



Neutral Citation Number: [2023] EWHC 873 (Ch)

Case No: Claim No. IL-2020-000127

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (CHD)

Rolls Building
Fetter Lane
London, EC4A 1NL

19/4/2023

Before :

MRS JUSTICE JOANNA SMITH DBE

Between :

(1) LIDL GREAT BRITAIN LIMITED
(2) LIDL STIFTUNG & CO KG

Claimants

- and -

(1) TESCO STORES LIMITED
(2) TESCO PLC

Defendants

Claim No. IL-2021-000041

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INTELLECTUAL PROPERTY LIST (CHD)

Between:

(1) TESCO STORES LIMITED
(2) TESCO PLC

Claimants

-and-

(1) LIDL GREAT BRITAIN LIMITED
(2) LIDL STIFTUNG & CO KG

Defendants

Mr Benet Brandreth KC and Mr Tristan Sherliker (instructed by **Bird & Bird LLP**) for the
Claimants/Defendants

Mr Hugo Cuddigan KC and Mr Daniel Selmi (instructed by **Haseltine Lake Kempner**) for
the **Defendants/Claimants**

Hearing dates: 7, 8, 9 and 14 February 2023

APPROVED JUDGMENT

This judgment was handed down remotely at 10.30am on Wednesday 19 April 2023 by circulation to the parties or their representatives by email and release to the National Archives.

Mrs Justice Joanna Smith:

Introduction

1. The two consolidated claims in these proceedings between two well-known supermarket chains (to whom I shall refer as “**Lidl**” and “**Tesco**”¹) involves allegations by Lidl of infringement of registered trade mark rights in Lidl’s logo devices, passing off and infringement of copyright. Tesco pursue a counterclaim alleging that some of the Lidl trade marks are liable to be declared invalid on the grounds that they were registered in bad faith, and/or that they should be revoked for non-use and/or that they have no distinctive character.
2. In bringing the claim, Lidl relies upon its trade mark rights in relation to two versions of the Lidl logo: a logo which includes the word “Lidl” (“**the Mark with Text**”) and a logo without that word (“**the Wordless Mark**”). Together, I shall refer to these as “**the Lidl Marks**” or “**the Lidl Logo**”. The Wordless Mark is a graphical device consisting of a blue square background bearing a yellow circle, bordered with a thin red line. The Lidl Marks are reproduced below:



The Wordless Mark



The Mark with Text



Example of the Marks as used by Lidl

3. Lidl is a German supermarket business established in 1973 which opened its first store in the UK in 1994. It has always operated in the UK under the Mark with Text.
4. Lidl is the registered proprietor of UK registration 2570518, filed on 28 January 2011, in respect of the Mark with Text. Lidl is also the registered proprietor of four UK registrations: UK2016658A, UK2016658C and UK2016658D all filed on 4 April 1995 (“**the 1995 Registrations**”) and UK 904746343 (originally filed as an EU trade mark on 17 November 2005 and created as a result of the UK’s withdrawal from the European Union) (“**the 2005 Registration**”) in respect of the Wordless Mark. By its defence, Tesco identifies two additional UK trade mark registrations made by Lidl for the Wordless Mark (UK00902936185 filed on 15 November 2002 (“**the 2002 Registration**” and 00906560571 filed on 13 November 2007 “**the 2007 Registration**”) which it refers to as “**the Additional Wordless Marks**”. Tesco also identifies a further application made for registration of the Wordless Mark in 2021 (UK00003599128) (“**the 2021 Application**”).

¹ Although there are two Claimants and two Defendants, nothing turns on the difference between them.

5. The Mark With Text appears throughout Lidl's stores, on their advertising and on their products.
6. Lidl contends that the graphical device forming the Wordless Mark (which it accepts has never been used in the United Kingdom other than as a background to the Mark With Text) is distinctive of its service and goods quite apart from the name "Lidl" and that it has generated a huge reputation and goodwill in both the Mark With Text and the Wordless Mark. Central to this case is Lidl's contention that such reputation and goodwill is specifically that Lidl are a "discounter" supermarket that offers value; specifically quality goods at low prices – a reputation that it says has been encapsulated since 2017 in its marketing slogan "Big on quality, Lidl on prices".
7. Lidl's complaint concerns what Lidl describes as the use by Tesco of an identifier for its Clubcard Prices promotion. In the Amended Particulars of Claim ("**the PoC**") this is identified as "**the Sign**" and consists of a graphical device formed of a blue square background and a yellow circle (as shown below in the form used in the PoC):



The Sign (Tesco)



Example of the Sign as used by Tesco, with overlaid text

8. Tesco Clubcard is a scheme that launched in 1995 and was created as a loyalty scheme to reward customers for shopping at Tesco. It is widely acknowledged to have set the gold standard for customer loyalty schemes globally. The Clubcard Prices promotion, about which Lidl complains, is a discrete advertising strategy which launched in September 2020. It was designed to promote the Tesco Clubcard in a new way, by providing discounts to clubcard holders at the point of sale on selected goods. It is Tesco's case that pursuant to the Clubcard Prices initiative, it uses the Sign in various guises, always with text overlaid and always as a signifier of its Clubcard Prices promotion.
9. Sometimes the Sign appears together with a price figure, where the price will itself depend upon the corresponding product (in which case the accompanying text says "Clubcard Price"). Alternatively, the Sign is used more generally to indicate the promotion, in which case the accompanying text reads "Clubcard Prices". One such example appears in the right hand image shown in paragraph 7 above and two others are identified below.



10. Tesco has referred to all of these icons in its statement of case as “**the CCP Signs**”, and it refers to the background (i.e. the Sign as defined by Lidl) as “**the CCP Signifiers Background**”.
11. Lidl’s complaint derives from the presence of the common element, the CCP Signifiers Background, in all of the uses made by Tesco of that background (referred to by Lidl as “**the Uses**”). Lidl points out that, in common with the Lidl Logo, the CCP Signifiers Background has a blue square containing a centred yellow circle extending towards the edge of that blue square. In the case of the Mark with Text, Lidl points to a further similarity, namely the presence of wording across the middle of the yellow circle. Lidl says that although the words differ, or are absent from the Wordless Mark, the Uses made by Tesco of the CCP Signifiers Background are of a kind where attention to the detail of the wording is often absent or limited. The consequence, says Lidl, is that a substantial number of customers are being deceived; some as to origin, although this is not a case that Lidl has sought specifically to make out in its pleading, but many because they see the CCP Signs, link them to Lidl’s brand and reputation and believe that Tesco’s prices are being said to be comparable to Lidl’s (low) prices and/or that they are price matched to Lidl.
12. Essentially, Lidl says that Tesco is seeking deliberately to ride on the coat tails of Lidl’s reputation as a “discounter” supermarket known for the provision of value. It is Lidl’s case that the Clubcard Prices promotion was adopted by Tesco as part of a campaign that was designed to improve Tesco’s ability to compete with discounter supermarkets such as Lidl. At around the same time as the Clubcard Prices campaign was launched, Tesco also launched a price matching campaign against Aldi prices (“**the Aldi Price Match**”); Aldi being the other recognised ‘discounter supermarket’ in the UK.
13. Lidl contends that the deception of Tesco’s customers is not accidental. They maintain that Tesco deliberately copied the artworks that comprise the Lidl Marks to achieve the transfer of reputation for good value that they maintain is occurring and they also assert a claim in passing off on the grounds that, by their use of the Sign, Tesco has misrepresented that products sold by Tesco share the qualities of those of Lidl, including that they are sold at the same or equivalent price, or have otherwise been price matched with Lidl products.

EVIDENCE AND WITNESSES

Lidl's Witnesses

14. Lidl called three witnesses to give oral evidence, Mr Andy Paulson, Mr Simon Berridge and Ms Claire Farrant.
15. Mr Paulson and Mr Berridge are two ordinary members of the public who gave evidence as to their responses to exposure to sight of the CCP Signs. I have no reason to think that they were not giving truthful evidence with a view to assisting the court.
16. Mr Paulson first encountered the CCP Signs in September 2020 at the outset of the CCP promotion. It was his evidence that he had seen (on his phone) a tweet from Tesco which included a short clip from a tv advert² showing price drops and that he had then tweeted a response in the following terms “Suppose it’s no coincidence that the offer notices appear to resemble a certain other supermarkets logo”. He used the hashtag “cleveradmen”. Below his tweet he included an image of the Lidl Mark with Text, pointing out in his statement that this tweet was intended to be a reference to Lidl. In summary, his evidence was that the Tesco advert reminded him of Lidl because the “offer notices” (by which he meant the CCP Signs) were “uncannily similar to the Lidl logo” and that he had used the hashtag “cleveradmen” because he “got the impression” that the ad men for Tesco had looked at budget supermarket signs “and tried to hint at Lidl, to say their prices were also as low as Lidl’s”. He went on to say that his understanding of the CCP Sign is that “it is saying that on the products that have been given a “Clubcard” price, the prices you can get for those products is the same or perhaps a bit better than the priced at Lidl”. Under cross examination, he accepted that he had realised that the advert was not for Lidl, and he acknowledged that the Tesco promotion had not deterred him from shopping at Lidl.
17. Mr Berridge, who was a frequent shopper with Lidl, had visited the Tesco website in November 2021 looking for a specific product. Upon visiting the website he described his confusion, saying he thought he had visited the Lidl website and that this caused him to do a “comedy double take” at the screen. He checked and saw that it was the Tesco site but the logo had tripped him up because it was “so similar to the Lidl logo”. Under cross examination, Mr Berridge said that he had not initially seen the writing on the logo but that even when he did see it he remained confused, even though he noticed that Lidl was not referenced. He observed that what he considered to be “blatant mimicry” had made him angry and that it had certainly not encouraged him to shop at Tesco.
18. Miss Farrant is marketing director at Lidl Great Britain Limited, where she has worked in that capacity since 2015. She is responsible for protecting, building and promoting the Lidl brand in Great Britain. She has worked in the grocery and retail industry for over 20 years, including in various marketing roles for Tesco between 2005 and 2015. It was clear from her evidence that she has a good understanding of the market sector, the marketing strategies employed for promoting supermarkets and the constraints on marketing. In her first witness

² Defined later in this judgment as “the TV Advert”.

statement, Miss Farrant provided some background to the grocery market in the UK before giving evidence about Lidl's business, its brand and its main brand assets, including the Lidl Logo, Lidl's advertising slogan and Lidl's corporate colours.

19. Miss Farrant also described the circumstances in the market surrounding the launch of the Tesco Clubcard scheme, Tesco's use of the CCP Signs and the Tesco Aldi Price Match Campaign. Miss Farrant described her own surprise at first seeing the Tesco Clubcard logo, saying her reaction was "They're using our logo!". Her view was that Tesco's decision to choose this logo was deliberately intended to reference Lidl without using its name. In her evidence she described Lidl's concerns about the effect of the Tesco Clubcard promotion on the Lidl brand and explained that Lidl had been forced to take action to undo some of the damage by conducting corrective advertising in the form of the "Unmatched Value" campaign. She elaborated on this in her second statement.
20. Miss Farrant was a hesitant witness. Sometimes she appeared to find it difficult to answer the questions put to her in cross examination and, although not always recorded in the transcript, there were frequently lengthy pauses between the question and her response. In closing, Tesco did not invite any formal criticism of Ms Farrant, but they did submit that her written evidence had put her in a somewhat uncomfortable position and that her evidence regarding the motivation for Lidl's Unmatched Value advertising campaign should not be accepted in the absence of corroborating documents.
21. I shall return to this in more detail in due course, but record here that having considered the contemporaneous documents with care, I do not doubt that Ms Farrant gave truthful evidence (and much of her witness statement was not challenged). I strongly suspect that her hesitancy when giving oral evidence was the product of nerves exacerbated by robust cross examination and that from time to time she simply did not understand what was being asked of her.
22. Lidl also relied upon three additional witnesses, whose written evidence went unchallenged by Tesco: Mr David Unterhalter, Mr Simon Sketchley and Mr Jake Gammon.
23. Mr Unterhalter is a solicitor employed by Lidl Great Britain Limited as Director of Legal and Compliance for the business of Lidl in Great Britain. Relevant to the trial were his second, third and fourth statements. In his second statement he described the corporate investigation that he had instigated into the circumstances in which the Wordless Mark and the Mark with Text (which for these purposes he described as "**the Works**") had been created, together with his view in light of that investigation that the Works were created sometime in the 1980s, but before November 1987. In his third statement, Mr Unterhalter explained the context of documents relating to how Lidl's brand had been used in Lidl's business in the five year period from September 2015 to September 2020. In his fourth statement, Mr Unterhalter set out the available facts relating to Lidl's intention and rationale in relation to its trade mark filings for variations of the Wordless Mark.

24. Mr Sketchley provided two witness statements in his role as Head of Research, Connected Data, of YouGov plc, designed to explain how a YouGov Survey conducted between 19 and 22 February 2021 on behalf of Lidl (“**the YouGov Survey**”) had been carried out. The YouGov Survey was admitted into evidence in these proceedings further to a contested application which I heard on 5 and 6 April 2022 (*Lidl Great Britain Limited v Tesco Stores Limited* [2022] EWHC 1434 (Ch)) (“**the Survey Application**”). Shortly before trial, Mr Sketchley left his employment with YouGov and was no longer able to provide evidence in support of Lidl’s case. Accordingly, Lidl obtained a statement from Mr Gammon, Global Head of Qualitative Research and Interim Head of UK Data Services at YouGov, designed to confirm Mr Sketchley’s evidence. Mr Gammon confirmed in his statement that the Methodology Report for the YouGov Survey and Mr Sketchley’s explanatory comments in his two statements represented an accurate and complete account of how the YouGov Survey was conducted.
25. Lidl served a Civil Evidence Act Notice dated 22 September 2022 in respect of (i) social media posts found on Twitter by Bird & Bird, Lidl’s solicitors; (ii) customer contact records extracted from Lidl’s database of consumer feedback; and (iii) Tesco’s customer communications database. For the purposes of the trial, the statements from the public obtained from these various sources (together with statements made by members of the public in the context of Tesco’s own market research exercises) were helpfully gathered together by Lidl into an Appendix of so-called “*vox populi*” attached to their opening submissions. The parties disagree over the usefulness of this evidence and, in particular, whether it is a reliable source for ascertaining the opinions of the majority of consumers. I shall refer to this evidence as “**the Lidl Vox Populi**”.

Tesco’s Witnesses

26. Tesco called five witnesses to give oral evidence: Mr Simon Threadkell, Ms Michelle McEttrick, Ms Rachel Marks, Ms Nina Webb and Mr Richard Hing.
27. Mr Threadkell has been Tesco’s Brand Design and Format Development Director since 2015, having worked for Tesco since 2010. His statement recorded that “as the person who was responsible for the design of the disputed Sign” his evidence was designed to address the detail of the design process. Although much of his evidence referred to actions taken and documents generated by “my team and I” (by which he meant his internal team within Tesco), during cross examination it became abundantly clear that Tesco did not operate independently, but that it frequently worked together with design partners, including when creating a Master Brand document and developing the initial guidance for the Clubcard Prices project. This included, in particular, Wolff Olins, a British advertising agency and corporate identity consultancy (“**Wolff Olins**”).
28. Although I found Mr Threadkell to be a relatively straightforward witness who came across as trying to assist the court when giving his oral evidence, I agree with Lidl that his cross examination exposed the fact that his written evidence was both incomplete and inaccurate. His witness statement gave the impression that Tesco had (for the most part) acted alone in all material parts of the Clubcard Prices project (which was demonstrably erroneous having regard to the available documents) and that design changes were consistent with Tesco’s Master Brand

Guidelines or Clubcard guidelines, when they in fact appeared inconsistent with those documents. Tesco accepted in closing that in both of these areas, Mr Threadkell's evidence had "moved on" from his written statement.

29. In my judgment, these significant difficulties with Mr Threadkell's written evidence (which was primarily addressed to the issue of copying) mean that I cannot sensibly accept his evidence, save where he made admissions or gave evidence contrary to Tesco's interests, or where it is shown to be consistent with contemporaneous documents.
30. Ms McEttrick was, between 2015 and 2021, the Group Brand Director for Tesco. As at the date of trial, she was no longer employed by Tesco but was due to commence a new role as Primark's Chief Customer Officer sometime in February 2023. From 2015 onwards, Mr Threadkell reported directly to Ms McEttrick, whose team consisted of between 150 and 225 people. Ms McEttrick's statement records her 30 years of experience as a marketing executive and then deals with the Tesco Master Brand project, initiated in 2016, together with the development of Clubcard Prices, including work on the CCP Signifier Background and reasons for the ultimate choice of design for the CCP Signs, the roll out of Clubcard Prices and the importance of the Clubcard brand to Tesco.
31. I found Ms McEttrick to be an impressive witness who gave careful and well-considered evidence plainly designed to assist the court. Her obvious anxiety to ensure accuracy meant that she qualified her written evidence in certain respects under cross examination, but, subject to those qualifications, I have no difficulty in accepting her evidence in its entirety.
32. Ms Marks is Associate Director at The Source (W1) LLP ("**The Source**"), which, amongst other things, conducts consumer testing and research. Ms Marks has worked in consumer research and insight for over 7 years. In her two statements, she describes her involvement in consumer testing instructed by Tesco in relation to its CCP Signs in the summer and autumn of 2020 ("**the Source Survey**"). Together with her colleagues, Ms Marks designed four tests with a view to determining whether the CCP Sign was likely to be successful in communicating its associated offer message. Ms Marks describes the tests and their outcomes in her statements.
33. Ms Webb is currently Tesco's Head of Insight, albeit that at the time of development of the Clubcard Prices promotion she was a Brand & Communication Manager within the Insight Team. The role of the Insight Team is to understand Tesco's customer needs and behaviour using a variety of research and analytical techniques. In her statement, Ms Webb deals with an email chain from July 2020 to which I shall return, together with the commissioning of Hall & Partners, Tesco's research supplier, to evaluate the Clubcard Prices campaign following its launch in September 2020.
34. Mr Hing is legal counsel within Tesco's legal team, a position he has held since joining Tesco in February 2020. In his first statement he gives evidence designed to inform the court as to Tesco's uses of the CCP Signifier Background in stores and on line. In his second and third statements he describes investigations he has undertaken into a number of customer messages relied upon by Lidl as part of the

Lidl Vox Populi in this case, together with identifying the types of products offered by Tesco through Clubcard Prices.

35. Ms Marks, Ms Webb and Mr Hing were plainly all honest witnesses, whose evidence I have no hesitation in accepting, subject only to one point in relation to Ms Webb's evidence, to which I shall return.
36. Tesco also relied for the purposes of the trial upon five additional witnesses whose written evidence was unchallenged: Mr John Lamont, Ms Naomi Kasolowsky, Mr Paul Jones, Ms Natasha Whitmey and Mr William Baker.
37. Mr Lamont is Tesco's Head of Response and Legal, a position he has held since September 2020. In his statement he describes how point of sale materials for Clubcard Prices which used a yellow circle on a blue background were initially centrally printed and distributed to stores for printing with text in store, but that in February 2022 Tesco changed its system and instead provided stores with blank templates onto which Clubcard Prices "offer" information could be printed. He explains that Tesco has identified two errors in the use of point of sale materials, involving display of the CCP Signifier Background without the addition of text. It is accepted by Lidl that these were inadvertent errors and nothing turns on them.
38. Ms Kasolowsky is Tesco's Group Insight and Foresight Director, a position she has held since January 2019. In her statement she addresses the role of Tesco's Insight Team, her involvement in considering the results of the Source Survey (which she accepts included mentions of Lidl or Aldi but which she did not understand to be "statistically significant") and her attendance at a Steering Committee meeting in the Summer of 2020.
39. Mr Paul Jones is Tesco's Head of Design and he has worked for Tesco since February 2011. In his short statement he describes his reaction to the Source Survey results, including recommendations made by The Source. He explains that he was unconcerned by the percentage of consumers who mentioned Aldi or Lidl which "seemed to me to be very low".
40. Ms Whitmey is Group Membership Loyalty and Customer Relations Management Director at Tesco, a position she has held since January 2018. Before joining Tesco she worked for the customer engagement agency Havas Helia which held the Tesco Clubcard account. In her last 5 years working at Havas Helia she was heavily involved in work on Clubcard. Ms Whitmey describes the origin and aims of the Clubcard Scheme, together with its global reputation and the steps taken by Tesco to monitor its member satisfaction levels and the data on Clubcard use. Ms Whitmey identifies various UK registered trademarks owned by Tesco relating to Clubcard and/or its logo, none of which is relevant to the issue arising in these proceedings. Ms Whitmey explains the recognition at Tesco in 2019 of the need to evolve the Clubcard message and the development of the idea of giving members money off selected products at the point of sale together with the substantial investment made by Tesco in advertising the new Clubcard Prices promotion and the success of the campaign.
41. Mr Baker is Tesco's Head of In Store Marketing, a position he has held since June 2019. In his short statement he explains that he and his team are responsible

for the printing and distribution of printed point of sale materials to stores and he confirms that to the best of his knowledge his team has never distributed any such materials incorporating the CCP Signifier Background without the words “Clubcard Price” or “Clubcard Prices” printed on them. He confirms that an example of the CCP Signifier Background with the word “Offer” on it was on the Tesco website before the launch of the Clubcard Prices promotion but that it is not one that has ever been distributed to stores. Nothing turns on this one example of the CCP Signifier Background being used without reference to “Clubcard Price” or “Clubcard Prices”.

42. Tesco served two Civil Evidence Act Notices dated 22 September 2022 and 9 November 2022 respectively. The first concerned a tweet from the LidlGB account, the second concerned a number of documents. I did not detect any real issue arising in relation to any of these documents.

Missing Witnesses

43. In closing, Lidl invited the court to draw an adverse inference by reason of the failure on the part of Tesco to call anyone from Wolff Olins, the external agency which it is now clear was involved in the design and development of the CCP Signs. No authority was cited to me, but I observe that Lord Leggatt JSC (giving a judgment with which the other members of the Supreme Court agreed) has recently provided clear guidance on the point in *Efobi v Royal Mail Group Ltd* [2021] UKSC 33 at [41]:

“41. The question whether an adverse inference may be drawn from the absence of a witness is sometimes treated as a matter governed by legal criteria, for which the decision of the Court of Appeal in *Wisniewski v Central Manchester Health Authority* [1998] PIQR 324 is often cited as authority. Without intending to disparage the sensible statements made in that case, I think there is a risk of making overly legal and technical what really is or ought to be just a matter of ordinary rationality. So far as possible, tribunals should be free to draw, or to decline to draw, inferences from the facts of the case before them using their common sense without the need to consult law books when doing so. Whether any positive significance should be attached to the fact that a person has not given evidence depends entirely on the context and particular circumstances. Relevant considerations will naturally include such matters as whether the witness was available to give evidence, what relevant evidence it is reasonable to expect that the witness would have been able to give, what other relevant evidence there was bearing on the point(s) on which the witness could potentially have given relevant evidence, and the significance of those points in the context of the case as a whole. All these matters are inter-related and how these and any other relevant considerations can be assessed cannot be encapsulated in a set of legal rules”.

