

Bird & Bird

Report of Trade Mark Cases

For the CIPA Journal

June 2023



Trade mark decisions

Decisions of the General Court (GC) and Court of Justice (CJ)

Tesco's Clubcard logo infringed Lidl's rights

Lidl Great Britain Ltd and Anr v Tesco Stores Ltd and Anr (Smith J; [2023] EWHC 873 (Ch); 19 April 2023)

Smith J held that use of Tesco's Clubcard logo infringed Lidl's trade mark rights and copyright and amounted to passing off. This case touched upon important topics of IP law, including: the value of survey evidence; whether use of a mark with text overlaid constituted use of the mark without text; the ever-developing law on bad faith trade mark filings; adverse inferences about missing witnesses; and statutory ownership presumptions for old copyright works. Ewan Grist reports on behalf of Bird & Bird, which represented Lidl in the proceedings.

Background

Lidl is a 'discounter' supermarket retailer, established in Germany in 1973, which opened its first store in the UK in 1994. As one of the two 'discounter' supermarket retailers in the UK along with Aldi, Lidl's business is based on giving its customers the best value possible – i.e., quality products at affordable prices, a concept conveyed by Lidl's slogan "Big on Quality, Lidl on Price".

Lidl has proven to be very popular amongst shoppers in the UK and has grown rapidly. In 2015, its market share was about 3.5% in the UK with just over 600 stores. By 2022, that market share had risen to 7.2%, with around 920 stores.

Tesco is the single biggest supermarket retailer in the UK, with a market share in the region of 26% in 2022.

There is intense competition between supermarkets in the UK to win market share. All supermarkets seek to encourage customers to switch from competitors and loyalty amongst their own customers. Importantly, price comparison advertising and price matching with other supermarkets are key weapons in this battle.

The dispute

Since being founded, Lidl had continuously used the logo (shown below) throughout its stores, advertising and on its products.



Lidl owned UK trade mark registrations in two versions of the Lidl logo: the logo above which included the word "LIDL" (the "Mark with Text") and a version without that word as shown below (the "Wordless Mark").



Tesco's Clubcard scheme was first launched in 1995 and was created as a loyalty scheme to reward customers for shopping at Tesco. In September 2020, Tesco launched its "Clubcard Prices" ("CCP") promotion to promote Clubcard in a new way by providing discounts to Clubcard holders at the point of sale on selected goods.

The sign adopted by Tesco for this scheme featured a yellow circle set within a blue square containing text including the word "Clubcard" (the "CCP Signs"), examples of which are shown below. Tesco started to use the CCP Signs extremely widely from then on throughout its stores, on signage and advertising.



Lidl's concerns over the CCP Signs

Lidl's concerns regarding Tesco's use of the CCP Signs were (i) its effect on the Lidl brand, in particular the extent to which it would dilute the Lidl brand; (ii) the implied message to Tesco customers that Tesco's prices were at the same level as Lidl's prices, such that customers would have been likely to believe that the prices shown on the CCP Sign were price matched to Lidl (an impression that was likely to be reinforced by Tesco's use of the Aldi Price Match logo in close proximity to the CCP Signs, and the scope for customers to confuse Aldi with Lidl, given that both are German discounters); (iii) the potential for a subconscious association with Lidl, even where there was no conscious belief that Tesco was price matching to Lidl; and (iv) the possibility that consumers may form the impression that Lidl's prices were not as affordable as they in fact were, because they would have seen Tesco's higher prices and assumed that Lidl's prices were the same.

The legal issues in dispute

In December 2020, Lidl issued proceedings against Tesco and asserted that Tesco's use of the CCP Signs constituted:

1. Trade mark infringement both of its Mark with Text and the Wordless Marks;
2. Passing off; and
3. Copyright infringement.

Tesco denied these allegations, additionally counterclaiming that the Wordless Marks were liable to be declared invalid or should have been revoked for lack of distinctive character, non-use and bad faith.

High Court's judgment: key rulings

The court's key findings were that:

1. Tesco's use of its CCP Signs infringed Lidl's trade mark rights in the Lidl logo by taking unfair advantage of Lidl's reputation for value and being detrimental to the distinctive character of the Lidl logo;
2. Tesco was passing off by deceiving a substantial number of consumers into believing that Tesco's prices represented the same value as Lidl's prices when that was not the case; and
3. Tesco's Clubcard logo had been copied from Lidl's logo and Tesco had therefore infringed Lidl's copyright.

