was coloured, the registration was limited to those colours (*Kerly's Trade Marks* (16th ed) at para 7-007).

[16] The onus was on Grants to demonstrate unfair advantage. This involved proving that the trade mark infringed had been used. They had not proved that the trade mark had been used as represented; ie on a clear or white bottle. Sales in a dark bottle did not create a reputation in a trade mark which featured a white or clear bottle. The case was distinguishable from *Specsavers International Healthcare v Asda Stores* in which the trade mark was black and white.

[17] Grants had to establish that Lidl were using a sign which was identical or similar to their trade mark. There were clear and obvious differences between the two products. Grants had poor prospects of proving that the average consumer would perceive a link. The one did not "call to mind" the other. Even if it did, that was not sufficient to demonstrate injury since that required an effect on the economic behaviour of the consumer (*Intel Corp v*

CPM United Kingdom at paras 64, 71 and 77). There was no risk to the *Hendricks* Trade Mark. The differences were such that no unfair advantage was being taken.

[18] Since the grant of *interim* interdict on 18 May 2021, Lidl had not sold *Hampstead* gin in Scotland. They did not intend to resume sales in Scotland. There was no reasonable apprehension that sales of *Hampstead* gin will take place in Scotland. There was no basis for apprehending any infringement of the New *Hendrick's* Trade Mark in Scotland. Grants had sought no interim relief in England and Wales pre-18 May 2021, when 93% of the sales were taking place there, or since 18 May 2021, when 100% of the sales have been taking place there.

[19] On balance of convenience, the starting point was that Grants *prima facie* case was weak. If the England and Wales sales of *Hampstead* gin were to continue, that removed any credible argument that the *interim* interdict was needed. Any injury to the mark could be compensated adequately by an award of damages.

[20] In relation to the cross appeal, in the absence of any requirement for *interim* interdict in Scotland, Grants were asking for an order to prevent the retail sale of *Hampstead* gin solely in England and Wales. Such an order would be both incompetent and inconsistent with well-established principles of comity. The case was predicated upon there being retail sales of the *Hampstead* gin in the United Kingdom. If Grants sought to challenge retail sales that took place only in England and Wales then they should apply to the appropriate court there.

[21] Effective control was not the test for jurisdiction. The infringing activity had to be in Scotland, as in *William Grant & Sons v Glen Catrine* 2001 SC 901, at paras [66-69]. The infringements in England and Wales were separate legal wrongs; no aspect of which had its source activity in Scotland. The authorities cited in the cross appeal were consistent with this demarcation. *UVG Ambulances v Auto Conversions* had been correctly decided. The test

for the grant of an *interim* injunction in England was different from that for interdict in Scotland; the former not being dependent on an assessment of the strengths of the parties' cases (see *NWL v Woods (No 2)* [1979] 1 WLR 1294 at 1309-1310).

Grants

[22] Grants complained that the principal argument now raised by Lidl, that the *Hendrick's* Trade Mark was a coloured one, had not been advanced before the IP judge. It did not feature in the draft defences on which he proceeded. The New *Hendrick's* Trade Mark was a colour one, and included the dark bottle. The IP judge's analysis applied *mutatis mutandis* to the new mark. In any event, he had been entitled to hold that there was a *prima facie* case of trade mark infringement in relation to the *Hendrick's* Trade Mark. Lidl were trying to persuade the court to consider the merits. That was inappropriate. The question was not so much the absolute relevancy of the case but the seeming cogency of the need for *interim* interdict (Burn-Murdoch: *Interdict* at para 143).

[23] The IP judge had applied the principle that, where a trade mark was not registered in colour but it had been used extensively in a particular colour with the result that it had become associated in the mind of a significant portion of the public with that colour, the colour which the alleged infringer used in order to represent a sign was relevant in the global assessment of unfair advantage under sub-section 10(3) (*C-252/12 Specsavers International Healthcare v Asda Stores* [2013] ETMR 46 at para 41). The *Hendrick's* Trade Mark was a figurative drawing in monochrome rather than a representation of a white bottle, such as that which might be appropriate, for example, in the case of *Malibu*. It was not a colour mark; hence the bottle could be of any colour. The reference to the colour white referred to the label, notably those parts showing reflective light on the juniper berries. The colours

claimed did not limit the Trade Mark, they were simply descriptors. There was a distinction between “limited to” and “claimed” (*Comic Enterprises v Twentieth Century Fox Film Corp* at paras 59-62). There was no basis upon which to hold that the *Hendrick’s* Trade Mark depicted a white bottle or that the registration was limited to such a bottle. It was for the IP judge to assess, at this early stage of the proceedings, whether Lidl’s product created a link with the *Hendrick’s* Trade Mark in the mind of the average consumer and whether that would affect the economic behaviour of Lidl customers.