44. I shall return to the question of whether it is appropriate in all the circumstances of this case to draw an adverse inference when I come to consider Lidl’s claim of infringement of copyright.

Expert Evidence

45. Although Tesco relied upon the expert report of Mr Philip Malivoire (an independent market research consultant and experienced expert) for the purpose of the Survey Application with a view to seeking to persuade the court not to permit Lidl to rely upon the YouGov Survey at trial, I was not persuaded by the content of that report for all the reasons I set out in my judgment on that occasion. Tesco did not serve any further expert reports from Mr Malivoire and has chosen not to rely upon his report at trial.
46. Lidl relied upon the expert report and oral evidence of Mrs Sutton, a market research consultant with over 40 years of experience in conducting market research projects. She was instructed by Lidl late in the day following the sad and unexpected death of its original expert, Ms Julia Rogers, who had prepared a report for Lidl dated 23 November 2022. Upon Ms Rogers being taken ill, Bird & Bird prepared on her behalf a “summary of reply evidence” in response to the report of Mr Malivoire, which Tesco agreed could be submitted in the circumstances (Ms Rogers had not seen Mr Malivoire’s report at the time of preparation of her original report). Mrs Sutton was subsequently instructed.
47. Mrs Sutton’s report is dated 30 December 2022 and sets out her own opinions formed without sight of Ms Rogers’ report (albeit, in the event, entirely consistent with it). By way of an Annex to her report, Mrs Sutton provides some additional evidence in respect of matters addressed in the witness statement of Ms Marks, in particular concerning the Source Survey. For the most part, cross examination of Mrs Sutton focussed on the Source Survey rather than on the YouGov Survey.
48. Tesco accept that Mrs Sutton was quite obviously a good and knowledgeable expert. In so far as it is relevant to the issues I must decide in this case, I accept her evidence.

Documentary Evidence

49. During Mr Hing’s cross examination, it became apparent that searches by Tesco for messages and comments from the general public designed to respond to the issues of confusion and unfair advantage had only commenced from the date of the launch of Clubcard Prices (i.e. 15 September 2020) and so would not have captured any comments made prior to this date in August 2020 when trials of the CCP Signs (using the word “Offer”) were taking place. Further Mr Hing accepted that there appeared to be a level of inaccuracy in the searches conducted by Tesco. In the circumstances I accept Lidl’s submission that the court cannot be confident that it has seen more than an incomplete snapshot of available consumer comments.

ADVERTISING AND THE SUPERMARKET SECTOR

50. Before considering the specific complaints levelled by Lidl at Tesco in these proceedings, it is first important to address the context in which these complaints are made.

The UK Grocery Sector

51. The UK grocery market includes various different categories of supermarket: (i) the top tier supermarkets, such as Waitrose and Marks & Spencer which focus on premium quality products at high(er) price points; (ii) the mid-tier supermarkets or “Multiples” which include the four biggest supermarkets in the UK - namely Tesco, Sainsbury’s, Asda and Morrisons, together with the Co-Op. These supermarkets normally have a selection of own-brand and third party products at a range of price points; (iii) “Discounter” supermarkets, whose business model involves an emphasis on own-brand products and a more curated selection of goods thus enabling greater control over price and a streamlined operating base. This leaner business model ensures an ability to maintain what is referred to as an “everyday low price” (“**EDLP**”) position. The two main discounter supermarkets are Aldi and Lidl, both German supermarkets and so, historically, known as “the German discounters”; (iv) lower-tier retailers who do not sell entire product ranges and focus heavily on price reduction or other unique market niches. These retailers would not normally be used for a full grocery shop.
52. As the single biggest supermarket operator in the UK, Tesco had in the region of 26% of the UK market share in 2022. It is common ground that, no doubt owing in substantial part to its market share and commensurately high advertising spend, its levels of brand awareness when assessed by Ipsos in November 2021 (after the launch of Clubcard Prices) were far ahead of any other UK supermarket. Furthermore its brand assets (in the form of the Tesco logo and Clubcard) were the two best performing assets in the sector, with high levels of implicit brand association, rating above the Lidl Logo. In an Ipsos update to Lidl from March 2021, Tesco’s loyalty scheme in the form of Clubcard was rated at 98% for scheme awareness, the best performing loyalty scheme in the sector. Ms McEtrick’s unchallenged evidence about the Clubcard Scheme was that “As a brand asset it is unique in all the markets in which Tesco operates. It is one of the crown jewels of Tesco’s goodwill”.
53. Although mid-tier supermarkets and discounters all offer generally similar standards of quality, albeit at different price points, it will be clear from what I have already said that they operate very different business models. Ms Farrant’s evidence, which I accept, is that, as a discounter, Lidl’s business is set up so that it won’t be beaten on price. This is achieved through stocking a very high proportion (something in the region of 85-90%) of own brand goods, limiting the range of products available in store and operating smaller stores with lower operating costs and efficient supply chains. Lidl also does not offer an online delivery service in the UK and so has no call for warehouse space for that purpose.
54. When Ms Farrant joined Lidl in 2015, its market share was about 3.5% in the UK and it had just over 600 stores. At that time, the label “discounter” was unattractive to some customers, carrying with it the perception of low quality products being sold as cheaply as possible. However, Lidl has worked hard to unpick and reframe this perception and instead to communicate a business model which enables it to offer value: quality products at affordable prices, a concept conveyed by the slogan “Big on Quality, Lidl on price” (to which I have already referred), launched at the beginning of 2017. Ms Farrant believes that Lidl’s

success in communicating this message lies behind its growth to around 920 stores in the UK and 7.2% of the UK market share in 2022.

55. The available evidence shows that by 2019 Tesco was well aware of Lidl's gains in positioning itself as offering good value at low prices. In an internal Tesco Powerpoint presentation from May 2019, looking at ways to strengthen Tesco's Clubcard offering, Tesco acknowledged that it was experiencing "customers trading out for EDLP" – i.e. price-conscious customers switching away from Tesco. Unsurprisingly, Tesco was anxious to win back these customers. In another Powerpoint presentation produced by Ms Webb in June 2019, she observed that "consumers acknowledge that Tesco needs to work hard on its prices at an overall level, especially to win back the Wicks. The Wicks are quick to point out that Tesco has lost its market leading position as the best value supermarket"³. In a later slide comparing Tesco's performance on price by reference to its competitors, Ms Webb identified the extent to which both the Lidl and the Aldi branding communicates value, going on to observe that "If Tesco has an issue with value perceptions it may be because Aldi and Lidl have changed people's 'price anchors'" and noting that if this was the case, it would be difficult for Tesco to advertise its way out of the problem, at least when it came to the most price sensitive consumers.
56. As the other discounter supermarket, Aldi has seen similar growth and success over the last few years and is Lidl's most direct competitor. However, there is enormous rivalry and competition between all of the supermarkets in the UK to win market share. All supermarkets want to encourage customers to switch from doing their grocery shop at a competitor to themselves, known as "switching" or "switching away". This will normally require an advertising campaign or advertising strategy that seeks to erode loyalty to an existing preferred supermarket and to encourage switching. It is not in dispute that winning this constant battle for customers is the main objective of every supermarket's advertising strategy and, with this in mind, their branding and messaging operations which are targeted at consumers via varying forms of media are very sophisticated and are the subject of regular research and monitoring designed to determine their effectiveness.
57. There are of course various means by which the different supermarkets seek to win the battle for customers. Most supermarkets operate some kind of loyalty scheme, Tesco's "Clubcard" scheme being perhaps the best known. Lidl launched a loyalty program in August 2020 under the brand Lidl Plus. Price comparison campaigns (particularly outside the top-tier supermarkets) represent another important advertising tool. These can involve campaigns advertising a product or an illustrative basket of products as cheaper in price by comparison with the same (or an equivalent) product, or basket of products, at a competitor supermarket.

³ "The Wicks" is a notional family used by Tesco to represent financially squeezed, price conscious families who stick to a budget and shop around to take advantage of special offers. In another Powerpoint slide deck provided by Tesco to Wolff Olins on or around 7 June 2019, the Wicks were described by Tesco as feeling "an uncertainty in life due to money pressures" and as representing "the canary in the coalmine", on the basis that "when you solve the Wicks, other families follow". The Wicks were identified in this slide deck as Tesco's "largest share losses", owing to switching to Aldi, Lidl and Asda.

Alternatively they involve price matching, i.e. monitoring and matching prices to those of a specific competitor, potentially a highly effective strategy, albeit one that requires constant vigilance and compliance with The Committee of Advertising Practice Code.

58. National advertising campaigns by Supermarkets inevitably involve a very substantial financial commitment and, for this reason, they are frequently subject to trials and pre-testing. A recognised problem across the sector is the potential for misattribution of advertising campaigns to competitors, a phenomenon that Ms Farrant referred to in her evidence as “[t]he curse of Misattribution”. Where this occurs at a substantial level, the time and money spent on the campaign may (at best) go to waste, and (at worst) benefit a competitor. Although it is difficult to quantify precise levels of misattribution, the research that is regularly commissioned by supermarket chains into the effectiveness of their campaigns, will (amongst other things) seek to analyse the extent to which members of the public are able to recognise campaigns and attribute them to the appropriate brand. Ms Farrant’s evidence under cross examination, which I accept, is that misattribution is a problem faced by all of Lidl’s competitors, who will all be seeking to reduce the misattribution associated with their promotional activity (“Absolutely, that is our main job”).
59. No doubt owing to their joint reputation as discounters, or “German discounters”, Lidl has encountered particular problems with misattribution of its advertising campaigns to Aldi. Ms Farrant describes this as being a significant problem in 2015 in the sense that significant numbers of the public were seeing Lidl adverts and wrongly attributing them to Aldi. Since that time, Lidl has worked hard to address this issue, focussing on ensuring the consistent use of brand assets across all forms of advertising.

The Background to the Clubcard Prices Campaign

60. Although Lidl often uses price comparison adverts to illustrate its affordable prices by comparison with a competitor, it has never sought to price match with other supermarkets because it considers that its customers already know that it will not be beaten on price. However, in around mid-March 2020, Tesco commenced the Aldi Price Match pursuant to which it sought to price match a limited range of products. Tesco used a red bubble logo for this campaign with the words “Aldi Price Match” and a tick in white (“**the Aldi Price Match Logo**”). Although there is no claim made in respect of this usage, Lidl has sought during these proceedings to identify the similarity between the Aldi Price Match Logo and a logo used by Lidl, also presenting as a red bubble with white text, which says “Always Lidl on price”.
61. Towards the end of June 2020, it was reported in the trade press that Tesco was planning a “major new price war” against Aldi and Lidl, including by way of a “ramp up” of Aldi Price Match and promotional activities “driven through its Clubcard loyalty card”. Setting aside the somewhat sensational use of language in these press reports, Ms McEttrick’s evidence, which I accept, is that the Covid lockdown saw a marked shift in customer behaviour and perception, one of the main drivers of the shift being the fact that more customers were shopping at Tesco than would normally have been the case. This appears to have been a

function of the fact that Tesco has an enormous number of stores throughout the UK which were readily accessible to customers during lockdown and also that it had an online offering. In response to this shift in customer perception, Tesco decided upon a reassessment of its overall promotions strategy, ultimately determining that Clubcard Prices should become the sole promotional mechanic and replace all promotions for non-Clubcard members. Ms McEtrick's evidence, which I accept, is that, amongst other things, she wanted to target Tesco's loyal customers "to give them more value".

62. In September 2020, Tesco duly launched its Clubcard Prices scheme using the CCP Signs, which were entirely new to the market. The campaign involved prominent use of the CCP Signs in print media, on Tesco's website, on social media channels, at so called out of home locations ("OOH") such as bus stops and on television. The television advert showing a woman in a supermarket 'zapping' around her Clubcard and bringing down prices as she did so ("**the TV Advert**"). Every time she 'zapped', a new lower price appeared in a CCP Sign. The CCP Signs were also used extensively in Tesco stores, where they were used on differently sized banners (both inside and outside the stores) and on shelf edge labels. The evidence shows that the CCP Signs were used on signage directly next to the Aldi Price Match Logo in a manner which Lidl says in these proceedings is only likely to increase misattribution between Aldi and Lidl, something it has been trying to minimise for some considerable time.
63. Key to Lidl's case, however, are concerns around the use of the CCP Sign (identified in Ms Farrant's statement) as to (i) its effect on the Lidl brand, in particular the extent to which it is diluting the Lidl brand; (ii) the implied message to Tesco customers that Tesco's prices are at the same level as Lidl's prices, such that customers are likely to believe that the prices shown on the CCP Sign are price matched to Lidl, an impression that is likely to be reinforced by the use of the Aldi Price Match Logo in close proximity to the CCP Signs and the scope for customers to confuse Aldi with Lidl; (iii) the potential for subconscious association with Lidl, even where there is no conscious belief that Tesco is price matching to Lidl; and (iv) the possibility that consumers may form the impression that Lidl's prices are not as affordable as they in fact are, because they will see Tesco's higher prices and assume that Lidl's prices are the same.
64. Tesco rejects the validity of these concerns in the strongest possible terms. I shall return to its case when I come to consider the evidence.

THE LAW - TRADE MARK INFRINGEMENT

The Relevant Statutory Framework

65. Pursuant to section 9(1) of the Trade Marks Act 1994 ("**the TMA**"), the proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in the United Kingdom without his consent. The acts amounting to infringement are specified in section 10, which essentially identifies three distinct classes of infringement. The first (in section 10(1)) involves use of a sign in the course of trade which is "identical with the trade mark in relation to goods and services which are identical with those for which it

is registered”. The second, (in section 10(2)) involves the use of a sign in the course of trade which is identical or similar to the registered trade mark and in relation to goods or services which are identical or similar to those for which it is registered, and there is a likelihood of confusion. Unusually, neither of these provisions is relied upon in this case. Instead, Lidl relies upon section 10(3), which is designed to protect only trade marks that have a reputation against specific forms of damage.

66. Thus, section 10(3) provides that:

“A person infringes a registered trade mark if he uses in the course of trade, in relation to goods and services, a sign which

(a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark”.

67. Pursuant to section 10(3A), “[s]ubsection (3) applies irrespective of whether the goods and services in relation to which the sign is used are identical with, similar to or not similar to those for which the trade mark is registered”.

68. Section 10(4) identifies the circumstances in which a person uses a sign for the purposes of the section, including by offering or exposing goods for sale under the sign and using the sign on business papers and in advertising.

69. Pausing there, the aim of section 10(3) is to protect the reputation of a registered trade mark from damage in the form of unfair advantage or detriment to the distinctive character or repute of the mark. It is common ground that there is no requirement for confusion and no requirement for the infringing use to be in relation to identical or similar goods or services. It is worth observing that it was Lidl’s case at trial that there is in fact evidence of confusion as to origin arising from Tesco’s CCP Signs, albeit that no section 10(2) case has been pleaded. This was explained by Mr Brandreth KC as a function of the development of the case over time. It was in any event his case that Lidl could point to this evidence of confusion as a “paradigm basis for establishing 10(3) infringement”, albeit that it remains Lidl’s case that there is also evidence to support the damage to reputation which 10(3) is designed to prevent, namely the dilution of reputation by association, ultimately leading to lost trade. At no stage did Tesco seek to suggest that the evidence of origin confusion was not relevant.

70. It is common ground that, in general, the question whether the use of a sign infringes a trade mark falls to be assessed as at the date that the use of the sign was commenced (see *Enterprise Holdings Inc v Europcar Group UK Ltd* [2015] F.S.R. 22 per Arnold J at [129]).

71. The law relating to section 10(3) infringement has been developed in a series of decisions of the CJEU, which remain part of retained EU law in the UK. The basic conditions were summarised by Kitchin LJ in *Comic Enterprises v Twentieth Century Fox Film Corp* [2016] EWCA Civ 41; [2016] E.T.M.R. 22 at [111]:

“In *Interflora* this court explained (at [69]) that a proprietor of a registered trade mark alleging infringement under art.5(2) [the equivalent provision in the Trade Marks Directive] must therefore show that the following requirements are satisfied: (i) the registered trade mark must have a reputation in the relevant territory; (ii) there must be use of a sign by a third party in the relevant territory; (iii) the use must be in the course of trade; (iv) it must be without the consent of the proprietor; (v) it must be of a sign which is identical with or similar to the trade mark; (vi) it must be in relation to goods or services; (vii) it must give rise to a link between the sign and the trade mark in the mind of the average consumer; (viii) it must give rise to one of three types of injury, that is to say, (a) detriment to the distinctive character of the trade mark, (b) detriment to the repute of the trade mark, or (c) unfair advantage being taken of the distinctive character or repute of the trade mark; and (ix) it must be without due cause.”

72. Not all of these conditions remain in issue in this case. Key areas of dispute between the parties concern conditions (v), (vii), (viii)(a) and (c)⁴ and (ix).
73. Concentrating for present purposes on the law in relation to those of the conditions which remain in issue, the following propositions emerge from the authorities to which I was referred and did not appear to be controversial. In so far as either party sought to establish a difference of emphasis on the authorities, I shall return to such differences when I come to apply the law to the facts.
- 1) As an overarching point, it is first important to identify the sign to which the trade mark is being compared. Both parties rely on the reasoning in *Julius Sämaan Ltd v Tetrosyl Ltd* [2006] F.S.R. 42 per Kitchin J at [48]⁵:

“Article 5 requires a comparison of mark for sign. The analysis must therefore begin with the identification of the sign used by Tetrosyl. This was the first area of dispute between the parties. The claimants contended that I should consider the sign to be the shape of the Christmas tree but discounting the words “CarPlan Air Care” which appear in the roundel on the tub. Tetrosyl contended that the sign was the whole tree including the tub and the roundel including the words “Car-Plan Air Care”. I have no doubt that Tetrosyl is correct. The matter must be considered from the perspective of the average consumer. The tree is fixed into the tub and the two are presented as a composite whole. Further, the roundel clearly has some trade

⁴ Lidl does not complain of detriment to the repute of the Lidl Marks (Condition viii(b)).

⁵ This paragraph refers to Article 5 of Council Directive 89/104 (“the Directive”) now updated, which corresponds to section 10 of the TMA 1994. Although *Julius Sämaan* was concerned with a case in which confusion was alleged under Article 5(1)(b) of the Directive, it is common ground that the reasoning in [48] applies to the comparison of mark for sign also for the purposes of this case.

mark significance. It cannot simply be disregarded as descriptive material which is not part of the sign.”

Similarity (condition v)

- 2) The comparison between trade mark and sign must normally be carried out by reference to the visual, aural and conceptual similarities of the marks having regard to the “overall impressions created by the marks” and bearing in mind their distinctive and dominant components (*Specsavers International Healthcare Ltd v Asda Stores Ltd* [2012] EWCA Civ 24 per Kitchin LJ at [52(d)]). It is not appropriate to concentrate on the similarities to the exclusion of the differences between the mark and the sign or, where there is a composite mark comprised of both graphic and word elements, systematically to regard the word elements as dominant. One cannot assume that because an element of the mark and the sign is identical that the mark and sign are similar unless the identical part constitutes the dominant element in the overall impression created by each mark, such that all other components are insignificant (*Kerly’s Law of Trade Marks and Trade Names* (“Kerly”), Sixteenth Edition at 11-089).
- 3) It is only when all other components of a complex mark are negligible that it is permissible to make the comparison solely on the basis of the dominant elements (*Specsavers* at [52(d)]);
- 4) Nonetheless, the overall impression conveyed to the public by a composite trade mark may, in certain circumstances, be dominated by one or more of its components (*Specsavers* at [52(e)]).
- 5) In considering whether a sign is “similar to” the trade mark, the assessment must be undertaken through the eyes of the average consumer of the goods or services in issue (*Specsavers* at [52(b)]).
- 6) The key is to “consider any relevant class of consumer and not to average them” (*The London Taxi Corporation Ltd v Frazer-Nash Research Ltd* [2017] EWCA Civ 1729 per Floyd LJ at [31]); a relevant class of consumer will be “any class of consumer to whom the guarantee of origin [the central purpose of the trade mark] is directed and who would be likely to rely on it, for example in making a decision to buy or use the goods” (*The London Taxi Corporation* at [34] and *Sky plc & Ors v Skykick UK Ltd & Anor* [2018] EWHC 155 at [274]-[275]). In other words, the average consumer is a member of the general public who is familiar with the trade mark and exposed to and likely to rely upon the allegedly infringing sign.
- 7) The average consumer:
 - a) is a hypothetical person or legal construct; she has been created to strike the right balance between the various competing interests including, on the one hand, the need to protect consumers and, on the other hand, the promotion of free trade in an openly competitive market and also to provide a standard, defined in EU law, which national courts

may then apply (*Interflora Inc v Marks & Spencer Plc* [2014] EWCA Civ 1403 per Kitchin LJ at [113]). She will normally be representative of people with a spectrum of attributes such as gender, age, ethnicity and social group (*Enterprise v Europcar* at [137]).

- b) is not a statistical test. The court must exercise its own judgment to determine the perceptions of the average consumer in any given case in light of all the relevant circumstances (*Interflora* at [114]). The notion of the average consumer provides the court with “a perspective from which to assess the particular question it has to decide” (*Interflora* at [118]). The average consumer provides “a normative benchmark with regard to the standard of perspicacity to be applied, but this does not require the court to assume that all the persons of whom the average consumer is representative perceive either the trade mark or the allegedly infringing sign in the same way” (*Jack Wills Limited v House of Fraser (Stores) Limited* [2014] EWHC 110 (Ch) per Arnold J at [63]). The average consumer test does not restrict consideration to the reactions of a single hypothetical person (see *Enterprise v Europcar* at [135]).
 - c) is “deemed to be reasonably well informed and reasonably circumspect and observant, but...rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind...[his] attention varies according to the category of goods or services in question” (*Specsavers* at [52(b)]);
 - d) “normally perceives a mark as a whole and does not proceed to analyse its various details” (*Specsavers* at [52(c)]).
- 8) By assessing matters from the perspective of the average consumer who is reasonably well-informed and reasonably observant and circumspect, the perspective of those who are ill-informed or unobservant is discounted (see *Enterprise v Europcar* [2015] F.S.R. 128 per Arnold J at [132], referring specifically to confusion).
- 9) However, the level of attention exercised by the average consumer depends on the nature of the goods and services in issue (*Enterprise v Europcar* at [138] and *Julius Sämaan* at [51(vii)]).
- 10) In a case concerning ordinary goods or services, “the court may be able to put itself in the position of the average consumer without requiring evidence from consumers, still less expert evidence or a consumer survey. In such a case the judge can make up his or her own mind about the particular issue he or she has to decide in the absence of evidence and using his or her own common sense and experience of the world” (*Interflora* at [115]).