Some of the key findings are summarised below.

Trade mark infringement of the Mark with Text under section 10(3)

Similarity

The Judge noted that on a visual comparison both the Lidl mark and the CCP Signs involved background components made up of a yellow circle set within a blue square. Both had writing in the centre of the blue circle. The main difference was the word(s) used on the CCP Signs (often "Clubcard Price") and the graphically stylised "LIDL" on the Mark with Text. But, she was satisfied that the average consumer perceiving the signs as a whole would have regarded them as similar, notwithstanding the different words.

The Judge took considerable support for this view from the evidence including (i) a 'Vox Populi' showing comments from a significant number of shoppers who had encountered the Clubcard logo in real life who had made the connection to Lidl and/or had assumed Tesco was price matching Lidl; (ii) evidence from two shoppers who came to the trial to explain their reaction directly to the Judge; (iii) Tesco's own disclosure that Tesco itself recognised the similarity and the resulting risk of confusion.

Establishing a link

The Judge noted that whilst evidence of confusion was not needed to show the requisite link, there was in fact evidence of both origin confusion and price comparison confusion by the public (see above), together with internal recognition by Tesco of the potential for that confusion. She attached "significant weight" to the Lidl Vox Populi describing this as the "tip of the iceberg", given there would be no reason for most people who had made the link and/or were confused to have come to either Lidl or Tesco's attention.

As the Judge put it: "the fact that so many members of the public sent unprompted messages to Tesco or Lidl following the launch of the CCP Signs identifying a perceived link between those signs and the Lidl Logo weighs strongly in favour of Lidl's case".

Consequently, the Judge concluded that a link had been established, saying: "there is clear evidence of both origin and price match confusion/association together with evidence that Tesco appreciated the potential for confusion. I consider that the average reasonably observant consumer encountering the CCP Signs in the real world at the date of the launch of the Clubcard Price campaign would draw a link between the Uses of the CCP Signs and the Mark with Text and that the available evidence amply bears out my conclusion."

Detriment to distinctive character

The Judge accepted Lidl's evidence as to dilution of Lidl's brand, which was unchallenged by Tesco. Lidl's evidence was that until Tesco started using the CCP Signs, no other supermarket was using a logo that looked anything like the Lidl logo, but that had now changed because Tesco had flooded the market with a similar logo by making prolific use of the CCP Signs in its stores and in all major marketing channels, spending many millions of pounds per month on advertising. The Judge found that the evidence supported the proposition that Tesco's campaign had been successful in slowing the "switching" away that was otherwise occurring.

In circumstances where it was difficult to evidence a change in economic behaviour, Lidl relied on having been forced to take responsive action to the extensive use of the CCP Signs by running a new national advertising campaign highlighting the higher prices of Tesco Clubcard products compared to those of Lidl. The Judge found that Lidl had established detriment to the distinctive character of its Mark, evidenced by the fact that it had found it necessary to take this evasive action in the form of corrective advertising.

Taking unfair advantage

Despite the Judge finding there was no subjective intention by Tesco to evoke Lidl, she observed that Lidl's claim was really that the use of the CCP Signs resulted in a subtle but insidious transfer of image from Lidl's Marks to Tesco's in the minds of some consumers, whether that was Tesco's intention or not.

The Judge considered that due to the resemblance between the CCP Signs and the Lidl Marks, Tesco had taken unfair advantage of the distinctive reputation which resided in the Lidl Marks for low price value. This was the objective effect of the creation of the link between the CCP Signs and Lidl's reputation, even without a subjective intention to achieve that end.

Conclusion on infringement of the Mark with Text

On the basis of the above reasons, and having found that Tesco did not have due cause to use the CCP Signs, the Judge found that Lidl's Mark with Text was infringed under section 10(3) by Tesco's use of the CCP Signs.

Trade mark infringement of the Wordless Mark & Tesco's counterclaims

In light of her ruling that the Mark with Text was infringed, the Judge noted that the infringement claim in respect of the Wordless Mark appeared to take matters no further. However, the position as to infringement would be the same, subject to the validity of the Wordless Mark. Here, Tesco had counterclaimed that the Wordless Mark was invalid for lack of distinctive character and should be revoked for non-use and/or bad faith.