[24] On balance of convenience, the IP judge had been entitled to proceed on the basis of harm in Scotland, regardless of what might be occurring elsewhere. The IP judge had reached a decision which was within the bounds of his discretion.

[25] The IP judge ought to have pronounced an order which extended beyond Scotland. He held that there was a *prima facie* case of infringement of the *Hendricks* Trade Mark in terms of sub-section 10(3) of the 1994 Act. That was a UK statute. Interdict was a remedy that operated *in personam*. If the court had effective control over a party, it could prohibit that party’s conduct furth of Scotland (*Burn-Murdoch: Interdict* at paras 12 and 348; *Cowie Bros & Co v Herbert* (1897) 24R 353 at 360). There was a distinction between seeking an interdict which was confined to conduct in a foreign jurisdiction and seeking a world wide prohibition. Interdicts extending beyond Scotland could be granted (*Shell UK Exploration and Production v Innes* 1995 SLT 807 at 814). It would be perverse if the court could not grant a UK wide interdict for a UK trade mark given that an application for a declarator of invalidity had to be made to the court and the court was defined as meaning in Scotland, the Court of Session (1994 Act, s 75). This approach was consistent with that in England (*Lucasfilm v Ainsworth* [2012] 1 AC 208 at para 109). The dicta to the contrary in *UVG Ambulances v Auto Conversions* did not relate to trade marks.

Decision

[26] The first question is whether the IP judge erred in concluding that the pursuers had a *prima facie* case. This involves considering infringement of sub-section 10(3) of the Trade Marks Act 1994. Is there a case to try that Lidl's retailing of *Hampstead* gin in the dark bottle amounts to taking unfair advantage of the *Hendrick's* Trade Mark? This in turn involves examining whether it is an attempt:

“to ride on the coat-tails of [the pursuers'] trade mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of its own in that regard, the marketing effort expended by the proprietor” (*L'Oréal v Bellure* [2014] RPC 1 at para [30], cited in *Kerly's Trade Marks* (16th ed) at para 16-116).

[27] At this early stage in the proceedings, it is not appropriate to conduct an in-depth analysis of the merits of the case. The judge of first instance has a discretion to regulate matters pending a substantive hearing (*Highlands and Islands Enterprise v CS Wind UK* [2020] CSIH 48, Lord Malcolm, delivering the opinion of the court, at para [5] and citing *Burn-Murdoch: Interdict* at para 143 and *Toynar v Whitbread & Co* 1988 SLT 433, LJC (Ross), delivering the opinion of the court, at 434).

[28] The IP judge correctly applied the law. There was sufficient material upon which to conclude that there was a *prima facie* case of infringement. The *Hendrick's* Trade Mark depicts a bottle of a particular shape and bearing a coloured label. It does not show a white bottle, nor does it expressly limit itself to a clear bottle. Grants have for some time used as part of their get-up the dark/brown, opaque, apothecary-style bottle upon which the coloured label is affixed. Where there is no colour specified in the trade mark, extensive use of a particular colour can result in that colour becoming associated in the mind of a

significant portion of the public with the trade mark with the consequence that the defenders' use of the same colour may be seen as taking unfair advantage of that mark (C-252/12 *Specsavers International Healthcare v Asda Stores* [2013] ETMR 46 at para 41). On this basis, the IP judge was entitled to hold that a *prima facie* case of infringement had been made out. As he reasoned, whether or not there was an intention to deceive, there was a basis for showing that there was an intention to benefit. It was "difficult to view the re-design, including the change in colour of the bottle, as accidental or coincidental".

[29] In these circumstances, the court does not require to consider the New *Hendrick's* Trade Mark. Its import may be an issue for the IP judge to determine in due course. The court is assessing the correctness of his decision on the *Hendrick's* Trade Mark. At the time of his interlocutor there was a potential ongoing infringement of the trade mark. Lidl say that they have ceased marketing *Hampstead* gin in the dark bottle in Scotland. The court has been assured that they do not intend to do so in the future. The only cogent reason for that is the existence of the *interim* interdict. Were it to be recalled, there would be no protection against the reintroduction of the product in due course. There remains a reasonable apprehension of such an eventuality.