- 11) If it is shown that the claimant's trade mark has a distinctive character, or an enhanced distinctive character, amongst a significant proportion of the relevant public, then it is necessary to consider the impact of an allegedly infringing sign upon the proportion of the relevant class of persons to whom the trade mark is distinctive. However, this does not require the court to assume that the mark is equally distinctive to all such persons (*Enterprise v Europcar* at [136]).

A Link between mark and sign (Condition vii)

- 12) Infringement under section 10(3) requires a degree of similarity between the mark and the sign such that the average consumer makes a connection between them. It is not necessary that the degree of similarity be such as to create a likelihood of confusion, but it must be such that the average consumer establishes a link between the mark and the sign, and this is to be assessed globally having regard to all the circumstances of the case: *Specsavers* at [120]; *Adidas-Salomon*. The fact that for the average consumer the sign would call the mark to mind is tantamount to the existence of such a link (*Specsavers* at [122]; *Intel Corp Inc v CPM United Kingdom Ltd* (C-252/07) [2008] ECR I-8823; [2009] RPC 15 at [60] and *Comic Enterprises* at [110]).
- 13) Factors relevant to all the circumstances of the case will include: (i) the degree of similarity between the conflicting marks; (ii) the nature of the goods or services for which the conflicting marks were registered, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public; (iii) the strength of the earlier mark's reputation; (iv) the degree of the earlier mark's distinctive character, whether inherent or acquired through use; and (v) the existence of the likelihood of confusion on the part of the public (*Intel Corp Inc* at [42]).
- 14) Insofar as likelihood of confusion is to be considered as a relevant factor in assessing whether there is the necessary link, "the court must consider the matter from the perspective of the average consumer of the goods or services in question and must take into account all the circumstances of that use that are likely to operate in that average consumer's mind in considering the sign and the impression it is likely to make on him. The sign is not to be considered stripped of its context" (*Specsavers* at [87]).

Detriment (Condition viii(a))

- 15) Detriment is caused when the mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so (*PlanetArt* at [31] referring to *Comic Enterprises* at [113] and the decision of the CJEU in *Intel* at [29]).
- 16) Detriment will be established where there is evidence of a change in the economic behaviour of the average consumer of the goods or services for

which the trade mark is registered or a serious likelihood that such change will occur in the future (*Argos Ltd v Argos Systems Inc* [2018] EWCA Civ 2211 at [107]). Detriment to the distinctive character of the mark is caused when its “ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark” (*Intel* at [76]).

- 17) It is immaterial for the purposes of assessing whether the use of the later mark is or would be detrimental to the distinctive character of the earlier mark, whether or not the proprietor of the later mark draws real commercial benefit from the distinctive character of the earlier mark (*PlanetArt* at [31] referring to *Comic Enterprises* at [115]).
- 18) “A serious risk of detriment may be established by deduction, but any such deduction cannot be supposition and must instead be founded properly on all the circumstances of the case and the nature of the trade in issue” (*PlanetArt* at [31] referring to *Comic Enterprises* at [118]). Actual evidence of a change in the economic behaviour of consumers is often difficult to obtain. Moreover, where the distinctiveness of a mark is whittled away, the detrimental impact can, in some circumstances, be reflected just as much in the evasive action that a proprietor needs to take to re-establish distinctiveness. Where a rival creeps up on a brand, a proprietor is sometimes forced to edge away from the new-comer at some cost or devote resources to amplifying its brand message to avoid its distinctiveness being drowned out by the alleged infringer. Where the evidence, taken as a whole, shows that damage of that kind is sufficiently likely, it is a corollary of the statement of principle in *Comic Enterprises* that it is not invariably necessary for there to be actual evidence that consumers have changed their behaviour as a result of the adoption of the rival mark (*PlanetArt* at [32]).
- 19) Descriptiveness of the respective marks is the key element. A trader has less right to complain that its brand is being diluted if it has chosen a mark which is of limited distinctiveness in the first place. Nor can a trader complain that precisely because its brand is so vulnerable to loss of distinctiveness and swamping by a newcomer using it descriptively that this gives rise to a claim for dilution. Nonetheless, these propositions must have regard to the precise marks in issue and the extent to which they only consist of descriptive terms (*PlanetArt* at [34]).

Unfair Advantage (Condition viii(c))

- 20) The concept of taking unfair advantage of the distinctive character or the repute of the trade mark, also referred to as parasitism or free-riding, relates to “the advantage taken by the third party as a result of the use of the identical or similar sign”. It covers cases where, “by reason of the transfer of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat tails of the mark with a reputation” (*L’Oreal SA v Bellure NV* at [41]).

- 21) In order to determine whether the use of a sign takes unfair advantage of the distinctive character or the repute of the mark, it is necessary to undertake a global assessment, taking into account all factors relevant in the circumstances of the case, which include the strength of the mark's reputation and the degree of distinctive character of the mark, the degree of similarity between the marks at issue and the nature and degree of proximity of the goods or services concerned (*L'Oreal* at [44]). The global assessment may also take into account, where necessary, "the fact that there is a likelihood of dilution or tarnishment of the mark" (*L'Oreal* at [45]).
- 22) Where a third party attempts through the use of a sign similar to a mark with reputation to ride on the coat tails of that 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 his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that had been unfairly taken of the distinctive character or the repute of that mark (*L'Oreal* at [49] and also *IG Communications* at [110]).
- 23) Although a defendant's conduct is most likely to be regarded as unfair "where he intends to take advantage of the reputation and goodwill of the trade mark", it is not necessary to prove that the defendant subjectively intended to exploit the reputation and goodwill of the mark in order to establish that the use of the sign amounts to unfair advantage. It will be sufficient if the objective effect of the use complained of is to enable the defendant to benefit from the reputation and goodwill of the trade mark (*Sky Plc v Skykick UK Ltd* at [315]; *Jack Wills* at [109]-[110] and *Monster Energy Co v Red Bull* at [30]-[33]).
- 24) Where intention is present, it is likely to provide real assistance to a claimant's case. In the context of s.10(2), Kitchen LJ said in *Specsavers* at [115]: "In my judgment it is important to distinguish between a defendant who takes a conscious decision to live dangerously and one who intends to cause deception and deliberately seeks to take the benefit of another trader's goodwill. It has long been established that if it is shown that a defendant has deliberately sought to take the benefit of a claimant's goodwill for himself the court will not "be astute to say that he cannot succeed in doing that which he is straining every nerve to do" see *Slazenger & Sons v Feltham & Co* (1889) 6 RPC 130 at p.538 per Lindley LJ". A similar distinction was made in *Planetart* in the context of section 10(3) at [39]: "it is one thing to live dangerously, in the sense of pushing the boundaries of legitimate creep up on an incumbent. It is another to intend to deceive". The court must not confuse an intention to benefit from similarities in approach and presentation of a business with the more specific intention to benefit from the reputation and goodwill of the registered trade mark (*PlanetArt* at [38]).
- 25) To establish unfair advantage, a change in economic behaviour of customers for the defendants' goods or services, or the likelihood of such a change, must be shown. The fact of economic advantage is not enough: "[s]o to hold would be to empty the word "unfair" of any meaning" (see *Argos* at [107]-[108] and

Easygroup at [187]). There has to be an “unfair” advantage, not merely an economic (or commercial) one (see *PlanetArt* at [35]).

Without due cause (Condition ix)

- 26) If detriment or unfair advantage is established then it is for the proprietor of the later sign to establish that there is due cause for the use of the later mark (*Comic Enterprises* at [120]). It follows that the concept of “due cause” may not only include objectively overriding reasons but may also relate to the subjective interests of the third party using a sign which is identical or similar to the mark with a reputation (*Leidseplein Beheer BV v Red Bull GmbH* [2014] E.T.M.R. 24 at [41]-[46]).
- 27) The concept of due cause “involves a balancing between, on the one hand, the interests which the proprietor of a trade mark has in safeguarding its essential function and, on the other hand, the interests of other economic operators in having signs capable of denoting their products and services” (*Comic Enterprises* at [123]; *Leidseplein* at [41]).
74. In applying the law to the facts, as I must now do, I have not sought to repeat these principles (although I have addressed discrete issues of law where there is any dispute between the parties or where a particular focus is required). However, I have borne them all in mind.

THE TRADE MARK CLAIM: THE APPLICATION OF THE LAW TO THE FACTS

Identification of the Sign for the purposes of the necessary comparison

75. Until shortly before trial, it was Lidl’s case that the correct comparison for the purposes of its trade mark infringement claim was between the Lidl Marks and the Sign/CCP Signifiers Background (i.e. the blue and yellow icon without the addition of any text). This prompted a strike out application by Tesco at the PTR on the grounds that it did not use the Sign, had never used the Sign, and that accordingly such comparison was erroneous and wrong in law, such that the trade mark infringement claim should be struck out in its entirety. In making the application however, Tesco accepted that there was a legitimate complaint available to Lidl (albeit, they said, not pleaded), based upon the comparison of the Lidl Marks and the family of signs referred to by Tesco as the CCP Signs, all of which include text.
76. At the PTR itself, Mr Brandreth KC, on behalf of Lidl, made clear that he did not intend to amend his pleaded case, but that he accepted that the point being made against him was a point that could and should be run at trial. He confirmed in clear terms that Lidl’s complaint was about the Sign and that it would be Lidl’s case at trial that the consumer perception is that Tesco use an independent icon to which different words are applied on different occasions according to use. In other words, the text applied to the Sign is context only. Further to this confirmation, Tesco agreed that there was no need to pursue the strike out application on the understanding that it had given Lidl the opportunity to amend

its case, that Lidl had refused to do so and that Tesco could now pursue the same point with impunity at trial. Accordingly the strike out application was dismissed.

77. Notwithstanding the approach taken at the PTR, Lidl subsequently provided Tesco and the court with a proposed amended PoC pleading a secondary case by reference to a “family of signs including the words across them as they appear from time to time”, thereby addressing the very complaint raised by Tesco. Although it initially objected to this amendment, Tesco ultimately withdrew its objection and I formally granted permission to amend on the first day of the trial.
78. Although this issue originally promised to be controversial, it turned into something of a damp squib at the trial. In closing submissions, having referred to the importance of viewing the comparison from the perspective of the average consumer, Lidl indicated that it was content to treat the comparison “as being one between the Lidl Logos and the Uses” as they had been identified in paragraph 21(d) of the PoC and the evidence of Ms Farrant. Upon questioning from me, Mr Brandreth maintained that, in circumstances where the wording across the CCP Signs changes, the average consumer understands the text to be “just separate information”, however he went on to concede that in fact it did not matter to Lidl’s case whether the relevant sign for the purposes of the comparison was the CCP Sign(s) or the CCP Signifiers Background, because Lidl accepts that “the words are always there”. Thus he accepted that, whether one treats the words purely as context or as an integral part of the Tesco Sign, one ends up “in the same place”.
79. This concession means that my decision on this issue will not be determinative in the context of any of the issues I must go on to decide in this judgment. However, having heard the arguments and considered the question from the standpoint of the average consumer (in this case the average supermarket shopper who will be paying no more than the average degree of attention and will most certainly not be a discerning intellectual property specialist with an understanding of the nuances of trade mark law), I consider that the correct comparison is quite obviously between the Lidl Marks and the CCP Signs. In circumstances where it is accepted that the average consumer would never encounter, or be exposed to, the CCP Signifiers Background and thus never see the background icon without the addition of text (specifically text which refers to “Clubcard Price” or “Clubcard Prices”), I consider the suggestion that she would nevertheless understand the sign to be merely the background icon formed of a yellow circle framed by a blue square to be unrealistic. Furthermore, the evidence confirms that “Clubcard” is a highly distinctive brand asset, which I do not therefore consider the average consumer would simply disregard as “context” or “separate information”.
80. It is common ground that use of the CCP Signs commenced in September 2020 when the Clubcard Prices promotion was launched by Tesco. This is therefore the primary date for the assessment of trade mark infringement. There is no suggestion that I need to consider different dates by reference to the use of different text on the family of CCP Signs.

Reputation

81. The importance of the reputation that resides in individual trade marks was highlighted by the General Court in *SIGLA v OHIM-Elleni Holding* [2007] ECR II-711 at [35]:

“...the primary function of a mark is unquestionably that of an ‘indication of origin’ (see the seventh recital in the preamble to Regulation No 40/94). The fact remains that a mark also acts as a means of conveying other messages concerning, inter alia, the qualities or particular characteristics of the goods or services which it covers or the images and feelings which it conveys, such as, for example, luxury, lifestyle, exclusivity, adventure, youth. To that effect the mark has an inherent economic value which is independent of and separate from that of the goods and services for which it is registered. The messages in question which are conveyed inter alia by a mark with a reputation or which are associated with it confer on that mark a significant value which deserves protection, particularly because, in most cases, the reputation of a mark is the result of considerable effort and investment on the part of its proprietor.”

82. Tesco accepts that the Mark with Text has a reputation in the UK for retail services for the purposes of condition (i) identified in *Comic Enterprises*. As was noted by Arnold J in *Enterprise v Europcar* at [120], this is not a particularly onerous requirement to satisfy. The Mark with Text has been used on a significant scale (or in Tesco’s words in its Defence, “to a considerable extent”) for many years. Unsurprisingly, Tesco also acknowledges that the Mark with Text is distinctive and has enhanced distinctive character. Ipsos research from November 2021 shows the Lidl Logo as it appears in the Mark with Text falling within the top 10% of brand assets in the sector. During his cross examination, Mr Threadkell confirmed that Lidl’s reputation as a “value-oriented competitor with a reputation for price” was “common knowledge amongst the general public”. Tesco’s internal materials (as I have already said) expressly acknowledge this reputation, appreciating that the mere presence of the Lidl logo means that the same products at the same prices are perceived as better value.
83. It is Lidl’s case that the Wordless Mark has a similar reputation and level of distinctiveness to the Mark with Text. Mr Brandreth points out that distinctiveness can be acquired as a result of use in conjunction with, or as part of, another mark or sign (see *Societe des Produits Nestle SA v Mars UK Ltd* [2005] E.T.M.R. 96 at [26]-[32]). Although Tesco appeared to suggest at one point in its written closing submissions that there was no dispute on the issue of reputation, it is clear from its Defence and from the terms of its Counterclaim that Tesco continues to deny that the Wordless Mark has any reputation in circumstances where it says that it is a “legal fiction” and has never been used. Furthermore, Tesco strongly objects to the notion that the Wordless Mark has any distinctive character, referring to it in its Defence as “utterly devoid of any distinctiveness”.
84. In the circumstances, I need to address the Wordless Mark separately, and shall return to it later.

Use of the Sign

85. Although Tesco originally suggested that its use of the CCP Signs was not in relation to the goods or services of Tesco “in the material sense”, that assertion was not maintained at trial. It is now common ground that Tesco has used the CCP Signs in the UK, that such use has been in the course of trade, is in relation to identical or similar goods or services and that it has been without the consent of Lidl, as proprietor of the Lidl Marks.

Is the CCP Sign “similar” to the Mark with Text?

86. I agree with Lidl that in this case it is primarily the visual and conceptual comparison between the Lidl Marks and the CCP Signs that matters because the Lidl Marks and the CCP Signs will not usually be encountered in a context which involves aural identification. As was the case in *Julius Sämaan*, which concerned tree marks used in connection with a range of air freshener products, (at [54]):

“...This is not a case in which aural similarity can play a material part in the assessment. The case is concerned with graphic marks and the products to which they are applied are selected by purchasers from a shelf or display unit rather than by oral request. It is therefore the visual and conceptual similarities and differences which are particularly important”.

87. Turning first to the visual comparison between the Mark with Text and the CCP Signs, both involve background components made up of a yellow circle set within a blue square. Both have writing in the centre of the blue circle.
88. However, there are also obvious differences. The CCP Signs do not have the thin red rim around the edge of the yellow circle which appears in the Mark with Text and the words used on the CCP Signs (“Clubcard Price”, “Clubcard Prices” and sometimes a price figure) are different from the graphically stylised word “Lidl” which always appears in the Mark with Text, intersecting the part of the mark in the middle of the yellow circle.
89. As for the conceptual comparison, neither party suggested that a conceptual comparison was really of significance one way or the other. The text is, of course, different and, to the extent that the words used are absorbed by the average consumer, they obviously carry a different conceptual message.
90. Are the differences I have identified sufficient to negative any finding of similarity? Tesco says that they are, essentially because (i) the words “Clubcard” and “Lidl” are too well known and different for any other conclusion; and (ii) the similarities to which I have already referred are extinguished by the potency of the distinctive text marks – they “block out the sun”, as Mr Cuddigan KC, acting on behalf of Tesco, so eloquently put it. Tesco submits that the word “Clubcard” dominates the CCP Signs and that its brand recognition is second to none. Further, that the additional words and figures (where used) are entirely descriptive and incapable of bearing any distinctive weight, conceptually adding nothing. Equally, it submits that the made-up stylised word “Lidl” has been used extensively in the UK and enjoys a substantial reputation, such that “Lidl” is

clearly the most dominant and distinctive element of the Mark with Text – it is also the only element of the mark which exists aurally. Although the remaining elements of the Mark with Text and the CCP Signs are similar, those similarities involve elements which are individually trite, conceptually commonplace and are in any event drowned out by the text. Indeed, as I understood Tesco’s submissions, a finding of similarity in such circumstances would “fly in the face of 150 years of trade mark jurisprudence”.

91. Standing back and approaching this task by reference to the overall impressions created by the Mark with Text and the CCP Signs on the mind of the average consumer and remembering that the average consumer rarely has the chance to make direct comparisons between marks, I am satisfied that the average consumer perceiving these signs as a whole would regard them as similar, notwithstanding the points made by Tesco to the contrary. The visual similarity is here the significant feature and, whilst I accept that the text represents an important point of difference, nonetheless I do not consider that it has the effect of extinguishing the strong impression of similarity conveyed by their backgrounds in the form of the yellow circle, sitting in the middle of the blue square. This was an impression that I formed myself upon seeing the Mark with Text and the CCP Signs.
92. I am fortified in this view by the fact that there is clear evidence that members of Tesco’s internal team (whose job it is to understand and consider the likely perceptions of the average consumer) identified the similarity between the Mark with Text and the CCP Signs (together with the scope for confusion) during the development phase of the CCP Signs. Ms Webb confirmed in her oral evidence that “I did think that the yellow and the blue were similar to Lidl” a view that others also shared. Thus:
 - i) In an email of 3 March 2020 sent on his return from paternity leave, Mr Richard Hall (then Head of Marketing Communications – Trade & GM at Tesco) observed in relation to the CCP Sign: “When I first saw it, I immediately thought that the lock up looks very similar to the Lidl brand logo. I assuming you guys are conscious of that?”.
 - ii) In an email dated 22 July 2020 from Mr Oliver Swaden, a member of the Communications Insight team, to Mr Marcus Gilbert, a campaign manager, Mr Swaden says he has spoken to an external consultant (Mike at Lumen) who wished to raise some “watch outs” including “Price tiles: The yellow circle inside the blue tile looks a bit like a Lidl ad...”. Mr Gilbert comments that “Mike’s right that the colourways are similar to Lidl’s logo, and I’m sure he won’t be the first or last person to point this out but at this stage it’s a non-negotiable”.
 - iii) The above email discussion was copied to Ms Webb whose evidence is that she recalls being concerned about the “possibility of brand misattribution”. This prompted her to send an email to her manager in the Insight team, Nick Meagher, asking whether it was his understanding that the new CCP Sign

was “non-negotiable” and making the point that, if so, “[l]ooks like Lidl will be getting some free comms⁶ in that case”.

- iv) Mr Meagher’s response to Ms Webb on 22 July 2020 was that the research showed a spontaneous linking but not at “a crazy high level” (he does not suggest it is no problem or an acceptable level). He observes that whilst the CCP Sign may be “non-negotiable”, nevertheless “we continue to highlight customer misattribution and risk, especially in the low attention media...”.
93. The similarity was also identified by Messrs Paulson and Berridge, whose evidence I accept and shall return to in a moment in more detail. For present purposes I note Mr Berridge’s evidence that sight of the CCP Sign on the Tesco website “immediately made me think it was Lidl because it was similar to the Lidl logo” and Mr Paulson’s evidence that the TV Advert “reminded me of Lidl straight away”. Tesco’s cross examination of these two witnesses did nothing to undermine this evidence.
94. Furthermore, I consider that support for my view is also to be found in the Lidl Vox Populi. Taking by way of example a few of the Twitter messages collected by Bird & Bird:

“The clubcard hanging boards are literally the Lidl logo”
(15.9.2020);

“I thought this was a Lidl advert based on the colour scheme on the aisle banners” (18.9.2020); and

“Looks like she’s zapping a @LidlGB logo from an iPhone - @Tesco”⁷ (21.9.2020).

95. In all the circumstances I find that the overall impression formed in the mind of the average consumer is of similarity between the Mark with Text and the CCP Signs.

Link

96. Lidl submit that the available evidence establishes that the Uses of the CCP Signs clearly give rise to a link in the mind of the average consumer between those Uses and the Mark with Text. It says that the creation of the link in this case is substantially enhanced by reason of the reputation in, and distinctiveness of, the Mark with Text and the fact that the Uses by Tesco involve identical goods and services.
97. Tesco strongly rejects this analysis. It contends that, when properly understood, the evidence before the court in fact supports its case that the reasonably circumspect and observant consumer would not make the link. Indeed, it maintains that any link would be entirely contrary to its intentions regarding the Clubcard Prices scheme as it would indicate undesirable association with Lidl and

⁶ Communications – i.e. Advertising.

⁷ A clear reference to the Tesco television advert in which a woman is shown “zapping” products to which the CCP Signs are attached, referred to as the “TV Advert”.

thus errors in the work undertaken by Tesco's internal teams and external agencies.

98. I shall need to consider the evidence in some detail in order properly to address these conflicting positions.
99. I begin by observing that it is possible in this case to address various of the factors identified in *Intel Corp Inc* at [42] (and set out above) relatively swiftly. The Mark with Text and the CCP Signs appear to me to be similar for all the reasons I have identified above. I have already observed that the goods or services for which the Mark with Text is registered and in respect of which the CCP Signs are used are identical, as is the relevant sector of the public. The Mark with Text has a strong reputation and enhanced distinctiveness, which in itself provides scope for a greater likelihood that a connection will be made (see *PlanetArt* at [157]).