Distinctive character

In finding that the Wordless Marks had distinctive character, the Judge relied heavily on a survey carried out by YouGov at Lidl's request. In that survey, a panel of 1,252 UK grocery shoppers were shown an image of the Wordless Mark and asked "please take a look at the image below before answering the question that follows. What do you think this image is?". 75% of responses mentioned Lidl.

The Judge concluded that the YouGov Survey provided strong evidence that the Wordless Mark, used on its own, had acquired the ability to demonstrate exclusive origin and was perceived by a significant proportion of the relevant class of consumers to indicate the goods and services of Lidl.

Use of the Wordless Mark

It was not disputed that the Wordless Mark had not been used as such by Lidl – it had only been used with the word LIDL on it in the form of the Mark with Text. Lidl's position however was that such use of the Mark with Text constituted use of the Wordless Mark, in accordance with section 46(2) as it was used in a form which did not alter the distinctive character of the mark.

The Judge agreed that the facts of this case and the available evidence were in many respects similar to "the unusual circumstances" in *Specsavers v Asda* [2012] EWCA Civ 24. She accepted Lidl's submission that the evidence supported the proposition that consumers (both Lidl's and Tesco's) had understood the Wordless Mark element of the Mark with Text in various of its uses as distinctive of Lidl, not merely as decorative background, but rather as a "logo" or "brand".

The Judge also concluded that the distinguishing character of the Wordless Mark derived from the very particular combination of colours and shapes: the yellow central circle surrounded by a thin red ring, both centred within a blue square, and that these elements were not altered by the presence of the word Lidl in the yellow circle (even though the word 'LIDL' obviously had distinctive significance, as had the word 'SPECSAVERS').

Consequently, the Judge found that the Wordless Mark was distinctive and had been used by Lidl.

Bad faith

Lidl had filed registrations for the Wordless Marks in 1995, 2002, 2005 and 2007, with a further pending application filed in 2021.

The Judge took the view that in light of Tesco's pleaded case, the onus fell on Lidl to prove its subjective intentions at each of the relevant filing dates. If it could not do so, "then a finding of bad faith must inexorably follow". Perhaps unsurprisingly given how much time had passed, Lidl was unable to provide contemporaneous evidence of the subjective intentions/views of those who actually made these filings. Whilst Lidl had given evidence of its current approach to filing the Wordless Mark, the Judge did not consider that this shed any light on what may have been the case many years previously. Absent any evidence of its subjective intentions at the time of these filings, the Judge felt bound to conclude the Wordless Mark registrations were made in bad faith and must therefore be revoked, despite also having found that Lidl had made extensive use of the Wordless Mark and that it was distinctive of Lidl.

The Judge did not consider the 2021 filing to have been made in bad faith, however.

Passing off

For many of the same reasons identified by the Judge in relation to trade mark infringement, the Judge also concluded that a substantial number of customers would be deceived by the CCP Signs into believing that Tesco was offering the same value as Lidl or that it was price matching. This amounted to passing off.

Copyright infringement

Finally, Lidl also argued that it was the owner of copyright in original artistic works consisting of the Mark with Text and the Wordless Mark which had been infringed by Tesco copying a substantial part in the design for the CCP Signs.

It was common ground that Tesco was well aware of, and had access to, Lidl's marks. A visual comparison of the CCP Signs and the Mark with Text indicated that the similarities were sufficiently close that they were more likely to be the result of copying than mere coincidence. The Judge found that, considering the question quantitatively rather than qualitatively, the blue background with the yellow circle plainly formed a substantial part of the Mark with Text. Consequently, it was for Tesco to provide an explanation for that similarity.

The Judge was extremely critical of Tesco's evidence of how the CCP Signs were created. She described Tesco's evidence as "inaccurate" and that it appeared to have been designed only to obscure the involvement of Tesco's external design agency, who Tesco could have, but did not, call to give evidence.

She went on to note "... this is not a case where the position on copying is marginal on the evidence and ultimately, I consider that the copying was a function of the strong desire on the part of Tesco (as evidenced in its internal documents) to stop the switching away of financially squeezed customers looking for [Every Day Low Prices] and to convey the message of "value", a message which Lidl's Logo already conveyed so effectively....."