[30] The remaining question for the IP judge was where the balance of convenience lay. He weighed up various factors. Grants' case is not a weak one although, no doubt, it is far from being one in which ultimate success is guaranteed. There is no indication that the judge failed to take a relevant consideration into account or that he took into account an irrelevant one. He specifically considered the continuing retail of *Hampstead* gin in England and Wales. Damages would not be easy to assess. In these circumstances, the court is unable to find fault in the IP judge's reasoning on where the balance lay.

[31] The trade mark regime under the 1994 Act is UK wide. The issue of which courts have jurisdiction in infringement proceedings is determined not by common law principles of effectiveness but by the terms of the Civil Jurisdiction and Judgments Act 1982. The courts in Scotland and those in England and Wales have an equivalent jurisdiction in relation to infringement proceedings. In broad terms, the principles are relatively straightforward. It is a pre-requisite that the particular court has jurisdiction over the defender. That can be created in at least two ways. First, the defender may be domiciled (eg have a place of business; 1982 Act, s 42(1) and (4)(c)) in the relevant jurisdiction (1982 Act, s 16(1); Sch 4 rule 1). Secondly, and quite separately, the delict of the infringement may be said to take place in that jurisdiction (Sch 4 rule 3(c)). Thus, the Scottish court will have jurisdiction over an infringement wherever it occurs (*Shevill v Presse Alliance* [1995] 2 AC 18, para 33) if the defender is domiciled in Scotland. Conversely, if there is an infringement in Scotland, the Scottish court will have jurisdiction to interdict that infringement even if the defender is domiciled outwith the jurisdiction. What the court cannot do is interdict a defender who is not domiciled in Scotland from carrying out an unlawful act outwith Scotland. Equally, the courts in England and Wales could not normally injunct a person who was not domiciled in that jurisdiction from committing such an act in Scotland.

[32] The provisions of the 1982 Act may not be too different from the common law rules, whereby a defender who is domiciled in Scotland may be interdicted from infringing a trade mark right anywhere in the world (*Burn-Murdoch: Interdict* at 348), but they do supersede them. They are no different from the position in England where it is common to grant injunctions against activities furth of England, including in Scotland, providing there is *in personam* jurisdiction (*Lucasfilm v Ainsworth* [2012] 1 AC 208 Lord Walker at para 109).

[33] The short point is that Lidl, or at least the third defenders, are domiciled in Scotland, as they are in England and Wales. Grants had a choice of proceeding in either jurisdiction. They elected to sue in Scotland, as they are entitled to do. It would be surprising if it were otherwise given that the alleged infringement is being committed partly in Scotland and *Hendrick's* is produced in Scotland. There is no need, where there is jurisdiction in both countries, to raise separate actions in each one. That would be an inefficient use of judicial and court time. No issue of comity arises. There are no parallel proceedings in England and Wales. Had there been such proceedings already in existence, the Scottish courts would possibly have awaited the outcome in England and Wales and *vice versa* (*R (Liberty) v Prime Minister* [2020] 1 WLR 1193 at para 26 *et seq*). In these circumstances, and in others where it would be more convenient for the litigation to be dealt with by the courts in England and Wales, the defenders could plead *forum non conveniens* and the court would consider that issue by carrying out the customary balancing exercise. The level of infringing activity in each country may be a factor, but not a decisive one, in that regard. No such plea has been proffered.

[34] For completeness, in *Speechworks v Speechworks International* [2000] ETMR 982, Lord Nimmo Smith would have confined (at para [27]) the *interim* interdict to Scotland, but that was only because, looking to the balance of convenience, the pursuers' business interests were restricted to Scotland. The defenders in *UVG Ambulances v Auto Conversions* [2000] ECDR 479 were domiciled in Ireland. Only the *lex loci delicti* was relied upon. Hence the court (Lord Reed at para [10]) determined that the Scottish court did not have power over wrongs outside the jurisdiction. It is clear from the approach of the courts in England (*Lucasfilm v Ainsworth*) that the grant of orders, against persons who are domiciled in the jurisdiction, which have an extra territorial effect are commonplace. The same approach is

appropriate in Scotland. The court agrees with the reasoning in *St Andrews University v Student Gowns* 2019 SLT 1347.

[35] For these reasons, the court will allow the cross appeal and recall that part of the IP judge's interlocutor of 18 May 2021 which states "in Scotland". *Quoad ultra* it will refuse the reclaiming motion and adhere to the interlocutor as so amended.