Confusion

100. Further, and importantly in my judgment, there is in fact evidence of both origin confusion and price comparison confusion on the part of the public, together with internal recognition by Tesco of the potential for confusion. For present purposes, I shall focus on origin confusion.
101. Evidence of origin confusion is to be found in the report⁸ of an external research agency, Hall & Partners (“**H&P**”), commissioned by Tesco to evaluate the Clubcard Prices promotion in November 2020. H&P surveyed a total of 1,935 nationally representative respondents who were shown “creatives” from 7 different advertising media including TV and radio (both of which featured voiceovers), press, OOH and digital. It identified the size and reach of the Clubcard Prices campaign: 42.8 million impacts delivered by the TV Advert, 16 million on social media and a “first burst of Digital OOH” to reach over 8.8 million shoppers “across key arterial routes”.
102. Overall the report identified a strong campaign impact with a strong brand linkage and only 3 % misattribution to other supermarket brands. However, page 20 of the report identifies that “While misattribution was low across most channels, **some thought the OOH creative was for Lidl**” (**emphasis added**). Indeed 8% of the 276 customers who saw the OOH advert thought it was for Lidl. This led to the observation from H&P that “OOH confusion is likely due to the Tesco price tags looking like the Lidl logo and smaller Tesco branding”. In making this observation, H&P referred directly to a still from the TV Advert (used in OOH advertising and referred to as a ‘creative’) showing the CCP Signs, which it compared with the Mark with Text, pointing out that comments from the public included “[c]onfused with Lidl”; “[t]he labels that were yellow and blue showing the prices were very eye catching BUT they made me think at first it was a Lidl advert” and “Lidl signs”. In so far as is relevant for a point to which I shall return in a moment, I note also that the H&P report does not suggest any issue around confusion with Aldi or Aldi Price Match, clearly stating only that the confusion is in relation to Lidl.

⁸ Tesco Clubcard Prices Report November 2020

103. H&P recorded its thoughts in response to this issue as follows: “As OOH is static with no voiceover, and average viewing of the medium is around 2 seconds, its important that branding is clear”. In its Recommendations, it suggested that Tesco needed to be “mindful of other brand Mnemonics in OOH advertising to boost brand linkage”. Albeit that she was unable to give direct evidence on the issue, Ms Webb’s evidence was that further to this recommendation, OOH **and** press creatives were amended to include the word “Tesco” before the word “Clubcard” in blue text appearing in the bottom right hand corner of the creative. She does not explain in her evidence why Tesco felt the need to amend the press creatives in addition to the OOH creatives, although I infer that this was because it appreciated that similar scope for origin confusion existed in relation to press and thus needed to be addressed. Of course, neither press, nor OOH creatives benefit from voiceovers to provide clarity.
104. Tesco contends that it would not be appropriate for the court to have regard to the 8% figure for confusion in respect of OOH in isolation. Instead, it submits that it would be fair to take the whole ad campaign together and thereby to recognise that the campaign was viewed as a great success, with H&P identifying “the strongest brand linkage we have ever seen”. In its closing submissions, Tesco made the point that “[i]t would be harsh indeed for this campaign to be held to have caused **excessive** origin confusion or link with Lidl” (**emphasis added**). Implicit in this submission is the acceptance that the campaign has plainly caused some origin confusion and I do not consider that it would be appropriate to ignore that confusion. It is clearly evidenced in connection with OOH advertising and Tesco appears itself to have considered that press advertising created a similar risk. It is difficult to see why any other low attention environment would not produce similar confusion in the mind of the average consumer. The H&P report says nothing about the perception of individuals encountering the CCP Signs in store.
105. I reject the suggestion that I can safely ignore the result in relation to OOH advertising in circumstances where H&P thought that it could be explained by reference to an average viewing time of 2 seconds. I must have regard to the context in which the average consumer will encounter the CCP Signs and if that context is a low attention environment (as is the case with OOH advertising) then I disagree that the reasonably observant and circumspect average consumer would nevertheless experience no confusion. Tesco argue that a 2 seconds viewing time is “not easy to reconcile with a reasonable opportunity to observe”, but that is not the test I must apply. I note in this regard, evidence in Tesco’s own internal material that 2 seconds was viewed as the “average dwell time with ads” and that Tesco believed that “[a]ds can be successfully consumed in 2 seconds”⁹.
106. Tesco point to a later H&P report dated January 2021¹⁰, by which time the Clubcard Prices campaign had been running for several months, and submits that there is no whisper of concern by this stage from H&P over misattribution. Tesco

⁹ Value Communications – Synthesis of Insight; June 2019.

¹⁰ Tesco APM & CCP Review and discussion – January 2021

points out that this cannot have been an omission in circumstances where the same report records ongoing misattribution issues with Aldi Price Match.

107. However, I do not attach a great deal of significance to this later H&P report. First, I note that I am concerned with Tesco's use of the CCP Signs as at the launch date in September 2020 – I am not much assisted by considering data collected several months later, by which time, as Tesco submitted in opening submissions “familiarity with the scheme [had] ramped up...swiftly...”. The second H&P report itself records that identified “uplifts”¹¹ from its earlier results “may be because consumers are becoming more used to the proposition and have had more time to understand it”. The fact that Tesco may have deluged the market with advertising in the form of the CCP Signs (connected with a very strong brand in the form of Clubcard) thereby leading to a strong association with the Tesco brand within a few months does not support the proposition that there could be no link with the Mark with Text as at the launch date.
108. Second, as is confirmed by Ms Webb in her statement, for the purposes of this second H&P report, H&P only tracked creatives in the TV30s, press and social categories (i.e. not including OOH). In other words, it surveyed 642 respondents with Clubcard creatives in TV, Press & Social. The fact that, as Ms Webb points out, spontaneous brand linkage was 93% does not assist where the report has not sought to investigate the public response to the very section of the media which had encountered levels of confusion previously. Ms Webb does not explain what lay behind the limited nature of the research by H&P in January 2021 or why no attempt was made to see whether the amendment made by Tesco to its OOH creative following the first H&P report had been successful in diminishing levels of origin confusion.

The Lidl Vox Populi

109. Lidl say that I should attach significant weight to the Lidl Vox Populi in considering whether the average consumer would make a connection between the CCP Signs and the Mark with Text. In particular, it contends that no witness gathering exercise has been carried out but that, instead, this material has been spontaneously generated by the public encountering the Uses complained of in the real world and that it clearly evidences the drawing of a link between the CCP Signs and the Mark with Text. Lidl also points to various authorities in which it has been recognised (in the context of considering evidence of confusion) that finding and producing actual evidence is difficult and that, “evidence of actual confusion and deception is often decisive, but its absence is not” (see *Fine & Country Ltd v Okotoks Ltd* [2012] EWHC 2230 (Ch) at [83]-[87] per Hidayat J).
110. Tesco, on the other hand, seeks to diminish the significance of the Lidl Vox Populi by pointing to eight instances where Mr Hing has now established that the individuals concerned were mistaken when they made reference to Lidl in the context of price matching, and that in fact they meant Aldi. Accordingly, Tesco invites me to conclude that all mentions of price matching Lidl in the Lidl Vox Populi are mistaken references to Aldi and that all equivocal mentions of price

¹¹ I understand this to mean “improvements”

matching must be assumed to fall within the same category. Furthermore, Tesco suggests that none of the Lidl Vox Populi make clear that it is the use of blue and yellow in the CCP Signs that make them think of a Lidl price match.

111. However, in my judgment there are a number of difficulties for Tesco with the Lidl Vox Populi:

- i) First, even if I were to adopt Tesco's suggested approach that all references to price matching Lidl are intended to be references to price matching Aldi, there remain a substantial number of respondents whose comments cannot be so readily dismissed.
- ii) Second, I reject the suggestion that a proper inference (based on a sample of 8 respondents) is that all of the so-called "equivocal" references to price matching identified by Tesco (running to over 70 examples) must have been intended as references to Aldi. Such an inference would not be consistent with the unequivocal H&P evidence of origin confusion of the CCP Signs for Lidl and nor would it be consistent with the fact that, while Ms Farrant candidly accepts that Lidl is sometimes mistaken for Aldi, she does not say that this occurs most of the time, or even a substantial percentage of the time, and nor was this put to her. Indeed her evidence, as I understood it, was that Lidl's advertising campaign over the last few years has done much to minimise instances of confusion between Aldi and Lidl.
- iii) Third, it is clear from a significant number of the Lidl Vox Populi that they have not mistaken Lidl for Aldi because they are referring to them both, the inference being that they are clearly capable of distinguishing between them. I accept Lidl's submission that it may very well be that because the Aldi Price Match Logo is often presented in close proximity to the CCP Signs, that has itself served to reinforce the perception of price matching in relation to Lidl (i.e. in addition to price matching with Aldi).
- iv) Fourth, it was not suggested to Mr Paulson or Mr Berridge that they had mistaken Lidl for Aldi.
- v) Fifth, it seems to me to be a reasonable inference that many members of the Lidl Vox Populi who thought there was a price match to Lidl, thought so because of the use of the blue and yellow background to the CCP Signs. I consider that the fact that many other comments from the Lidl Vox Populi specifically draw attention to the similarity in the colours provides clear support for such an inference.

112. I have already referred to a few examples from the Lidl Vox Populi above. For the sake of completeness it is worth providing some more:

"when I see the Tesco advert with all the blue and yellow, all I think of is Lidl"
(27.9.20 Twitter message);

"The logo looks very similar to lidl's blue and yellow colours that they have used" (11.9.20 message to Tesco);

“I saw an ad on tv for the new clubcard campaign last night and see they are in store too. This is blatant plagiarism of Lidl’s branding” (16.9.20 message to Tesco);

“I occasionally pop into Lidl’s for some European products but when I shop Tesco online I don’t need to see lidl’s logo” (1.9.20 message to Tesco);

“Tesco price match with Lidl meaning I can just shop at tesco. The store provides all the food stuffs I like to purchase.”;

“tesco price matches against lidl” (25.10.20 Twitter message);

“price match Lidl on most things” (6.11.20 Twitter message);

“...But I do like how you try to price match places like Lidl and Aldi two stores which are low on prices.” (5.10.20. message to Tesco);

“...Still Tesco is using a ripped off Lidl logo for the club card claiming that customers are getting a good deal if they get the club card.” (11.11.20 Message to Tesco);

“lidl price match great discounts for club card members good range of products for size of store good reductions on yellow label items” (12.1.21 Message to Tesco).

113. On balance, I accept Lidl’s submissions that the Lidl Vox Populi cannot readily be dismissed in the manner suggested by Tesco. It is representative of spontaneous, unprompted comments from members of the public with, as Mr Brandreth put it, “no dog in the fight”. Whilst there is clearly evidence from Mr Hing of a small number of occasions when individuals have been confused between Lidl and Aldi (which means that those responses must be discounted as coming from the reasonably observant and circumspect average consumer) I do not consider that the same may be said for the majority of the responses. The Lidl Vox Populi clearly contains instances of connections being drawn between the CCP Signs and the Mark with Text, connections which appear to be prompted by a perception of price matching by Tesco to Lidl. Furthermore, as Lidl correctly submits, the reference to “Clubcard” on the CCP Signs does not appear to be serving to disabuse customers of any value connection with Lidl’s reputation for low prices. On the contrary, it would appear that there is an understanding that the special Clubcard prices are the very prices that are being matched to Lidl: *“I now like the fact you price match with Lidl and the special price for Clubcard holders is great – I saved quite a bit today”*.
114. Tesco points out that a reasonably circumspect and observant consumer will of course know which store she is in, which website she is looking at and whose Twitter feed she is reading and I accept that this is part of the relevant context of Tesco’s use of the CCP Signs. However, in making this submission it appears to me that Tesco has failed to account for (i) the confusion experienced by consumers in respect of OOH advertising (and potentially other low attention forms of advertising such as press advertising where there are no aural or visual prompts to dispel confusion); and (ii) the link to Lidl’s reputation as a discounter supermarket that members of the Lidl Vox Populi have made. For the purposes

of Lidl's case, it is not necessary for it to establish that the average consumer would be confused as to origin, although it appears plain that (at least in some contexts) there would be such confusion, rather that a connection has been made in that consumers think that Tesco products to which the CCP Signs are attached are the same price as the same products when sold at Lidl – the evidence in the Lidl Vox Populi appears to me to bear out the making of such a connection.

115. It would be convenient at this juncture to consider the evidence from Messrs Berridge and Paulson in a little more detail, as they were the only members of the Lidl Vox Populi who attended court. Lidl submits that Mr Paulson's evidence in particular encapsulates "[Lidl's] case".

116. I have set out the evidence of both witnesses in some detail above. Under cross examination, Mr Paulson confirmed that he had regarded the TV Advert as designed to hint that Tesco was launching a low price campaign against discounter supermarkets. The following exchange then took place between Mr Paulson and Mr Cuddigan:

“Q. You did not think this was a formal guarantee of a price match with Lidl on particular products did you?”

A. It never verbally says that, no.

Q. You did not think that the message from Tesco was that you are guaranteed the same prices on these products as they are found at Lidl?

A. You could interpret it that way.”

117. At the end of Mr Paulson's evidence, I returned to this topic, asking Mr Paulson if he did in fact interpret the message from Tesco in this way:

Q. ...Did you in fact interpret it in that way?

A. Yes. I think I would do, interpret it that way.

Q. Is that something you think now, or, doing the best you can, you thought at the time?

A. That is what I thought at the time.

118. In closing, Tesco suggested that I should attach no weight to Mr Paulson's final answer in light of the rather more equivocal responses that he had previously given. However, as I have said, I formed the view that Mr Paulson was plainly honest and I consider that he was endeavouring to answer my questions as accurately as possible. I accept his evidence that he not only saw a link between the CCP Signs and the Mark with Text, but he also understood that link to reference Lidl's low prices and to hint that Tesco's prices were as low as Lidl's prices. Mr Paulson's response to my question was entirely consistent with his statement. Importantly, it was clear from his written evidence that Mr Paulson was not in any way disabused by the reference to a "Clubcard" price, his understanding being that "on the products that have been given a "Clubcard"

price, the prices you can get for those products is the same or perhaps a bit better than the prices at Lidl”.

119. Mr Berridge’s evidence was to similar effect. Mr Berridge’s unchallenged evidence was that, after his initial confusion at seeing the CCP Sign on the Tesco website, he realised the CCP Sign was:

“sending [him] a message about what Tesco is doing...Tesco was saying they can do the same thing as Lidl with their own prices. Shops like Lidl and Aldi have shaken up the market by providing quality as a good price, and I got the impression that Tesco think, ‘how can we signal that too?’ and they try to do that using the blue-yellow sign, by imitating Lidl’s logo. I got the impression that the logo was totally intended to send the message so people seeing it think ‘Oh yeah I get it’ without them actually mentioning Lidl. To me it smacks of desperation, like Tesco has lost some customers and is trying to claw them back”.

120. That the evidence of Mr Paulson and Mr Berridge is consistent appears to me to be significant. As I have said, it was not suggested to either witness that he was confusing Lidl with Aldi, or that he was more suspicious than the average consumer. Independently, each man perceived the message portrayed by the CCP Signs in a similar way and was sufficiently annoyed by what he perceived to be underhand tactics on the part of Tesco that he found time to make his views known. Mr Cuddigan did not seek to identify any grounds (whether in cross examination or in submissions) on which Mr Paulson or Mr Berridge should be regarded as “outliers” when it came to considering the perceptions of the reasonably observant average consumer. Also significant, it seems to me, is the fact that other members of the Lidl Vox Populi appear to have formed the same impression.
121. Standing back, I am inclined to think that Lidl’s submissions to the effect that the evidence from the Lidl Vox Populi is best understood as representing the tip of the iceberg are likely to be correct. In my judgment, 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.
122. I bear in mind that evidence of a link being drawn is always going to be difficult to come by. The average consumer seeing the CCP Signs may not appreciate that they have made a subconscious link, or, if they do, that the link is erroneous or that they have some other reason to complain. Of the percentage of people that do appreciate this, relatively few are likely to regard the issue as having sufficient significance to merit spending the time communicating that fact to Tesco or to Lidl. One of the responses is “*You say you are price matched to Lidl, but your Pepsi Max costs £1.50 and Lidl’s is £1.49, that’s not a price match*”. Few consumers will take the time to investigate in this way, understand that there is only a penny difference, but nevertheless send a message. That this individual took the trouble to do so is therefore of some significance, in my judgment. In the circumstances, I reject Tesco’s case (advanced in its oral closing) that in the context of the enormous number of people who were exposed to the first salvo of

Tesco's Clubcard Prices promotion (some 50% of the country) "it is perfectly proper to think that all the vox populi are outliers".

123. Although in opening Tesco suggested that any misleading message arising in this context was inherently innocuous and thus a "niche concern" in the highly competitive world of supermarkets, it did not pursue the point in closing. It was right to abandon it. That there are sections of society who have no choice other than to exercise tight control over their budgets and apply heightened levels of consciousness to their spending is recognised in Tesco's internal materials, which expressly identify the need to target notional consumers falling within this category (including the "financially-squeezed" Wicks family who "*have to be savvy*"), not least because of a concern around losing market share from such price-conscious customers. I do not regard that as a "niche concern" and I have no doubt that Tesco does not either.

The Source Survey

124. Prior to launching its Club Card campaign, Tesco commissioned The Source to carry out consumer surveys designed to enable it to understand whether its planned design for the CCP Signs was likely to be successful in communicating the associated offer message when compared to existing signage. Tesco asked The Source to carry out testing that would cover different aspects of Tesco's proposed uses of the new icon, for example on Tesco's website and on shelf edges in store. The Source designed four tests with this objective in mind.
125. The first test ("**Test 1**"), on which both parties focused at trial, concentrated specifically on testing consumer responses to shelf edge labels by comparing their responses to Tesco's existing value label (a yellow tile) with their responses to three different options for Clubcard Prices shelf edge labels (point of sale materials). These options were labelled 1-4 for the purposes of the test, with Option 1 representing the existing label, Option 2 showing the Clubcard Prices text on a yellow tile and options 3 and 4 both including a version of the CCP Signs. Ms Marks' evidence was that she understood that Tesco had already decided to use one of the two icons identified as Options 3 and 4 for Clubcard Prices and that they were in the final stages of testing to assess the potential impact of using these versus the existing tile. Both Options 3 and 4 included the CCP Background Signifier with text, although Option 3 also included a separate yellow tile. Option 4 was in fact the version that Tesco ultimately decided upon.
126. Test 1 was conducted in June 2020. 800 shoppers were selected from a customer panel further to pre-survey selection questions designed to identify Tesco shoppers. The group was divided into four, with each group of 200 people seeing one of the four label options appearing on an image of supermarket shelves. The test proceeded in the following manner:
- i) The participants were permitted to view the image for 15 seconds and were then asked whether anything stood out as being different to what they would usually expect to see in Tesco and, if so, what. They were also asked to rate what they recalled seeing by reference to a number of measures such as "value for money", "prices are fair" and "rewards customer loyalty".

- ii) Next the four groups were each shown the individual label format matching the labels they had seen on the shelves and they were again asked the same questions (including the rating questions).
- iii) Finally, the four groups were all shown all four label options and asked to rate which did best on the measures that had been used previously.

127. The Source reported on the outcome of Test 1 via a Powerpoint Presentation¹². In summary, this presentation showed that:

- i) The immediate response to the image of the supermarket shelves was very similar across all four options. Between 26% and 31% of people in each of the four groups noticed something different about the images. However, The Source recorded that the shelf edge labels went largely unnoticed and commented that “This isn’t surprising and tallies with what we’ve seen across previous research shelf edge labels are digested more subconsciously and its unlikely that consumers would call them out”.
- ii) In relation to Options 3 and 4, The Source observed that “the blue and yellow circle did more than just draw the eye...consumers were then looking for something different to a normal offer and tried to connect the dots themselves”. This resulted in 6% of participants mentioning Lidl/Aldi in relation to Option 3 (i.e. 4 people) and 4% of participants mentioning Lidl/Aldi in relation to Option 4 (i.e. 2 people). Some of the comments included: “*Lidl logos on price labels*”; “*price comparisons with Lidl?*”; “*The Lidl price comparison*”; “*There was a Lidl price mark at the bottom*”.
- iii) At this first stage, Option 2 stood out in the ratings.
- iv) When the labels were shown in isolation (the second stage), the identification of differences increased substantially with 87% and 88% respectively of participants identifying something different in relation to Options 3 and 4. All the options were now identified as doing an effective job of communicating Clubcard Prices.
- v) When all four labels were shown together (the third stage), Options 1 and 4 were rated higher on nearly all measures than the other two options.
- vi) This led The Source to advise that, when seen independently, Option 2 performed the best, but that “If Tesco really want customers to notice/call out a different message (one about loyalty and Clubcard) then Option 4 is the way forward”. Ms Marks confirmed this message in her evidence saying that Option 4 pulled ahead as much stronger than Options 2 and 3, particularly in relation to measures such as “stand out, appeal, clarity and rewarding loyalty”.

128. Ms Marks’ evidence was that she had not been asked to monitor any associations between the various options in Test 1 but that in any event, she regarded the number of people who mentioned Lidl in relation to Options 3 (3 people out of

¹² Tesco SEL: Value Label Test: A Presentation by the Source. 16 June 2020.

200) and 4 (1 person out of 200 people) “as insignificant”. However, she nevertheless flagged the association with Tesco because Lidl were a direct competitor and she considered it “may be of interest”.