The Judge found therefore that Tesco had infringed Lidl's copyright.

Complementarity in the medical field

Axogen Corporation v Aviv Scientific Ltd (Smith J; [2022] EWHC 95 (Ch); 18 January 2022)

Dismissing Axogen's appeal in its entirety, Smith J agreed with the UK IPO Hearing Officer that there was no likelihood of confusion for the goods and services applied for by Aviv in classes 9, 35, 41, 42, and 44. The first ground of Axogen's appeal focused on the principle of complementarity, which was discussed at length in the judgment, including the importance of filing evidence to support such a claim. Mark Day reports

Background

Axogen was the proprietor of trade mark registrations for the word mark AVIVE (the "Earlier Marks"), between them covering goods in classes 5 and 10. Aviv Scientific (then known as Xtend Scientific) applied to register the word mark AVIV in respect of goods and services in classes 9, 10, 35, 41, 42 and 44.

Axogen opposed the application based on sections 5(2)(b) and 5(3), although the section 5(3) ground was later withdrawn. Axogen relied on all the goods covered by its Earlier Marks in classes 5 and 10.

Neither party filed evidence or requested a hearing, and the opposition was dealt with on the papers. The Hearing Officer found there was a likelihood of confusion in respect of goods applied for in class 10, but otherwise dismissed the opposition in respect of the other classes applied for.

The Appeal

On 22 April 2021, Axogen appealed the decision to reject the opposition against the application in classes 9, 35, 41, 42, and 44. Before the appeal was heard, Axogen was granted permission to amend its grounds of appeal to effectively limit the appeal to goods and services in the medical field. Axogen argued three heads of appeal.

Ground 1 – errors relating to the assessment of complementarity

The Hearing Officer had found the relevant goods and services were dissimilar, or if she was wrong, similar to a very low degree. In particular, it was held there was no complementarity between the respective goods and services. In that regard, and in referring to *Boston Scientific Ltd v EUIPO* (T-325/06), Axogen argued on appeal that because the goods and services in question may have been plausibly used alongside each other in a medical context, the average consumer would have thought they would have been used together, such that the standard for complementarity was met.

Smith J disagreed that *Boston Scientific* stood for such a broad principle, noting that the General Court had specifically rejected that mere use in the field of medicine was, on its own, sufficient to establish complementarity. The General Court was concerned with whether the average consumer would think that the responsibility for the goods or services lay with the same undertaking, not just with whether the average

consumer may have thought that goods and services could be employed together in the general context of a medical procedure or treatment.

Smith J disagreed with Axogen's submission that a further three earlier cases supported its broad proposition, distinguishing each on their facts from the present case.

Axogen also argued that the Hearing Officer had been wrong to hold that in order to make a finding of similarity, including complementarity, she required further evidence from Axogen. Without wishing to prescribe the circumstances in which evidence should be filed, Smith J rejected this submission, considering that a specialist Hearing Officer was in the best position to decide whether they needed further evidence to assist their assessment.

Ground 2 – errors relating to the visual and aural comparison of marks

In relation to the visual comparison, Smith J agreed with Aviv that this ground was in fact concerned with the weight attached by the Hearing Officer to the visual impact of the additional letter at the end of AVIVE, something the courts had consistently rejected as a proper ground of appeal because it was a question within the Hearing Officer's discretion.

Smith J also agreed with Aviv that the Hearing Officer's findings in relation to aural similarity could not sensibly be criticised. However, Axogen argued that the Hearing Officer should have carried forward to the global assessment the fact that, on at least one pronunciation, the marks were aurally identical – this was considered under Ground 3.

Ground 3 – errors relating to assessment of the likelihood of confusion

Smith J commented that the Hearing Officer plainly had regard to the fact that, on at least one pronunciation, the marks were aurally similar as part of the global assessment. In any event, the Hearing Officer had found that the relevant goods and services were dissimilar, and that where goods and services had been found to be dissimilar there could be no likelihood of confusion. Axogen's appeal was therefore dismissed.

The CJ and GC decisions can be found at https://curia.europa.eu/jcms/jcms/j_6/en/. Cases marked with a * can be found at <http://www.bailii.org/>.



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This report was first published in the CIPA Journal, June 2023

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