129. Before turning to the parties’ submissions on the significance of this evidence, I should briefly record the details of the remaining tests conducted by The Source. The second test (“**Test 2**”), conducted in July 2020 at a time when the design of the CCP Background Signifier had been decided upon, looked at responses to the positioning of the new CCP Signs when used online. Ms Marks explains in her evidence that approximately 1.6% of participants (i.e. 10 out of 625 people) mentioned a likeness to Lidl. The third test (“**Test 3**”), also conducted in July 2020, was intended to test whether communicating via a yellow tile yielded different responses to communicating via the CCP Signs. There were 750 participants, with 9 mentioning Lidl, i.e. 1.2% of respondents. The fourth test (“**Test 4**”), conducted in November 2020 after the launch of the Clubcard Prices promotion, was designed to test the impact of changing the size and format of value pricing point of sale materials. Once again, a small number of participants mentioned Lidl (1% of respondents in each group). Ms Marks explained that she did not alert Tesco to the references to Lidl in Tests 2, 3 or 4 until July 2022 owing to the fact that the CCP Signs had been settled upon at the time these tests were undertaken.
130. Concentrating on Test 1, Lidl contends that the results show that a significant number of Tesco’s own shoppers understood the CCP Signs (shown in Options 3 and 4) to indicate a Lidl price match at the first stage of the test. Lidl recognises that once attention was focused on the specific wording at the second stage of the test, they were disabused of that notion but submits that “by that point the subconscious message has already been conveyed”, noting that this is the very point The Source makes in its presentation. Lidl says these results are strongly supportive of its case and it points to the absence of any expert evidence on the part of Tesco to contradict such a conclusion.
131. Tesco, on the other hand, suggests that Test 1 is “utterly damning” of Lidl’s case, pointing out that the initial misapprehensions of the few people who mentioned Lidl at the first stage of the test vanished once they were focused on the label at the second stage. Thus the respondent to Option 4 who originally said “*There was a Lidl price mark at the bottom*”, observed at the second stage “*At first I thought it says matches Lidl/Aldi price – I’d change the colours!*”. Tesco contends that the responses of participants at the first stage are not the responses of the reasonably circumspect and average consumer, but instead represent responses from individuals who did not read or take in the text on the labels. It therefore says that, if the results are filtered so as to remove these responses, there are no links made by any participant and thus no misattribution at all. Of the 118 consumers who spotted a difference for the first time at stage 2 in relation to Option 4, not one mentioned Lidl or Aldi. Option 3 presented a similar outcome. Tesco says that, in the circumstances, the results of Test 1 provide the court with a more reliable “vox populi” than the Lidl Vox Populi, and further that this conclusion is supported by evidence provided by Mrs Sutton under cross examination.

132. Having considered the evidence with care, I disagree with Tesco for the following reasons:

- i) I accept Mrs Sutton's expert evidence that the questions used in Test 1 were not designed for quantitative analysis and that therefore the application of statistical significance tests would not normally be appropriate. Although this evidence differed from that of Ms Marks, I note that Ms Marks was not put forward as an expert witness and so, although I have no doubt that she was expressing her genuinely held views about the use of statistical analysis tests, I am not inclined to accept her evidence over that of Mrs Sutton (whose evidence on this point was not, in any event, challenged by Tesco). In closing, Tesco did not seek to persuade me one way or the other, noting only that Mrs Sutton's evidence "may or may not be true".
- ii) I also accept Mrs Sutton's evidence (which was not challenged by Tesco) that Test 1 was specifically designed to test the reaction of Tesco shoppers to the images shown and that, accordingly, "they would be Tesco-focused, so as to tend to elicit responses about Tesco". As Ms Marks clearly said, Test 1 was not designed to monitor any associations between the four options and the branding of other supermarkets. Against that background, I regard it as significant that a number of participants nevertheless mentioned an association of the Options 3 and 4 images with Lidl.
- iii) Tesco sought to suggest that observations made by participants in respect of Option 3 were not material because Option 3 was different from the CCP Signs as finally used. It is true that Option 3 is different from the CCP Signs because, in addition to the CCP Sign, it also uses a yellow tile. Tesco was seeking to determine whether this option was more appropriate to achieve their objectives. However, that does not, to my mind, render it insignificant in the context of the reaction of individuals to sight of Option 3. In so far as an association was made between Option 3 and the Lidl Logo, that association can only have been made having regard to the presence of the CCP Sign with, as The Source described it, its "blue and yellow circle". Mrs Sutton's evidence, which I accept, is that both Options 3 and 4 included what she refers to as "the CCP icon".
- iv) Mrs Sutton was cross-examined by Mr Cuddigan as to the value of the first stage of the test and she accepted that where the results for Options 2-4 were not very different from Option 1 (i.e. the existing label), they were unlikely to provide "useful evidence". This was because they did not give markedly different results from Option 1, which Mrs Sutton agreed could be viewed as a "control". Mr Cuddigan then put to Mrs Sutton that far more significant was the second stage of the test when none of the participants mentioned Lidl or Aldi in respect of Options 3 and 4. As Mr Cuddigan put it, "people have seen the word "Clubcard" for the first time", to which "theory" Mrs Sutton responded "It is possible".
- v) There are, however a number of reasons why this "theory" does not, in my judgment, operate to negate the significance of the associations made by individual participants at the first stage:

- a) First, Mr Cuddigan’s “theory”, which was unsupported by any expert evidence, was plainly put on a wrong basis. His assumption that participants had been unable to read the text on the labels at the first stage of Test 1 (which led to his putting to Mrs Sutton that “the labels were not legible”; that it had been “established that the Clubcard sign was not visible” at the first stage and that accordingly “[i]n that context we can look at what they say when they were shown the label close up”) was wholly undermined by Ms Marks’ evidence in cross examination. She confirmed that she would have gone through the survey before it went live in both a desktop format and a mobile format to ensure that its content was not blurry or illegible. Ms Marks confirmed that she could clearly see the pricing labels and that at least one participant at stage 1 had clearly identified that they were referring to “Clubcard Prices”. This resulted in a change of tack from Tesco in closing, when it submitted instead that the majority of people “did not read the labels” at the first stage.
 - b) Second, although in closing Mr Cuddigan placed considerable emphasis on Mrs Sutton’s acknowledgement that the “stage 1 results are of questionable utility” for the purposes of establishing “what is people’s response to this sign”, when seen in context, that acknowledgement was plainly made against the background of it being put to her that the labels were not legible. However, that proposition was debunked, as I have said, by Ms Marks’ evidence.
 - c) Third, the fact that Option 1 provided a control and that all other results for Options 2-4 at the first stage were similar in the sense that only roughly a third of people noticed any difference, does not, to my mind, indicate that it is nevertheless appropriate to ignore the responses of people who noticed a link with Lidl or Aldi. Once it is accepted that everyone at stage 1 would have been able to read the text on the labels, even if in fact many of them paid little attention to that text until they got to the second stage, it seems to me that it remains of significance that a number of individuals made the link. That is particularly so where Mrs Sutton accepted under cross examination that although participants to the survey were not seeing the price promotions in situ in a Tesco store, nevertheless Test 1 (in particular the images of shelving) was designed to reflect seeing them in situ, something which could not be said for looking at the labels in isolation or in comparison to each other, these latter scenarios being entirely artificial.
- vi) In the circumstances, I reject Tesco’s submission that the mere fact that the responses from people who had made the link with Tesco and Aldi came at the first stage of Test 1 means that those responses could be ignored, or “filtered out” on the basis that they do not represent the reactions of the reasonably observant average consumer. Tesco has no expert evidence to support such a proposition.
 - vii) Furthermore, I did not understand Mrs Sutton’s cross examination to undermine her evidence in the Annex to her report to the effect that it was

“a notable result that Lidl was raised spontaneously by respondents to the Test 1 survey” particularly given its focus on Tesco shoppers. As she said, “considering the focus on Tesco...one might consider it surprising or unlikely any other supermarket is mentioned. The connection with Lidl or Aldi also appears to be of significance, in that it was not part of an overall background of ‘noise’ insofar as there was no mention of any other supermarkets in the same way”.

- viii) Whilst it is true that some of the individuals who had identified Options 3 and 4 with Lidl or Aldi at stage 1 subsequently appear to have appreciated that they were wrong on this score, this required them to pay attention to the text. As Tesco shoppers they would obviously have been familiar with the Clubcard concept and it is unsurprising that when looking at the labels close up and in isolation, this is what they focused on. However, I agree with Lidl that the subconscious message, specifically identified by The Source, had already been conveyed by the time the participants had reached the second stage. That this is so is entirely consistent with the evidence available from the Lidl Vox Populi and, in particular, the evidence of Messrs Paulson and Berridge, both of whom appreciated that they were looking at a Tesco Clubcard sign, but nevertheless drew an association with Lidl’s reputation for value.
 - ix) Mrs Sutton was not asked to consider Tests 2-4, but it is notable that they also all evidenced examples of individual respondents drawing a connection with Lidl.
133. Standing back, I do not need to decide that the Source Survey is statistically significant or quantitatively sound. Equally I certainly cannot draw from it any conclusion as to the percentage of the population that may have associated the CCP Sign with the Lidl Logo. However, in my judgment the Source Survey is qualitatively significant for the reasons I have identified. As Lidl said in closing, echoing Mrs Sutton’s evidence, the respondents to the Source Survey were primed to think “Tesco”, but a number of them still answered “Lidl”. This appears to me also to be consistent with the evidence from the Lidl Vox Populi, which in itself serves as a cross check in the exercise of determining whether the participants to the Source Survey who identified an association can properly be identified as average consumers.

Internal Warning Signs

134. Lidl also relies upon various warnings identified internally at Tesco (to which I have already referred in detail above). Whilst it would not be appropriate for me to draw any inference by reason of the fact that Mr Hall’s email of 3 March 2020 plainly refers to redacted legal advice (much less that the advice must have suggested that Tesco had reasons not to be comfortable with the approach it was adopting, as Lidl submitted I should), nonetheless, the views of members of Tesco’s internal team are entirely consistent with the other evidence in this case.
135. Various individuals (including individuals within the Tesco Insight team) were worried at the decision to use the CCP Background Signifier and worried at the potential for misattribution. They plainly identified a connection with Lidl and

some were concerned as to why the decision to use the CCP Background Signifier appeared to be “non-negotiable”. Ms Webb thought that there was a possibility that Lidl would be getting free advertising, a view that was shared by Mr Meagher, who pointed out in his email of 22 July 2020, that the CCP Background Signifier created the potential for “misattribution and risk, especially in low attention media”, an observation which was entirely consistent with, and vindicated by, the findings of the first H&P report in November 2020.

136. During the course of her oral evidence, Ms Webb was asked about her email to Mr Meagher of 21 July 2020 asking what he made of the suggestion that the CCP Sign was non-negotiable, saying this “What do you make of this? Is your understanding this new tile is non-negotiable?” It was put to her that the reason she had raised this point was because she was hoping the CCP Sign could be abandoned in favour of something that did not resemble the Lidl Logo. Her response was “No, I am afraid not. I was worried about misattribution, so I wanted to ensure that we pre-tested it to make sure that absolutely did not happen”. When asked why she had not simply said as much, she responded that she “did not know” and acknowledged that her email could have been clearer.
137. Whilst I have no doubt that Ms Webb was not intending to mislead the court on this issue, I am inclined to think that this evidence did not truly reflect what she was thinking at the time. It simply does not ring true when one considers the words used in the email. To my mind, the obvious reason for asking whether a particular state of affairs is non-negotiable is to see whether there is scope for a change to that state of affairs. I do not understand why Ms Webb would have asked that question if she had genuinely intended only to ensure that the CCP Sign was subjected to rigorous pre-testing. Accordingly I find that the wording of her email, combined with the inherent probabilities, points strongly towards a desire on Ms Webb’s part at the time to determine whether it might be possible to pursue a different design option.
138. Although Ms Webb’s subsequent evidence, which I accept, is that she satisfied herself that there was no continuing cause for concern around misattribution, I agree with Lidl that her initial instincts were more reliable. Ms Webb was not able to say whether Mr Meagher had continued to highlight customer misattribution and risk, as he had said he would in his email of 22 July 2020. Furthermore, Tesco did not call Mr Meagher to give evidence and so the court has no assistance on what he meant when he said in his email that the spontaneous comparisons that were being made were not “at a crazy high level”. I can only infer that it was his view that the comparisons were at a sufficiently worrying level to require a continued focus on the dangers of misattribution and risk.
139. Once again, the evidence of internal concerns at Tesco to which I have referred, seems to me to be all of a piece with the other evidence upon which Lidl relies.

Misattribution

140. An important element of Tesco’s defence to Lidl’s case on the link or connection between the Lidl Marks and the CCP Signs focused on the levels of misattribution that inevitably occur in the supermarket sector together with some evidence given by Ms Farrant on the subject of misattribution during cross examination.

141. It is common ground that all supermarkets try to avoid misattribution, but that they all struggle with this objective. “Brand & Comms” documents relied upon by Tesco plainly illustrate this phenomenon. However, they also illustrate that figures being achieved by Tesco for a television advertisement featuring the CCP Signs in April 2021 show (as Ms Farrant accepted) “outstanding numbers” for recognition, brand attribution and branded cut-through; i.e. negligible misattribution. This led Tesco to submit in closing that in April 2021 a Clubcard Prices TV advertisement was less objectionable as a matter of trade origin confusion than the average supermarket television advertisement.
142. Whilst I have no doubt that Tesco is right on this score, I consider this argument to be something of a red-herring. First, because Lidl’s case is not (primarily) concerned with trade origin confusion (even though there is evidence of such confusion); second because the relevant date for considering infringement is the date of launch of the Clubcard Prices campaign, i.e. 6 months earlier than the television advertisement aired in April 2021; third because the evidence in the H&P reports shows the extent to which Tesco flooded the market with advertisements using the CCP Signs in all major forms of media following the launch; and fourth because, the H&P reports also illustrate that different forms of media attract different levels of attention.
143. However, Tesco had another string to its bow in advancing its case on misattribution. Ms Farrant accepted during cross examination that if people had thought there was a price match with Lidl when viewing the April 2021 television advertisement, the brand attribution figure would have been much lower – i.e. there would have been much greater levels of misattribution. This echoed another passage of her cross examination, during which she was shown the second H&P report which recorded that “misattribution to Aldi remains” in relation to the Aldi Price Match campaign (specifically that 18% of those who saw the Tesco Press creative for the Aldi Price Match campaign “thought it was for Aldi”). Ms Farrant then gave the following evidence:

“Q. You would expect that to be because the press ads use the name Aldi prominently, so people who are not paying great attention will think they are Aldi ads?

A. Yes.

Q. Your concern about Clubcard Prices is that people will think that this is the Lidl equivalent of an Aldi price match?

A. Yes.

Q. You worry that when they see the yellow circle and blue square, they will think it indicates a Lidl price match?

A. Yes.

Q. If they did that, you would expect to see [that] sort of misattribution, would you not?

A. Yes.

Q. One would see a significant percentage of consumers thinking that the Clubcard Prices ads were ads for Lidl?

A. Yes.”

144. It is Tesco’s case that this evidence provides a critical basis against which to compare the figures identified in the evidence to which I have already referred. Specifically, Tesco submits that misattribution should be “the litmus test” for this case and that Lidl has not established anything approaching such misattribution.
145. I reject this argument, which effectively invites the court to ignore all of the evidence to which I have already referred, including clear evidence in the first H&P report of origin confusion, together with evidence of Tesco apparently acknowledging the need to address this confusion by making changes to both its OOH and press advertisements.
146. Furthermore, the cross examination of Ms Farrant on which Tesco seeks to rely expressly focusses upon advertisements in the press (as analysed by H&P in their second report) and an advertisement on television in April 2021. Accepting Ms Farrant’s evidence that she would expect to see significant levels of misattribution in these media if Lidl’s case is correct, does not address (i) the fact that the date with which this court is concerned is September 2020; but more importantly (ii) the fact that the scope for misattribution when viewing the CCP Signs in a Tesco store or on a website is obviously at, or close to, nil because the average consumer will know that she is in that store or on that website (or, as occurred with Mr Berridge, will almost immediately appreciate that the CCP Sign is not the Lidl logo). I do not consider that Ms Farrant intended to suggest that she would expect high levels of misattribution in these contexts and (perhaps unsurprisingly) the point was not put to her. In my judgment, Ms Farrant’s evidence cannot possibly be a “litmus test” for the reaction of the average consumer in these contexts and nor does it in any way undermine the existing evidence to which I have already referred.

Conclusion on “Link”

147. In all the circumstances to which I have referred and approaching the question from a ‘global’ standpoint, I am satisfied that Lidl has established the necessary “link”. 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.

Intention

148. Before turning to consider the next question as to whether Tesco’s CCP Signs cause detriment to the distinctive character of the Mark with Text, or take unfair advantage of that character, I must first consider Lidl’s case that there was a deliberate evocation of the Lidl Marks by Tesco.

149. In its PoC, Lidl pleads that the use of the Sign (for which I now read the CCP Signs) in connection with Tesco's discount prices "is intended to, and does, cause members of the public to call to mind [Lidl's] business and Marks". Lidl goes on to plead that Tesco is thereby seeking "deliberately to ride on the coat tails of [Lidl's] reputation as a "discounter" supermarket...".
150. Although Lidl did not shy away from this case in closing, I detected a soft-peddalling. In its skeleton argument, Lidl submitted that Tesco adopted the CCP Signs "in order to indicate something to customers, that this was a product to which their loyalty club pricing applied. Establishing that this sign indicated a value proposition was made easier, quicker, more effective by being linked to a mark whose entire reputation was low price value". Whilst the first sentence was supported by evidence, the second (which I shall return to in due course) held back from asserting subjective intention and the court was not shown any evidence on which Lidl relied in support of the proposition that Tesco had such a subjective intention.
151. Indeed, Ms McEttrick (who was unaware of any research indicating a link with Lidl) rejected any suggestion in cross examination that Tesco's aim had been to transfer the value perception enjoyed by Lidl to Tesco. Ms McEttrick's unchallenged evidence was that she had never instructed anyone at Tesco to copy or mimic the Lidl Logo. In her statement she said that Tesco never sought to establish any association with Lidl through the design of any part of the Clubcard Prices promotion, observing that she was quite certain that Tesco had not sought to "free ride" off the reputation of Lidl because "it would have been part of my role at Tesco to ensure that there was no real danger of it happening". She went on to say this:
- "The Clubcard brand is of fundamental importance to Tesco. As a brand asset, it is unique in all the markets in which Tesco operates. It is one of the crown jewels of Tesco's goodwill. My principal objective at Tesco was to maximise and develop brand value. It would have been anathema to me, and to Tesco, to allow the Clubcard brand to be muddied or polluted by association with any of Tesco's competitors. Indeed that would have been contrary to the whole objective of the Master Brand project which was to present customers with clear and consistent Tesco brand messaging."
152. Under cross examination, Ms McEttrick denied that Clubcard prices was designed to "reset" the entire Tesco value proposition, explaining carefully that:
- "It was originally designed to, again, allow greater value to be transferred to Clubcard customers and there were a number of initiatives surrounding it and interdependent with it, aimed at better communicating the great value that Tesco provides to customers in order to change their perception".
153. Ms McEttrick also denied that the use of implicit associations with Lidl was part of any such reset. She explained at length during her oral evidence that the roll out of Clubcard Prices had been in response to customer behaviour during the

pandemic, albeit that she accepted that one objective of the Clubcard Prices promotion was to achieve value for customers.

154. I have no doubt that Ms McEttrick was telling the truth about this. Indeed, her evidence found support in the unchallenged evidence of Ms Whitney that after the UK emerged from the first lockdown following the pandemic, Tesco decided to make changes to their value proposition, recognising a need for simplicity and pursuing a three-pronged approach, in the form of (i) the Aldi Price Match; (ii) Low Everyday Prices; and (iii) Clubcard Prices, the rationale behind the latter being “to reward Tesco’s loyal customers” and “to transition over time all other promotions previously offered by Tesco, such that they would only be available to Clubcard members”.
155. Lidl accepts Tesco’s evidence that it would not have wanted to be mistaken for Lidl, but says that Tesco intended instead to convey value and that it has achieved that by use of the CCP Signs. Lidl points to Powerpoint slides dating back to 2019, to which I have already referred, noting that these clearly recognise “[t]he importance of having a strong and positive value perception” giving Tesco “a relevant story against competition”. Whilst I have no doubt that Tesco did desire a strong and positive value perception, given the evidence from Ms McEttrick and Ms Whitney, I reject any suggestion that this desire led to intentional evocation of the Lidl Marks by Tesco. Clubcard Prices was intended to have brand significance and it was also designed to convey value with a view to rewarding existing loyal customers and attracting new ones, but I do not consider that Lidl has established that Tesco had the deliberate subjective intention of riding on Lidl’s coat tails. The internal warning signs to which I have referred clearly indicate that there was an appreciation amongst various of Tesco’s employees that there was a danger of confusion, but it was not suggested to me that this appreciation is sufficient in itself to establish a deliberate subjective intention on the part of Tesco.
156. In all the circumstances, I reject Lidl’s pleaded case of subjective intent and deliberate “coat-tailing”. Notwithstanding Tesco’s indication in opening that it was not aware of any claim under section 10(3) which had succeeded without subjective intention, I do not consider Lidl’s inability to establish subjective intention to be an impediment to its claim. That its claim can succeed without establishing subjective intention is clear from *Jack Wills* in which the claimant’s attempt to amend its claim to plead subjective intention had failed before a Master and Arnold J held that it was therefore not open to the claimant to contend that the defendant had intended to free ride on its reputation – however this did not affect the claimant’s ability to pursue its claim under Article 5(2) of the Trade Mark Directive (the equivalent provision to section 10(3) TMA). I note that in *Lifestyle Equities C.V. v Santa Monica Polo Club Ltd* [2018] F.S.R. 15 at [118] Recorder Douglas Campbell QC sitting as a Judge of the High Court accepted that to establish unfair advantage under section 10(3) does not require subjective intention.
157. In apparent recognition of the strength of Ms McEttrick’s evidence against its case on subjective intention, Lidl submitted in closing (by reference to paragraphs [109]-[110] of Arnold J’s decision in *Jack Wills*), that the use of the CCP Signs “has likely resulted in “a subtle but insidious transfer of image” from Lidl’s

Marks to the [CCP Signs] in the minds of some consumers, whether that was Tesco's intention or not". This appears to me to be the case that Lidl is really seeking to advance – that the objective effect of the use of the CCP Signs by Tesco has been to enable Tesco to benefit from the reputation and goodwill of the Lidl Marks. This is the case to which I shall turn when considering unfair advantage.

Detriment

158. In circumstances where Tesco launched its Clubcard Prices campaign in September 2020 (i.e. well over two years prior to the trial), I do not consider that this is a case in which it is sufficient for Lidl to contend that there is a serious likelihood of a change in the economic behaviour of the average consumer occurring in the future; in my judgment, Lidl must establish that there is in fact evidence of a change in economic behaviour since that launch. Having said that, it is clear from the authorities to which I have referred, that actual evidence of a change in the economic behaviour of consumers is often difficult to obtain.
159. Lidl points out (correctly) that Ms Farrant's evidence as to dilution of Lidl's brand was unchallenged by Tesco. In particular, Ms Farrant's evidence was to the effect that until Tesco started using the CCP Signs, no other supermarket was using a logo that looked anything like the Lidl Marks. This has now changed because "Tesco has flooded the market with a logo that looks incredibly similar". It has made prolific use of the CCP Signs in its stores and in all major marketing channels (as is evidenced by the H&P reports). It has spent many millions of pounds per month on national advertising campaigns featuring the CCP Signs. As Ms Farrant says, and I accept "[a]s a result [Lidl] are no longer the only supermarket who uses a logo which looks like ours, because Tesco uses one too and they use it very widely". The evidence supports the proposition that Tesco's campaign has been successful in slowing the "switching" and "trading out" that was otherwise occurring, although Lidl accepts that it cannot point to any specific individual who has acknowledged a change in economic behaviour. Mr Berridge said that the blatant mimicry on the part of Tesco had made him so angry that he would not want to shop at Tesco.
160. In circumstances where it is difficult to evidence a change in economic behaviour, Lidl contends that one of the ways in which detriment manifests itself in this case is in the specific steps that Lidl has been forced to take in response to the extensive use of the CCP Signs and the consequent dilution of Lidl's reputation as a low cost discounter (see *PlanetArt* at [31]). These steps were addressed by Ms Farrant in paragraph 135 of her first statement:

"To try and undo some of this damage, we have recently felt compelled to try to answer some of these problems with our own marketing, to show people that the Clubcard prices advertised by Tesco are not matched to those of Lidl. We conducted this campaign initially by printing half-page adverts in national newspapers in April and May 2022, to demonstrate the higher prices of Tesco Clubcard products compared to those of Lidl – and this campaign has also continued since then".

161. The half-page adverts to which Ms Farrant referred in her statement show equivalent products sold at Tesco and at Lidl, identifying the saving to be achieved by shopping at Lidl. The Tesco prices are specifically identified as Tesco Clubcard prices. In her second statement, Ms Farrant acknowledges that price-comparison advertising had been undertaken in respect of other competitors but says that the campaign in relation to Clubcard Prices was a specific campaign unique to Tesco.
162. During Ms Farrant's cross examination, Mr Cuddigan sought to suggest that the "Unmatched Value" campaign described by Ms Farrant was not in fact unique or in any way responsive to the launch of the CCP Signs and that Clubcard Prices was merely one of a number of targets. It was put to Ms Farrant that Lidl had spent more money in relation to other targets, such as Asda, Morrisons and Sainsburys and that the main aim of the campaign against Clubcard Prices had been to "undo Clubcard price magic", a phrase used by Lidl's Head of Media and Campaigns, Joanna Gomer in an email of 21 January 2022 ("**the Gomer Email**") – i.e. an attack on the success of Clubcard Prices rather than a campaign designed to redress the balance by way of "corrective advertising".
163. Ms Farrant did not deal with this questioning very well, sometimes failing to focus on the question being asked and sometimes hesitating for long periods before giving an answer. Nevertheless, she maintained her position that the campaign involving Tesco Clubcard Prices was an "additional piece of activity" involving "extra advertising spend" and that the aim of the campaign was to "try to bring back any price issues or misconception of our prices being displayed in the Wordless Mark at Tesco", by which I understood Ms Farrant to be referring to CCP Signs using price figures against the CCP Signifier Background.
164. In light of Ms Farrant's rather hesitant evidence, I consider that it is important to look closely at the limited available contemporaneous documents with a view to determining whether they undermine what she says. It was put to Ms Farrant that Lidl's disclosure in relation to the Unmatched Value advertising campaign contained no mention of "any concern about the [Tesco] signs". However, a Powerpoint slide show presentation from February 2022 entitled "Lidl Price Ideas" ("**the Price Ideas Presentation**") to which my attention was drawn in closing (but which was not shown to Ms Farrant during her cross examination) expressly includes a section entitled "Challenge Tesco", with (i) slides on the topic of "Fill[ing] the silence" proposing ways in which to disabuse the public of the idea of Tesco price matching to Lidl¹³ and (ii) a slide on the topic of "Clubcard" illustrating the Mark with Text and the CCP Sign side by side together with text that reads:

"Clubcard

Looks like Tesco are trying to be a bit like us...

¹³ One example reads: "Have you heard about Tesco's new Lidl price match promise? Us neither" and suggests tweeting a picture of a waving bear "every day until they can Price Match one of our products".

The only thing is that our ALOP¹⁴ prices still beat Tesco for value, even when they discount.

Let's show that initiation is the greatest form of flattery, but saving's even better".

165. This is followed by a series of slides suggesting adverts designed to acknowledge that the CCP Sign looks like the Lidl Logo but does not reflect Lidl's prices. For reasons which remain unexplained, these specific proposals never came to fruition, but the Price Ideas Presentation plainly supports Ms Farrant's evidence that, internally, Lidl had appreciated the problem caused by the CCP Signs and was looking to address it. Accordingly, I accept that, on balance, the genesis of the specific Clubcard campaign against Tesco in 2022 lay in the concerns Lidl had over the CCP Signs. I note that, in closing, Tesco suggested that the delay in pursuing this campaign militated against any real concern over brand confusion or association. However, this point was not put to Ms Farrant or to any of Lidl's other witnesses.
166. It is common ground that, together with a colleague, Ms Farrant gave a Powerpoint presentation to the Lidl Board in February 2022 ("**the Board Presentation**"). Ms Farrant's evidence was that the Board Presentation was designed to identify the proposed advertising strategy to be adopted by Lidl so as to enable approval to be provided by the Board. Key to the Board Presentation was that "[t]he whole market is talking about price" and it is clear from the slides that Ms Farrant was informing the Board about the approach of its competitors, including Tesco which is described as "wad[ing] into supermarket price war". Indeed Tesco is the only competitor which receives an independent level of scrutiny in the Board Presentation, with a series of slides (under the heading "Challenge Tesco Clubcard Prices") focusing on the increase in Tesco's price perception (i.e. an increased perception that Tesco offered value on price), a comparison of Lidl prices against Clubcard Prices and a proposed advertisement designed to compare Tesco's Clubcard Prices (unfavourably) to Lidl's prices for the same product (similar to the half-page advertisements that were in fact used by Lidl). In my judgment, the Board Presentation again reflects Ms Farrant's evidence that the focus on Clubcard Prices was different from the general price comparisons that Lidl was seeking to make against other competitor supermarkets in respect of EDLP (as evidenced in a number of the other slides).
167. In cross examination, it was put to Ms Farrant that the Board Presentation slides make no reference to the similarity between the CCP Signs and the Lidl Marks, which she accepted, whilst observing that the CCP Signs had been discussed in the meeting ("[t]hey were discussed as a matter of concern") and maintaining that the similarity of the CCP Signs was taken into account in the Board's decision to approve the campaign. Although there is no contemporaneous evidence of any such discussion, I am inclined to accept Ms Farrant's evidence about this. The Price Ideas Presentation, apparently prepared only shortly before the Board meeting, plainly identifies the similarity of the CCP Signs and the Lidl Marks and, accordingly, it seems inherently improbable that the issue was not discussed at the Board meeting in the context of agreeing a slightly different approach to

¹⁴ Always Lidl on Price.

dealing with the problem. Mr Cuddigan sought to cast doubt over Ms Farrant's evidence by raising issues during her cross examination in relation to the absence of Board Minutes in respect of the meeting, but I note that Ms Farrant was not involved in the disclosure exercise and that Tesco chose not to cross examine Mr Unterhalter on this topic, who had overseen the disclosure exercise on behalf of Lidl.

168. Ultimately, Lidl decided to pursue an Unmatched Value price comparison campaign against Tesco (and other supermarkets) together with an additional campaign specifically focused on Clubcard Prices. Although it was put to Ms Farrant that the campaign against Tesco was not regarded as a priority by reference to the agreed timescales for the price comparison campaign involving other competitors, the Price Comms plan for February 2022 to June 2022¹⁵ shows a specific focus on Clubcard Price in March and April 2022 followed by a general Price Comparison campaign involving Tesco in May 2022. Once again, this appears to me to be supportive of Ms Farrant's evidence ("Clubcard Price was an additional campaign that we were asking the board for permission for"). I do not consider that Ms Farrant's evidence in this regard was undermined by the content of the Gomer Email. Tesco did not invite me to draw any inference by reason of the absence of Ms Gomer as a witness and I observe that the "CC price magic" to which she referred in the Gomer Email may very well have been regarded as a function of the similarities between the CCP Signs and the Lidl Marks.
169. Mr Cuddigan's final attack on Ms Farrant's evidence was directed at Lidl's advertising spend on the Unmatched Value Campaign; in particular it was put to Ms Farrant that Lidl spent more on the Unmatched Value campaign against targets such as Asda, Morrisons and Sainsbury's than it spent on targeting Tesco. Ms Farrant confirmed that this was true but made the point (as is confirmed by the Board Presentation) that the price comparisons involving Asda, Sainsbury's and Tesco "were happening anyway", but that she had asked the Board "to do an additional piece of activity for Tesco Clubcard, which in effect is extra advertising spend that we required from the Board". Looking at Lidl's advertising spend on Unmatched Value campaigns to the end of September 2022, the amount spent on Tesco Clubcard Prices of £400,000 appears to me to be substantial. Furthermore, if one looks at spending across the board, on both Unmatched Value and other similar campaigns to the end of 2022, overall, the expenditure on adverts involving Tesco is greater than in respect of any other competitor supermarket. I reject the suggestion from Tesco that the evidence of Lidl's advertising spend is in any way inconsistent with Ms Farrant's evidence.
170. Drawing the threads together, I find that Lidl has established detriment to the distinctive character of its Mark, evidenced by the fact that it has found it necessary to take evasive action in the form of corrective advertising.
171. This on its own is sufficient, but I should go on to consider the question of whether Lidl is also able to establish unfair advantage.

¹⁵ The penultimate slide in the Board Presentation.

Unfair Advantage

172. In considering the issue of unfair advantage, Lidl invites me to apply the reasoning adopted by Arnold J in *Jack Wills* at [109]-[110]:

“Did use of the Pigeon Logo take unfair advantage of the reputation of the Trade Marks? Although it is not open to Jack Wills to contend that House of Fraser adopted and used the Pigeon Mark with the intention of free-riding on the reputation of the Trade Marks, it does not follow that House of Fraser’s intentions in adopting and using the Pigeon Logo are irrelevant. I have already found that House of Fraser intended the Pigeon Logo to have brand significance, and that that is how consumers will have perceived it. Furthermore, it is clear that House of Fraser’s intention in using the Pigeon Logo was to make the garments more attractive to consumers. I consider that it was a classic case of a retailer seeking to enhance the attraction of its own brand goods by adopting an aspect of the get-up of prestigious branded goods, in this case an embroidered logo of the kind used by Fred Perry, Lacoste, Polo Ralph Lauren and others. Thus House of Fraser was seeking to influence the economic behaviour of consumers of Linea menswear. I see no reason to think it will not have succeeded in that endeavour.

110. Furthermore, I consider that it is a legitimate inference from the nature of the particular market, the nature of the logos and the circumstances of the case, that, due to its resemblance to the Trade Marks, the effect of House of Fraser’s use of the Pigeon Logo will have been to cause a subtle but insidious transfer of image from the Trade Marks to the Pigeon Logo (and hence from Jack Wills’ goods to House of Fraser’s goods) in the minds of some consumers, whether that was House of Fraser’s intention or not. This will have assisted House of Fraser to increase the attraction of its goods in circumstances where House of Fraser did not undertake any advertising or promotion of those goods. Furthermore, House of Fraser had no justification for such conduct. Thus I conclude that House of Fraser did take unfair advantage of the reputation of the Trade Marks”.

173. Unfair advantage is concerned not with any detriment caused to the Lidl Marks, but with the advantage (if any) taken by Tesco as a result of the use of the (similar) CCP Sign. Undertaking the necessary global assessment involves taking into account the factors to which I have already referred in undertaking the analysis of “link”, together with the question of whether there is a likelihood of dilution or “tarnishment” of the Lidl Marks. It is, however, a separate assessment.
174. Against the background of my findings so far in this judgment, I consider that due to the resemblance between the CCP Signs and the Lidl Marks, Tesco has taken unfair advantage of the distinctive reputation which resides in the Lidl Marks for low price (discounted) value. That is the objective effect of the creation of the link between the CCP Signs and Lidl’s reputation, even though I have already accepted that there was no subjective intention to achieve this end.

175. I consider that the evidence confirms that Tesco chose the CCP Signs with a view to them having brand significance and influencing their consumers. I find that the process of developing the new Clubcard Prices promotion began in 2019 with the focus by Tesco on value perception, including specifically with a view to “winning back the Wicks”. In the summer of 2019 it was recognised by Tesco that it needed to work harder to convince consumers of the value of its products compared to those of competitors: the addition of the Tesco logo on advertisements resulted in consumers rating Tesco lower for value than its competitors, including Lidl. The influx of shoppers that Tesco experienced during the Covid 19 pandemic led to a desire to capitalise on the value perception of shoppers through transitioning to the use of Clubcard Prices as the sole promotional strategy – this was the “value re-set” that Ms McEtrick says was intended. Through Clubcard Prices, Tesco wanted to reward brand loyalty and encourage new customers to become members of the Clubcard loyalty scheme, but as Ms McEtrick accepted, a “tertiary” objective was to improve Tesco’s value perception (“Clubcard Prices was one of many initiatives aimed at achieving that objective”); an objective that was plainly linked to the desire to “win back the Wicks”, amongst others¹⁶, and “to ensure their repeat custom”. Ms McEtrick went on to confirm that, “the behaviour change that we hope, is that customers will shop at Tesco more often, and we want to achieve that by providing better value to them and earning their custom”.
176. In my judgment, the CCP Signs were plainly intended (amongst other things) to convey value and thereby to influence the economic behaviour of supermarket shoppers, notwithstanding that I have found no specific intention to free-ride on Lidl’s reputation. I agree with Lidl that, just as occurred in *Jack Wills*, the effect of the use of the CCP Signs was to cause a “subtle but insidious” transfer of image from the Mark with Text to the CCP Signs in the minds of some consumers. This will have assisted Tesco to increase the attraction of their prices. The H&P report from November 2020 identified that the Clubcard Prices campaign had produced an increase in value perception of 6% in total and 9% among families; H&P observed that “[t]he campaign persuaded current Clubcard holders to use their cards and encouraging (sic) those without a Clubcard to sign up”.
177. Conveying the value proposition which Ms McEtrick accepted was one of a number of objectives of the Clubcard Prices promotion will have been easier and more effective by reason of the connection with the Lidl logo whose reputation was low price value. By way of example, Mr Paulson’s evidence confirmed that he had interpreted the CCP Sign as guaranteeing the same prices as Lidl.
178. Finally, I should mention an additional argument raised by Tesco in closing which I understood to be intended to address the issue of unfair advantage. Tesco submitted that there is no evidence before the court that Tesco’s Clubcard Prices are in fact materially or consistently higher than Lidl’s prices on corresponding goods, *a fortiori* in September 2020, the date on which infringement must be assessed. Accordingly, it was submitted, Lidl could not establish that Tesco had benefitted from an unfair advantage – in particular Lidl had no evidence to

¹⁶ Ms McEtrick rejected the suggestion that the Wicks was targeted to the exclusion of all others.

establish that Tesco's prices were not in fact at, or below, Lidl's prices (a point that was also raised in the context of the claim in passing off).

179. Tesco pointed to a price comparison exercise set out in Ms Farrant's statement dating from January 2022 and it was put to her that this exercise had involved the selection of products which showed the greatest differential in Lidl's favour and that, "if one takes out the 1p differentials, there are actually more products cheaper at Tesco under the Clubcard Prices scheme than there are cheaper at Lidl". Ms Farrant's response was "This is about Clubcard Prices. We are comparing Clubcard Prices with our every day low prices. So there might be products within the Tesco range at Clubcard Price which appear cheaper than Lidl for a period of time, and then obviously the Clubcard promotion moves on to another product, and they return back to their original price".
180. I do not consider that this argument in fact addresses or mitigates the unfair advantage that I have already identified. As Lidl points out, the immediate problem caused by the link between the Lidl Logo and the CCP Signs is that consumers think they do not need to check if they can get a particular product in question cheaper at Lidl because Tesco have already checked; the longer term consequence is that Tesco's value perception is improved by the association with Lidl's reputation. These issues cannot be addressed or banished simply by showing that buying all the products covered by Clubcard Prices would result in an exactly similar, or lower, spend by comparison with an equivalent shop at Lidl. In any event, the proposition posed by Tesco in cross examination cannot sensibly be tested for the reason given by Ms Farrant: the Clubcard Prices promotion changes both as to goods and as to price over time. It is impossible to test the general proposition by reference to a snapshot in time.
181. Aside from the fact that Mr Cuddigan did not identify any evidential basis for removing the 1p differentials from the price comparison exercise undertaken by Ms Farrant, it is in any event common ground that products covered by the Clubcard Prices scheme are not price-matched to Lidl's products. Indeed, Annex 24 to Lidl's PoC sets out a table of price comparisons between equivalent products, evidencing to a greater or lesser degree Clubcard Prices of more than Lidl's prices as at January 2021. This Annex was included in connection with Lidl's claim in passing off but the PoC expressly pleads that "[t]he full scope of [Tesco's] use of the Sign and the prices at which its products have been sold from time to time is currently unknown to [Lidl]". A request for disclosure of documents providing such information was rejected by Tesco on grounds of proportionality.
182. The proposition in Ms Farrant's statement that was being challenged by Tesco during the cross examination to which I have referred concerned her statement that "I do not believe [Tesco] are able to offer the same value proposition that we can, and even under the Clubcard scheme, some [of] Tesco's prices are not as good as ours". This is entirely consistent with the available evidence in Annex 24 as to prices and is also consistent with Ms Farrant's response under cross examination to which I have referred above. I cannot see that this argument advances Tesco's case any further.

Due cause

183. There was some disagreement between the parties as to whether the test for due cause can properly be described as “stringent” or whether it involves no more than a balancing exercise, as identified by the Court of Justice in *Leidesplein*. The circumstances in which due cause might be established were considered in detail by Daniel Alexander KC in *PlanetArt* at [40]-[45], citing *Leidesplein* and then going on to say this:

“41 ...the difficulties in this area are not so much conceptual but arise in the practical application of a test of this kind to a range of cases. In my view, there are several points to bear in mind in considering whether that provision comes into play.

42 First, having regard to the general principles of trade mark law, which require consideration of marks as a whole, the question of whether (for example) there are interests of other economic operators having signs capable of denoting their products and services justifying the use of the sign must be evaluated by reference to the mark and sign taken as a whole. In the case of a mark composed of a number of elements, the court should consider whether those interests should reasonably permit the use of all of those elements in combination, not merely some of them.

43 Secondly, the approach should not be so strict that it is only where a defendant proves that there is no practical alternative at all to the use of the sign in question that a defendant’s sign would be regarded as being used with due cause. There has to be some degree of latitude, which will depend on the circumstances of the trade. However, it must be borne in mind that this provision only comes into play after it has been found that there is not only a link between the registered trade mark and the sign but also that it has taken unfair advantage or is detrimental to the distinctive character of the trade mark in the sense that the case law has required. That does raise the bar for a defendant to show that the use of the sign is nonetheless with due cause.

44 Thirdly, where the registered mark includes descriptive elements (or other elements which are less likely to have trade mark significance—such as a colour or design) and the case for application of s.10(3) is largely based on the common use of such elements, the easier will it be for a defendant to show that the use of those elements is with due cause. That approach gives effect to the purpose of the law articulated in *Leidesplein* and *Argos*.

45 Fourthly, cases are highly fact dependent but the court should seek a proportionate response. The greater the intrusion into the trade mark proprietor’s legitimate interests in the ways that the law seeks to protect against, the stronger will need to be the defendant’s justification for nonetheless using the sign in question”.

184. With respect, I agree. There is plainly a balancing exercise to be undertaken between, on the one hand, the interests which the proprietor of a trade mark has in safeguarding its essential function and, on the other hand, the interests of other economic operators in having signs capable of denoting their products and services (*Comic Enterprises Ltd v Twentieth Century Fox Film Corp* [201] EWCA Civ 41 at [123]), but given the context, the test will be “relatively stringent”, as Kitchen J observed in *Julius Sämaan* at [84]. Thus the mere fact that the sign complained of was innocently adopted is not sufficient to invoke the exception – there must be something more to satisfy the court that the rights of the claimant must yield to the use of the sign.
185. Although Tesco raised various arguments under this head, I do not consider any of them to be sufficient. In its Defence, Tesco asserted that all supermarkets deploy bright, attention grabbing signage, colours or text designed to communicate value, sale or price or other information about products and that “the use of yellow and/or basic geometric shapes such as circles and squares is entirely commonplace” and Tesco should not be denied from doing what others do. In addition, Tesco asserted that it had due cause to use the colour blue, it being its own livery colour. “As a result” said Tesco in closing, it had proper commercial reasons for combining the yellow and the blue.
186. However, neither of these points taken separately appears to me to satisfy the burden of establishing due cause in respect of the specific combination of features used in the CCP Signs as a whole. The question here is not whether there is due cause for use of elements of the CCP Sign, but whether there is due cause for the combination of elements used in the sign as a whole (see *PlanetArt* at [182]). I accept that the colour blue has long been associated with Tesco and that yellow has been recognised as having “the best impact” for point of sale material. I also accept that other supermarkets use yellow (including yellow circles) to indicate value propositions to customers, that the yellow value roundel was already a part of Tesco’s messaging arsenal (albeit in the context of packaging) and that Tesco’s external specialist design agencies had come up with various designs, including a combination of yellow and blue.
187. To my mind, however, none of this evidence satisfies the burden of establishing due cause to extend the use of the yellow value roundel by superimposing it on a blue background. Whilst The Source advised Tesco that the CCP Sign was the optimal choice if Tesco wanted customers to “call out” a message about loyalty and Clubcard, it was not the only choice available to Tesco and it was Ms McEttrick’s evidence that Tesco was not in the habit of slavishly following advice from its external consultants. In any event, the evidence supports the proposition that Tesco had decided upon the CCP Sign before The Source carried out its testing.
188. Furthermore, it is clear that another of Tesco’s external consultants (Mr Mike Follett at Lumen, an attention specialist agency) specifically queried (as a “watch out”) why Tesco would remove the yellow price tile it was already using “given it has great attention & brand equity” in favour of a sign which “looks a bit like [a] Lidl ad”. The response to this question from Mr Marcus Gilbert, as I have already mentioned was that “at this stage it’s a non-negotiable”. Why it might have been regarded as “non-negotiable” was never explained – Mr Gilbert was

not called to give evidence by Tesco. There is no suggestion that Tesco could not have used a different sign to launch its Clubcard Prices (including a different sign incorporating the colours yellow and blue if that was thought best to reflect its objectives). At least one of its external advisers was puzzled by the decision to move away from an existing sign with an existing reputation.

189. Interestingly, in closing, Tesco described its selection of the CCP Signs as “originally speculative”, albeit based on expert advice. Aside from the fact that it is somewhat hard to square a “non-negotiable” decision to forge ahead with the CCP Signs with a speculative selection and aside from the evidence that not all of Tesco’s advisers took the same view, it is also difficult to see how a mere “speculative” selection can genuinely be justified as having good cause. Furthermore, and with regard to additional submissions made by Tesco in closing, I fail to see why the subsequent success of the Clubcard Price advertisements takes matters any further. Due cause cannot possibly be judged retrospectively by looking at the success or otherwise of the use of the offending sign, and I was shown no authority to support such an approach. Furthermore, that Tesco may have believed that “no **significant** association with Lidl” would result from their adoption of the CCP Signs (as was submitted in closing), notwithstanding internal misgivings, does not appear to me to be a particularly compelling argument.
190. Finally, I reject Tesco’s submission that in considering the ambit of fair competition in the supermarket sector, the court must have regard to what Tesco describes as Lidl’s “Lookalike practices”. I was shown no authority for the proposition that an entirely extraneous factor involving Lidl’s alleged copying of third party get-up in order (it is alleged) to profit from the recognition and reputation of that get-up is relevant to the necessary balancing act. The “Lookalike practices” allegation is not a pleaded issue in these proceedings (there is no pleading of a common practice) and so has not been addressed in the evidence beyond the point being put briefly to Ms Farrant in cross examination. In the circumstances I consider it to be neither appropriate nor fair to factor it into my consideration of this issue.
191. For the reasons I have identified, Tesco has failed to satisfy the burden of establishing that it had good cause to use the CCP Signs.

Overall Conclusion on infringement in respect of the Mark with Text

192. For the reasons given, Lidl’s registered Mark with Text is infringed pursuant to section 10(3) of the TMA by the use of the CCP Signs.

THE WORDLESS MARK

193. In light of my findings above (and as I understand Lidl’s submissions in closing), the claim in respect of the Wordless Mark takes matters no further, but in any event I find that the position as to infringement is the same.
194. If I had been persuaded of a lack of similarity between the Mark with Text and the CCP Signs owing to the presence of the text, then Lidl would have wished to rely upon the similarity of the Wordless Mark and the CCP Signs. However,

where that is not the case, it is accepted that analysis of the Wordless Mark adds nothing to Lidl's case, owing to the fact that it has never been used on its own in the UK. Accordingly, the reputation in the Wordless Mark (which is key for the purposes of the claim under section 10(3) TMA) derives solely from use of the Mark with Text. Furthermore, if Lidl's claim had failed on unfair advantage or detriment to the reputation of the Mark with Text, then, as Tesco rightly submits, it would also have failed on the Wordless Mark.

195. As things stand, I should simply observe (in case it proves to be important) that I also consider there to be similarity between the Wordless Mark and the CCP Signs. There is plainly similarity between the background to the CCP Signs (i.e. the CCP Background Signifier) and the Wordless Mark and I do not consider that the presence of the additional red ring on the Wordless Mark affects that conclusion. Whilst the word Clubcard is distinctive, I disagree with Tesco that it precludes any perception of similarity in the mind of the average consumer. Indeed I note that Tesco accepts that the absence of the word "Lidl" on the Wordless Mark renders it "more similar to the CCP Signs".
196. My conclusions in respect of the Wordless Mark are in all material respects otherwise the same as those already identified above in respect of the Mark with Text.

THE COUNTERCLAIM: INVALIDITY AND REVOCATION

197. Given my finding of infringement in relation to the Mark with Text, the Counterclaim does not advance Tesco's position – it relates solely to the Wordless Mark which is simply an additional basis of infringement.
198. Nevertheless, I must deal briefly with the arguments as they were advanced on each side.
199. Tesco's counterclaim raises the following issues:
- i) Whether the Wordless Mark has been used in relation to the goods and services for which it is registered;
 - ii) Whether use of the Mark with Text is use of the Wordless Mark in a form that doesn't alter its distinctive character;
 - iii) Whether the Wordless Mark has distinctive character;
 - iv) Whether any of the registrations for the Wordless Mark were filed in bad faith because there was no intention to use it as a trade mark when each was applied for.
200. Before turning to deal with each of these issues, I need first to consider the significance of the YouGov Survey.

The YouGov Survey

201. I dealt with the YouGov Survey in considerable detail in my judgment on the Survey Application, a judgment which was not affected by the subsequent decision of the Court of Appeal. At paragraphs [113]-[121], I summarised Mr Sketchley's evidence in relation to the YouGov Survey and I set out in full each of the questions posed. Mr Gammon's evidence confirming the accuracy of the content of Mr Sketchley's statement was not challenged at trial by Tesco.
202. For present purposes I need only record that the YouGov Survey was designed to capture results from people who were grocery shoppers from a nationally representative demographic. Full responses to the survey were received from 1,252 panellists who were all asked three main questions, each of which was illustrated with an image of the Wordless Mark. The First Question is of most significance and it was in the following terms: "For the following question, please take a look at the image below before answering the question that follows. What do you think this image is". Mrs Sutton's evidence about this question, which I accept, is that it "was particularly open...that it was not at all leading nor did it tend to bias people towards any particular answer". I reject the suggestion by Tesco in closing, without any expert support, that respondents to this question were "prompted (probably into speculation)". That is neither consistent with my reading of the question, nor Mrs Sutton's evidence.
203. 73% of responses to the first question mentioned Lidl alone, while another 2.3% mentioned Lidl with another brand. Mrs Sutton points out in her report, and again I accept, that "it is important to remember that the respondent to the survey has no idea where this is heading, and is starting with a blank slate". It appears to me to be all the more striking in the circumstances that such a high percentage of responses identified Lidl.
204. It is Lidl's case that these responses are consistent with – and only consistent with – the Wordless Mark being perceived as, and relied upon, as a distinctive identifier of Lidl's business.
205. During the course of the Survey Application, Tesco advanced various points with reference to the expert evidence of Mr Malivoire, including (i) that the YouGov Survey used the wrong stimulus and was conducted under artificial circumstances; and (ii) that the YouGov Survey failed to comply with the Whitford Guidelines, thus suggesting that the YouGov Survey is inherently unreliable. However, for reasons set out in more detail in my judgment, I was unpersuaded by these points and I found Mr Malivoire's report to be of little assistance. In the absence of an expert report at trial, I did not understand Tesco to pursue them. For the sake of completeness, however, I should make it clear that in relation to the first point, I accept Mrs Sutton's evidence that "[i]t is common for surveys to address things before they are used, and that does not render the results less valid. However, the consistency of results in this survey suggests that people did think the image was something they had previously seen, and...many of the respondents did not only identify 'Lidl', but went further and stated that they thought it was the Lidl 'brand' or a Lidl 'advert', which indicates that they were relating it to something they had seen in the past". In relation to the second point, I note that Mrs Sutton's evidence as to compliance with the

Whitford Guidelines was unchallenged at the trial. There is no evidential basis on which it could now be suggested that the YouGov Survey is unreliable.

206. Notwithstanding that the criticisms to which I have referred above have fallen away, Tesco continues to cast doubt on the significance of the YouGov Survey on the grounds that it does not prove origin association; or, put another way, that it does not establish that the Wordless Mark is perceived as designating the origin of Lidl's goods or services exclusively (see *Societe Des Produits Nestle SA v Cadbury UK Ltd* [2016] EWHC 50 (Ch) per Arnold J at [68], and on appeal *Societe Des Produits Nestle SA v Cadbury UK Ltd* [2017] EWCA Civ 358 per Kitchin LJ at [80]-[87] and [101], Floyd LJ at [102]-[110] and Sir Geoffrey Vos at [123]). Tesco accepts that the YouGov Survey establishes that consumers recognise the Wordless Mark and that they associate it with Lidl, but they say that is not enough, contending in closing that the design of the YouGov Survey was "flawed", essentially because none of the questions posed related specifically to the use of the Wordless Mark *as a trade mark* and so none of the respondents was given an opportunity to respond to seeing the Wordless Mark in that context. For this reason, Tesco invites the court to find that the YouGov Survey has no probative value.
207. I dealt with this very point in the context of the Survey Application, arriving at the following conclusion at [184]:

"Next, Mr Brandreth points to the Survey answers, submitting that it is clear from these that the Survey is probative of identification of origin. I agree. The mark with which I am concerned appears to me to be the type of mark that people may well understand as signifying origin. Looking at the answers to the Survey in detail (and taking for these purposes the answers to the first question) one sees numerous responses that say "Lidl", or "Lidl logo" or "Lidl sign" or even "It looks like the background of Lidl", or "Part of the Lidl logo without the words" or "Brand image for Lidl supermarket". This appears to me to be probative of recognition on the part of the participants that the Wordless Mark is a logo or trade mark and thus a clear indicator of origin".

208. Whilst I made it clear in my judgment that I could not say whether that evidence would be determinative at trial, I have seen nothing to undermine it. In my judgment, the Wordless Mark (as tested by the YouGov Survey) is of a kind that is understood by consumers to indicate origin, described by Mr Brandreth as "a heraldic symbol or flag". That it is serving that function is clear from the answers that were given to the YouGov Survey. Of course the need to isolate the Wordless Mark from the Mark with Text for the purposes of the YouGov Survey renders the question of distinctiveness somewhat more hypothetical than might otherwise be the case (as Floyd LJ observed in *Nestle* at [103]), but I consider that the YouGov Survey rightly focused on the Wordless Mark alone and that it produced overwhelming results. I accept Lidl's submission that mere association cannot explain the significant number of responses to the first question that identify a company as indicated by the image, just as simple recognition cannot explain why those answers speak in terms of "logo" or "brands". The evidence of Mrs Sutton, which I accept, is that these responses:

“...indicate unambiguously that the image shown in the survey is perceived to be the Lidl brand, in the view of the general population”.

209. Both parties sought to rely in closing on an extract from Mrs Sutton’s cross examination on this point (which to my mind must be viewed in its entirety, as Lidl sought to do, and not in a rather shorter and more restricted form, as Tesco sought to do):

“MR. CUDDIGAN: The respondents were not asked to consider their response to that Wordless Mark as a badge of origin for goods?

THE WITNESS: They were not.

Q. Or as a badge of origin for any services?

A. They were not.

Q. If they had been, their response may have been very different?

A. It might have been even greater.

Q. And it might have been much less?

A. Potentially.

Q. Thank you. You say in your report that a survey should be designed with -- sorry, can I come back to that? It might have been even greater? How could it have been greater?

A. I think we had something like 75% said that is Lidl. I think if they had been told from the beginning is there a supermarket brand that you associate this with, I think probably 90% would have said yes, Lidl.

Q. That was not the question that was put. The question was put by reference to some products. They are not told ----

A. Totally open, exactly. So totally open they came to Lidl. If you narrowed it down, even more might”.

210. I reject Tesco’s suggestion that this passage in Mrs Sutton’s cross-examination reveals the extent to which the design of the YouGov Survey was “flawed”. On the contrary, I consider this passage to reveal Mrs Sutton’s view (which given the other evidence in this case I consider likely to be correct, whether or not it is really “expert” evidence) that if questions had been posed in the manner postulated by Mr Cuddigan, an even greater number of people would have identified an association with the Lidl brand: “I think probably 90% would have said yes, Lidl”.

211. In all the circumstances I find that the YouGov Survey provides strong evidence that the Wordless Mark, used on its own, has acquired the ability to demonstrate exclusive origin; it is perceived by a significant proportion of the relevant class of consumers to indicate the goods and services of Lidl.

Has the Wordless Mark been used/does it have a distinctive character/has it been used in a form which does not alter its distinctive character?

212. Section 46 TMA sets out the grounds for revocation of a registration for non-use (amongst other things):

“Revocation of registration.

(1) The registration of a trade mark may be revoked on any of the following grounds—

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use...”

213. It is common ground that a mark will be revoked when there has been no use by way of real commercial exploitation of the mark on the market for the relevant goods or services (see *London Taxi Corp v Frazer-Nash Research Ltd* [2016] EWHC 52 (Ch), [2016] ETMR 18, per Arnold J at [219]). This has nothing to do with intention. A proprietor may well intend to use a mark but if it has no market presence after 5 years, it is liable to be revoked.

214. The principal issue here arises under section 46(2) TMA, which is concerned with the circumstances in which the use of a different mark counts as use of a registered mark:

“For the purposes of subsection (1) use of a trade mark includes use in a form (the “variant form”) differing in elements which do not alter the distinctive character of the mark in the form in which it was registered (regardless of whether or not the trade mark in the variant form is also registered in the name of the proprietor)...”

215. Dealing with this latter point first, Lidl point to the summary of the law in *Walton v Verweij* [2018] E.T.M.R. 34 at [119]-[123]. Further, Lidl submits that the facts of this case are on all fours with those of *Specsavers International Healthcare Ltd v Asda Stores Ltd* [2013] E.T.M.R 46, a judgment of the CJEU on a reference from the English court. In that case, Specsavers sued Asda for infringement of its trade marks, relying upon two trade mark registrations; one consisting of two green ellipses partially superimposed over each other so as to resemble spectacles (referred to as “the Wordless logo mark”), the other consisting of the same image but with the word “SPECSAVERS” superimposed over it (“referred to as “the Shaded logo mark”). The CJEU held that there was no inherent problem in relying on use in a form that was itself a registered trade mark. It also held that the presence of the overlapping word changed the form of the mark, but went on to clarify that this did not necessarily alter its distinctive character. The question was ultimately one of consumer perception:

“23 That distinctive character of a registered trade mark may be the result both of the use, as part of a registered trade mark, of a component thereof and of the use of a separate mark in conjunction with a registered trade mark. In both cases, it is sufficient that, in consequence of such use, the relevant class of persons actually perceive the product or service at issue as originating from a given undertaking...

24 It follows that the use of the wordless logo mark with the superimposed word sign “Specsavers”, even if, ultimately it amounts to a use as part of a registered trade mark or in conjunction with it, may be considered to be a genuine use of the wordless logo mark as such to the extent that that mark, as it was registered, namely without a part of it being hidden by the superimposed word sign “Specsavers”, always refers in that form to the goods of the Specsavers group covered by the registration, which is to be determined by the referring court”.

216. The matter returned to the Court of Appeal (*Specsavers International Healthcare Ltd v Asda Stores Ltd* [2015] E.T.M.A 4). At [22], Kitchen LJ observed that it was for the national court:

“to consider the use which has been made and to ask itself whether the differences between the form in which the mark has been used and that in which it is registered do not change the distinctive character of the mark as registered. In carrying out that exercise the court may ask whether the use relied upon is such that the trade mark as registered (here the Wordless logo mark) serves to identify the goods or services as those of a particular undertaking (here the Specsavers group). Put another way, if the mark as registered (here the Wordless logo mark) is used only as part of a composite mark (here the Shaded logo mark), the use must be such that the mark as registered is itself perceived as indicative of the origin of the goods or services”.

217. Pausing there, as Tesco correctly points out, this test recognises that, in carrying out this assessment, whilst the court “may” have regard to the fact that the registered mark is recognised as a badge of origin, that is not ultimately determinative of the statutory question, which still requires an assessment of the distinctiveness of the changes in issue. Indeed, Kitchen LJ began his analysis of the facts by recording (at [23]) that where the word “Specsavers” was “distinctive and appears in prominent letters in a contrasting colour across the centre of the mark”, that was not “a very promising basis for an argument that they have also used the Wordless logo mark”. Similarly here. Tesco points out that what separates the Mark with Text and the Wordless Mark is “the highly distinctive word LiDL”, such that it is “profoundly unlikely” that the additional word element does not affect the distinctiveness of the Wordless Mark.
218. Nevertheless, Lidl says that, just as Kitchen LJ was ultimately satisfied on the evidence (and contrary to his initial impression) that much of the use Specsavers had made of the Shaded logo mark, including its use on signage, also constituted

use of the Wordless logo mark, so here, the court should be similarly satisfied. In particular, Lidl points to paragraph [34] of his judgment, emphasising in particular, the passages I have highlighted in bold, as follows:

“...Specsavers have established that much of the use they have made of the Shaded logo mark including, in particular, its use on signage, does also constitute use of the Wordless logo mark, for **the evidence in this case shows that it has been such that the Wordless logo mark has served and does serve to identify the goods and services of Specsavers, and that the average consumer has perceived and does perceive the Wordless logo mark as indicative of the origin of the goods and services supplied by Specsavers.** In short, much of that use has been such that the differences between the Shaded logo mark and the Wordless logo mark have not changed the distinctive character of the Wordless logo mark; and **the Wordless logo mark has itself been seen as a trade mark and not simply as background. It follows that Specsavers have established that they have made genuine use of the Wordless logo mark”.**

219. I agree with Lidl that the facts of this case and the available evidence are in many respects similar to “the unusual circumstances” in *Specsavers*. I do not consider that I am assisted in my analysis by what Tesco described in its submissions as the “law of permissible variations” – i.e. cases concerned with situations where companies make subtle changes to their branding. I accept Lidl’s submission that the evidence supports the proposition that consumers (both Lidl’s and Tesco’s) have 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”, in other words, as indicative of origin of the goods and services offered by Lidl.
220. First, Lidl has made very substantial use of the Mark with Text over many years. It opened its first store in the UK in 1994 and has always operated under the Lidl brand. Between 2015 and 2020 Lidl GB spent over £350 million on advertising in Great Britain and the Mark with Text (including its background in the form of the Wordless Mark) is used throughout Lidl’s stores, on its advertising and on its products.
221. Second, although the Mark with Text and the Wordless Mark are simple, they are striking and memorable in their simplicity. The evidence in the form of the YouGov Survey establishes that the Wordless Mark is immediately recognisable by the public as denoting the Lidl brand. Whilst I accept that, on its own, the YouGov Survey is unlikely to be dispositive of the question I must decide, nevertheless, it does appear to me to carry significant weight. Furthermore, I disagree with Tesco that there is no evidence to indicate (as there was in *Specsavers*) that consumers ignore or overlook the word Lidl when they see the Mark with Text. The fact that members of the Lidl Vox Populi (including Messrs Berridge and Paulson) provided unprompted commentary identifying that, in their view, the CCP Signs were using “*literally the Lidl logo*”, “*the Lidl rip off*”; “*the @LidlGB colouring and logo pattern*” and that they were “*uncannily similar to the Lidl logo*” is to my mind persuasive evidence of the way in which the Mark with Text is perceived – in common with my own impression, the background is

plainly perceived as having considerable distinctive significance: “*When I see the Tesco advert with all the blue and yellow, all I think of is Lidl*”. The link that the Lidl Vox Populi have made between Lidl and Tesco is premised upon the elements to be found in the Wordless Mark, even to the extent that consumers were not disabused of that link by reason of the presence of Clubcard Prices text. The strong inference is that the Wordless Mark, certainly as it is used on signage, shines through the Mark with Text such that the average consumer recognises it as being distinctive.

222. Third, further support for this proposition is to be found in the internal warnings of Tesco employees and consultants to the CCP Signs being similar to Lidl. I have dealt with these in some detail already, but it is worth reiterating that Mr Hall, Head of Marketing Communications at Tesco “immediately thought that the lock up looks very similar to the Lidl brand logo”, just as Ms Webb thought Lidl would be “getting some free comms” (the clear inference being that the CCP Signs would be mistaken for the Lidl Logo) and Mr Meagher was concerned about “misattribution and risk”. Just as was the case in *Specsaver*, I consider it to be reasonable to assume that Tesco has a good understanding of the nature of the market, the characteristics of the average consumer and other matters affecting how the average consumer would react to the use of the CCP Signs. I consider the internal reservations expressed by Tesco and its consultants to raise the inference that Tesco was well aware of the scope for consumers to perceive the Wordless Mark to denote Lidl’s brand, even with the words Clubcard Prices written across it. In other words, they recognised that the Wordless Mark has a distinctiveness which is separate from, and unaffected by, the addition of the (also distinctive) word “Lidl” (or indeed the distinctive words “Clubcard Prices”).
223. Fourth, I consider the evidence of consumer confusion identified in the first H&P report, to which I have already referred, to be supportive of a significant level of consumer recognition for the Wordless Mark as distinctive in itself.
224. Fifth, the distinguishing character of the Wordless Mark derives 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. I agree with Lidl that these elements are not altered by the presence of the word Lidl in the yellow circle, just as the power of the Wordless Mark to denote the business and goods of Lidl does not appear to be affected by the addition of that word. Although I accept that it is a general trade mark proposition that where a mark is composed of word and figurative elements, the word elements are “in principle” more distinctive because the average consumer will refer to the goods or services by quoting their name rather than by describing the figurative element (see *M&K Srl v EUIPO* (Case T-171-17) at [41]), that will not always be so. Tesco points out that in *Specsavers*, Kitchen LJ was influenced by the fact that the Wordless Logo Mark was itself unusual and that none of its major competitors used a logo which was remotely similar, observing at [25] that “[t]his is not a case in which it can be said that Specsavers are seeking to secure for themselves a monopoly in a relatively banal or commonly used background”. However, I reject the suggestion that the Wordless Mark is a banal, trite or commonly used background. None of Lidl’s competitors uses a similar mark to denote their businesses or brands and although there is evidence of yellow circles being frequently utilised as a means of

indicating value, I am here concerned with the very specific combination of features which makes up the Lidl Logo, not with individual features taken separately.

225. In all the circumstances I accept Lidl's case that the Wordless Mark is itself perceived by consumers as a trade mark and that Lidl has established genuine use of the Wordless Mark through use of the Mark with Text.
226. Finally, whilst I have no doubt that the word Lidl has distinctive significance, as was acknowledged in evidence by Ms Farrant¹⁷, I do not consider that this is enough to undermine the conclusions I have arrived at above. Kitchen LJ viewed the word "SPECSAVERS" as being both distinctive and prominent, but ultimately that did not affect his conclusion that the Wordless Logo Mark in that case had been genuinely used. I consider that, in light of the evidence, the same applies here. I reject Tesco's submission that the word Lidl is "far more distinctive than the word 'SPECSAVERS'".
227. Although Tesco has required Lidl to prove use of the Wordless Mark in respect of each of the goods and services in the relevant specifications, Tesco did not seek to make any submissions on the subject in closing. Although Lidl relies primarily on Tesco's admission that the Mark with Text has been used, saying this resolves the position in relation to the Wordless Mark, nevertheless Lidl also produced an Annex setting out each of the relevant specification terms together with links to evidence of use – all the use being within five years of the date of the Counterclaim for non-use.
228. In closing, Lidl merely invited the court to adopt the Annex and its conclusions as to where use has been made out. Where use has not been made out (as is identified in red in the Annex) Lidl consents to revocation of those terms. Absent any submissions on this issue from Tesco, I am prepared to adopt the approach suggested by Lidl. The Order will need to address the revocation of the Wordless Mark in so far as specific goods/services have not been used.
229. Given my findings above and having regard to the principles on distinctive character identified by Arnold J in *Vibe Technologies Ltd* [2009] E.T.M.R 12 at [61]-[65] and *Enterprise Holdings Inc v Europcar Group UK Ltd* [2015] FSR 22 at [144]-[152], including the need to make an overall assessment of the relevant evidence, I reject Tesco's case that the Wordless Mark and the Additional Wordless Marks are devoid of distinctive character such that they should not have been registered (see sections 3(1)(b) and 47(1) TMA). The case of *GretaMacbeth/OHIM* (Case T-400/07) on which Tesco relied in support of the proposition that the Wordless Mark lacks distinctive character is plainly distinguishable. It was concerned with what was effectively a coloured grid, combining some 24 colours, which the court held was indistinguishable from other colour combinations, and further was likely to be difficult to remember by reason of its "overall complexity". Although the Wordless Mark is indeed "more elementary" than the coloured grid in *GretaMacbeth*, the evidence establishes

¹⁷ It was not put to Ms Farrant that the Wordless Mark on its own was not distinctive, but rather that the word Lidl was "most distinctive".

that its use of a specific combination of simple geometric shapes and primary contrasting colours is both memorable and distinctive of trade origin.

230. In my judgment, Lidl has satisfied the burden of establishing that the Wordless Mark is perceived as a trade mark by the relevant public. Tesco's counterclaim challenging the validity of the Wordless Mark on grounds of non-use and lack of distinctive character is dismissed, save in so far as it is common ground that the Wordless Mark has not been used in respect of a specific subset of goods or services for which it is registered (as more particularly identified in the Annex to which I refer above).

Bad Faith

231. By way of its Counterclaim, Tesco alleges that each of the registrations for the Wordless Mark and the Additional Wordless Marks, is liable to be declared invalid because each was applied for in bad faith.
232. Essentially Tesco contends that the 1995 Registration "is and always was a legal artifice with no corresponding mark in the real world", that it has never been used by Lidl in the form appearing in the register, that it is to be inferred that there was no bona fide intention to use the Wordless Mark in the form as registered and that accordingly the application for the Wordless Mark was made solely for the purposes of deployment as a weapon in legal proceedings, not in accordance with the function of being used on goods or services to indicate the origin thereof.
233. Furthermore, as regards the Additional Wordless Marks and the 2005 Registration, Tesco contends that (i) these marks are evergreened versions of the 1995 Wordless Mark in that they duplicate coverage of various goods and services covered by the earlier mark; (ii) there was no reason for Lidl to re-apply for the same marks and goods/services other than to avail itself of a fresh grace period during which it would not be required to show use of, in effect, the same marks; and (iii) in the circumstances the Additional Wordless Marks and the evergreened 2005 Registration are probative of bad faith in relation to the earlier marks and the 1995 Mark. As regards the 1995 Registration, although the bad faith assessment is at the date of the application, facts and matters subsequent to that date, such as evergreening, have a bearing on that assessment. The fact that Lidl considered it necessary to evergreen the 1995 Mark in 2002, 2005 and 2007 is further proof of its bad faith at the date of the application for the 1995 Mark.
234. By way of a preliminary point I observe that Lidl's primary response to this allegation is to say that if the court holds (as I have now done) that there is use of the Wordless Mark by reason of the use of the Mark with Text, then the basis for Tesco's case on bad faith falls away. This is because (so Lidl submits) Tesco invites an inference as to the subjective intention of Lidl when filing the Wordless Marks and Additional Wordless Marks which is founded on lack of use.
235. This analysis was, however, rejected by Mr Cuddigan in closing who made the point that mere use is not the answer "because you have to intend the use as well as do it. The question of bad faith is judged when you file the mark. If you have no intention to use it, even if you happen to use it, it is bad faith". This point is also clear from Tesco's Counterclaim which pleads that even if use of the Mark

with Text amounts to use of the Wordless Mark “that would have no bearing on the bad faith nature of the application. If the Mark with Text supported the use of the Wordless Mark, then there was no need to apply for the Wordless Mark separate to that unless the purpose of the Wordless Mark application was to give Lidl wider or different protection. Lidl makes that argument in the present proceedings”.

236. At the Strike Out Hearing, Mr Brandreth expressly acknowledged that Lidl had registered the Wordless Mark specifically “in order to obtain a wider scope of protection”.

The legislative framework

237. The legislative framework in relation to bad faith was set out by Arnold LJ in *Lidl Great Britain Lt v Tesco Stores Ltd* [2023] E.T.M.R. 6 at [12]-[14]:

“12. Section 3(6) of the Trade Marks Act 1994 provides that a trade mark “shall not be registered if or to the extent that the application is made in bad faith”. Section 47(1) of the 1994 Act provides that the registration of a trade may be declared invalid on the ground that the trade mark was registered in breach of section 3. While the UK was a Member State of the European Union, these provisions implemented successively Article 3(2)(d) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, Article 3(2)(d) of European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) and Articles 4(2) and 7 of European Parliament and Council Directive 2015/2436/EU of 16 December 2015 to approximate the laws of the Member States relating to trade marks (recast) (“the Directives”).

13. Articles 51(1)(b) and (3) of Council Regulation 40/94/EC of 20 December 1993 on the Community trade mark, Article 52(1)(b) and (3) of Council Regulation 207/2009/EC of 26 February 2009 on the European Union trade mark trade (codified version) and Article 59(1)(b) and (3) of European Parliament and Council Regulation 2017/1001/EU of 14 June 2017 on the European Union trade mark (codification) (“the Regulations”) provide that a Community trade mark, and now an EU trade mark, shall be declared invalid if or to the extent that “the applicant was acting in bad faith when he filed the application for the trade mark”.

14. With effect from 31 December 2020 EU trade marks no longer have effect in the UK. In order to prevent a loss of rights, UK trade marks corresponding to extant EU trade marks were created on 31 December 2020”.

The Case law on bad faith

238. Arnold LJ went on in *Lidl* to set out the case law in detail at [15]-[24]:

“15. The provisions on bad faith contained in the Directives and in the Regulations have been interpreted by the Court of Justice of the European Union in four cases: *Case Chocofabriken Lindt & Sprungli AG v Franz Hauswirth GmbH* (C-529/07) EU:C:2009:361, *Case Malaysia Dairy Industries Pte Ltd v Ankenaevnet for Patenter og Varemaerker* (C-320/12) EU:C:2013:435, *Case Koton Magazacilik Tekstil Sanayi ve Ticaret v EUIPO* (C-104/18) EU:C:2019:724 and *Case Sky plc v SkyKick UK Ltd* (C-371/18) EU:C:2020:45 (“*Sky CJEU*”). There is also a body of case law of the General Court, including *Case Psytech International Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* (OHIM) (T-507/08) EU:T:2011:253, *Case pelicantravel.com sro v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* (OHIM) (T-136/11) EU:T:2012:689, *Case Target Ventures Group Ltd v EUIPO* (T-273/19) EU:T:2020:510 and *Case Hasbro Inc v European Union Intellectual Property Office (EUIPO)* (T-663/19) EU:T:2021:211. All of this case law except for *Hasbro* is retained EU law, and neither party suggested that this Court should depart from it. As for *Hasbro*, this constitutes persuasive authority, particularly since it is a decision of an Extended Composition of the Sixth Chamber of the General Court (permission to appeal from which was refused by the CJEU by order dated 1 December 2021 [EU:C:2021:983]), and neither party suggested otherwise.

16. In *Sky Ltd (formerly Sky Plc) v Skykick UK Ltd* [2021] EWCA Civ 1121 (“*Sky CA*”) Sir Christopher Floyd, with whom Newey and Nugee LJ agreed, set out at [67] 13 points of principle established by the cases I have listed in paragraph 15 above (with the exception of *Target Ventures*, which was not referred to in Sir Christopher’s judgment and may not have been cited) as follows (so far as relevant for present purposes):

“...

2. Bad faith is an autonomous concept of EU trade mark law which must be given a uniform interpretation in the EU: *Malaysia Dairy Industries* at [29].

3. The concept of bad faith presupposes the existence of a dishonest state of mind or intention, but dishonesty is to be understood in the context of trade mark law, i.e. the course of trade and having regard to the objectives of the law namely the establishment and functioning of the internal market, contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin: *Lindt* at [45]; *Koton Magazacilik* at [45].

4. The concept of bad faith, so understood, relates to a subjective motivation on the part of the trade mark applicant, namely a dishonest intention or other sinister motive. It involves conduct which departs from accepted standards of ethical behaviour or honest commercial and business practices: *Hasbro* at [41].

5. The date for assessment of bad faith is the time of filing the application: *Lindt* at [35].

6. It is for the party alleging bad faith to prove it: good faith is presumed until the contrary is proved: *Pelikan* at [21] and [40].

7. Where the court or tribunal finds that the objective circumstances of a particular case raise a rebuttable presumption of lack of good faith, it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application: *Hasbro* at [42].

8. Whether the applicant was acting in bad faith must be the subject of an overall assessment, taking into account all the factors relevant to the particular case: *Lindt* at [37].

9. For that purpose it is necessary to examine the applicant's intention at the time the mark was filed, which is a subjective factor which must be determined by reference to the objective circumstances of the particular case: *Lindt* at [41] - [42].

10. Even where there exist objective indicia pointing towards bad faith, however, it cannot be excluded that the applicant's objective was in pursuit of a legitimate objective, such as excluding copyists: *Lindt* at [49].

11. Bad faith can be established even in cases where no third party is specifically targeted, if the applicant's intention was to obtain the mark for purposes other than those falling within the functions of a trade mark: *Koton Magazacilik* at [46].

12. It is relevant to consider the extent of the reputation enjoyed by the sign at the time when the application was filed: the extent of that reputation may justify the applicant's interest in seeking wider legal protection for its sign: *Lindt* at [51] to [52].

... ”

17. Point 3 in this list requires clarification. The reference to *Lindt* at [45] appears to be a mistake since there is no reference to “dishonesty” in that paragraph or anywhere else in the Court of Justice's reasoning from [34] to [53]. Furthermore, the Court largely endorsed the reasoning of Advocate General Sharpston in her opinion, and specifically approved what she said in paragraph 58 (and paragraphs 66 and 67). Paragraph 58 forms part of the section of the opinion in which the Advocate General considered whether bad faith

depended on subjective intention or purely objective criteria. In paragraph 57 she expressed the view that “in normal usage, the concept of bad faith implies a subjective mental state of a general nature, as outlined in the various descriptions cited by Lindt, Hauswirth and the Commission”. The one cited by Hauswirth, which the Advocate General set out in paragraph 52, was the “often-quoted dictum” of Lindsay J in *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] R.P.C. 367 at 379 that bad faith “includes dishonesty and ... also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined”. The Advocate General concluded in paragraph 60 that bad faith “relates to a subjective motivation on the part of the trade mark applicant - a dishonest intention or other ‘sinister motive’ - which will none the less normally be established by reference to objective criteria... it involves conduct which departs from accepted principles of ethical behaviour or honest commercial and business practices, which can be identified by assessing the objective facts of each case against such standards”. It is this conclusion which provides the foundation (via Case T-82/14 *Copernicus—Trademarks Ltd v EUIPO* (T-82/14) EU:T:2016:396 at [28]) for what the General Court said in *Hasbro* at [41], which constitutes Sir Christopher’s point 4.

18. As for *Koton*, what the Court of Justice said was as follows:

“45. While, in accordance with its usual meaning in everyday language, the concept of ‘bad faith’ presupposes the presence of a dishonest state of mind or intention, that concept must moreover be understood in the context of trade mark law, which is that of the course of trade. In that regard, Regulations No 40/94, No 207/2009 and No 2017/1001, which were adopted successively, have the same objective, namely the establishment and functioning of the internal market (see, as regards Regulation No 207/2009, judgment of 27 June 2013, *Malaysia Dairy Industries* (C-320/12) EU:C:2013:435, paragraph 35). The rules on the EU trade mark are aimed, in particular, at contributing to the system of undistorted competition in the Union, in which each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin. ...

46. Consequently, the absolute ground for invalidity referred to in Article 52(1)(b) of Regulation No 207/2009 applies where it is apparent from relevant and consistent indicia that the proprietor of an EU trade mark has filed the application for registration of that mark not with the aim of engaging fairly in competition but with the intention of undermining, in a manner

inconsistent with honest practices, the interests of third parties, or with the intention of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark, in particular the essential function of indicating origin recalled in the previous paragraph of this judgment.”

19. Although the Court of Justice does not say so in terms in this passage, it is clear from the Court’s reasoning that bad faith is not limited to dishonesty. This is consistent with the analysis of the Advocate General in *Lindt* and with the judgments of the General Court in *Copernicus* and *Hasbro* .

20. Sir Christopher’s point 11 is drawn from what the Court of Justice said in *Koton* at [46]. The Court repeated this in *Sky CJEU* at [75]. The Court went on in *Sky CJEU* to hold at [81], and to rule in the dispositif at [2], that:

“Article 51(1)(b) of Regulation No 40/94 ... and Article 3(2)(d) of First Directive 89/104 must be interpreted as meaning that a trade mark application made without any intention to use the trade mark in relation to the goods and services covered by the registration constitutes bad faith, within the meaning of those provisions, if the applicant for registration of that mark had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark.”

21. This confirms that the purpose of this ground of invalidity is twofold: first to prevent bad faith vis-à-vis specific third parties, and secondly to prevent abuse of the trade mark registration system (see also *Hasbro* at [69]-[72]). As the European trade mark system has evolved over the past three decades, abuses of the system have become more prevalent. The bad faith objection provides one of the few ways of combatting such abuses, and therefore it is important that it is not too restrictively interpreted.

22. A vexed question in this field is whether it is sufficient to establish bad faith to prove that the applicant for registration did not intend to use the trade mark in question in relation to the goods or services specified in the application. Having repeated what it had said in *Koton*, the CJEU answered this question in *Sky CJEU* as follows (internal citation omitted):

“76. Admittedly, the applicant for a trade mark is not required to indicate or even to know precisely, on the date on which his or her application for registration of a mark is filed or of the examination of that application, the use he or she will make of the mark applied for and he or she has a period of 5 years for

beginning actual use consistent with the essential function of that trade mark ...

77. However, as the Advocate General observed in point 109 of his Opinion, the registration of a trade mark by an applicant without any intention to use it in relation to the goods and services covered by that registration may constitute bad faith, where there is no rationale for the application for registration in the light of the aims referred to in Regulation No 40/94 and First Directive 89/104. Such bad faith may, however, be established only if there is objective, relevant and consistent indicia tending to show that, when the application for a trade mark was filed, the trade mark applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark.”

23. The principles of European law identified by Sir Christopher in his points 6 and 7 are consistent with earlier domestic jurisprudence. So far as point 6 is concerned, the following statement of principle in *Walton International Ltd v Verweij Fashion BV* [2018] EWHC 1608 (Ch); [2018] R.P.C. 19 at [186(i)] is of particular relevance to the present case:

“A person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly [pleaded and] proved. The standard of proof is the balance of probabilities, but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith.”

The words in square brackets I have added to the quotation are supported by earlier authority: see e.g. *ROYAL ENFIELD Trade Mark* [2002] R.P.C. 24 at [31].

24. As for point 7, it is worth setting out what the General Court said in *Hasbro* more fully (internal citations omitted):

“42. It is for the applicant for a declaration of invalidity who intends to rely on Article 52(1)(b) of Regulation No 207/2009 to prove the circumstances which make it possible to conclude that an application for registration of an EU trade mark was filed in bad faith, the good faith of the trade mark applicant being presumed until proven otherwise

43. Where EUIPO finds that the objective circumstances of the particular case which were relied on by the applicant for a declaration of invalidity may lead to the rebuttal of the presumption of good faith which the proprietor of the mark at issue enjoys when he or she files the application for registration

of that mark, it is for the proprietor of that mark to provide plausible explanations regarding the objectives and commercial logic pursued by the application for registration of that mark.

44. The proprietor of the trade mark at issue is best placed to provide EUIPO with information regarding his or her intentions at the time of applying for registration of that mark and to provide it with evidence capable of convincing it that, in spite of the existence of objective circumstances, those intentions were legitimate” .

Discussion

239. Further to the Court of Appeal’s decision in *Lidl*, Tesco submits that the position on bad faith is now straightforward. In my original judgment on Lidl’s strike out application, I identified that the question arising on an application to strike out a plea of bad faith was whether the pleading was sufficient to shift the evidential burden onto the owner of the registered trade mark (i.e. in this case, Lidl). In agreeing with this approach, Arnold LJ went on to say this at [50]:

“I agree with the judge at [96] that the question on a strike out application such as this is whether the statement of case pleads sufficient objective indicia to give rise to a real prospect of the presumption of good faith being overcome so as to shift the evidential burden to the applicant for registration to explain its intentions. In my view Tesco’s pleading does so.”

240. That conclusion is binding on this court and it must follow, so Tesco submits, that the evidential burden now rests with Lidl. Tesco points to the reasoning of the General Court in Case T-663/19 *Hasbro Inc v European Union Intellectual Property Office* [EU:T:2021:211] at [44]:

“The proprietor of the trade mark at issue is best placed to provide EUIPO with information regarding his or her intentions at the time of applying for registration of that mark and to provide it with evidence capable of convincing it that, in spite of the existence of objective circumstances, those intentions were legitimate...”

241. The objective indicia pleaded by Tesco are:

- i) first, that the Wordless Mark was designed as a legal weapon (which is said to be an obvious inference from the fact that Lidl applied for the Wordless Marks in circumstances where it already had the Mark with Text with the same specification of goods/services and its intention was not to use the Wordless Mark independently of the Mark with Text); and
- ii) second, the “evergreening” of the Wordless Mark, i.e. the periodic re-registration of the Wordless Mark which involved applying for goods/services already covered by the prior Wordless Marks (from which it is inferred that Lidl wishes to avoid sanctions for five years’ non-use).

Tesco says that Lidl must now prove its subjective intentions at the relevant filing dates of the various Wordless Marks in issue. If it cannot do so, then a finding of bad faith must inexorably follow because Lidl's conduct will be an abuse of the trade mark registration system.

The 1995 Registration and the inference of use as a Legal Weapon

242. It is common ground that bad faith is assessed at the date of filing of the application in issue, in this case being the filing dates of the Wordless Mark in 1995, 2002, 2005, 2007 and 2021, the latter date being relied upon solely by Tesco in support of its charge of evergreening. Thus I begin with the 1995 filing, which Tesco says is, in any event, the most important because it "put in place the policy that was subsequently followed by Lidl".

243. I accept Tesco's submission that the objective circumstances identified in its pleading are sufficient to raise a rebuttable presumption of lack of good faith, such that it is now for Lidl to provide a plausible explanation of its objectives and commercial logic. On the law as I understand it, my finding that the Wordless Mark has in fact been used as a component of the Mark with Text is not determinative on this point (see paragraph [58] of Arnold LJ's judgment in *Lidl*). Arnold LJ made plain (at [48]) that "[a]bsent an admission, the subjective intention of a party is usually a matter of inference from objective facts. Bad faith is no different in this respect, as Sir Christopher Floyd's point 9 confirms". He went on to observe that he regarded the inference that Tesco seeks to draw in its statement of case as to the use of the Wordless Mark as a legal weapon as "a permissible inference from the facts pleaded". Furthermore, he considered it to be an inference that was supported by Lidl's admission that it had registered the Wordless Mark in order to achieve "a wider scope of protection".

244. Arnold LJ went on to say this at [49] and [50]:

"49 Contrary to the submission of counsel for Lidl, the inference cannot be disproved merely by the counter-assertion that Lidl were entitled to obtain a wider scope of protection than that conferred by registrations of the Mark with Text. Whether obtaining that wider scope of protection was legitimate requires a factual investigation, in particular as to the extent of the reputation and goodwill which attached to the Mark with Text in 1995 and as to whether the average consumer in 1995 would have perceived the Wordless Mark as designating the origin of Lidl's goods and/or services. See Sir Christopher's point 12 [in *Sky CA*]

50 ...it is clear that for an applicant to seek unjustifiably broad protection may amount to an abuse of the trade mark system which constitutes bad faith. Whether it does constitute bad faith is at least to some extent a fact sensitive question which depends in large part on the applicant's intentions..."

245. Pausing there, Lidl has adduced no evidence whatever either as to the reputation and goodwill enjoyed by the Mark with Text in 1995 or as to the perception of the average consumer at that time. Furthermore, it has no evidence as to its

intentions at the time of the 1995 Application. The unchallenged evidence of Mr Unterhalter explains that, despite extensive investigations, Lidl has been unable to shed any light on its intentions and rationale at the time of filing the applications for the Wordless Marks. There is no one still within the Lidl business who has any personal recollection of, or involvement in, the filings made in 1995, 2002, 2005 or 2007 and Lidl is not prepared to waive privilege over communications with its external trade mark attorneys and lawyers (a perfectly legitimate stance which does not entitle the court to draw any inferences one way or another). As for Lidl's current filing practice, Mr Unterhalter's unchallenged evidence is that Lidl's approach to trade mark protection "in general" is, in summary, that (i) it always tries to register brands it uses as part of its distinct identity; (ii) it updates trade marks when there is a change in brand assets, such as the introduction of a new logo or a tweak to an existing logo; (iii) it tries to obtain trade mark coverage in all the countries/markets that it operates in and (iv) it seeks to ensure that its trade mark registrations cover the business it is actually doing.

246. Lidl submits that Mr Unterhalter's evidence is relevant to the question of Lidl's intentions in 1995, as it casts light "backwards" as to the approach that Lidl must have taken at that time, citing *La Mer Technology Inc v Laboratoires Goemar SA* [2004] F.S.R. 38 in support. However, to my mind that case does not begin to support the proposition that evidence of practice more than 25 years after the original registration is sufficient to establish a subjectively honest intention at the time of that registration. At [31] the court said this:

"...the Directive does not expressly preclude in assessing the genuineness of use during the relevant period, account being taken, where appropriate, of any circumstances subsequent to that filing. Such circumstances may make it possible to confirm or better assess the extent to which the trade mark was used during the relevant period and the real intentions of the proprietor during that time".

247. To my mind, *La Mer* establishes no more than that evidence after the date of filing *may* be relevant to the overall assessment, where it is capable of providing assistance on the issues before the court. However, I do not consider the evidence of Mr Unterhalter to be of any assistance in this regard. It is so long after the relevant filing and so general in its content that it cannot inform the court of Lidl's intentions at the time and nor is it a good basis for inferring (as Lidl submits) that the filing practice in 1995 "must" have been the same as it is today. In any event, I note that,

- i) for obvious reasons, Mr Unterhalter is wholly unable to say whether the Wordless Mark was even viewed as forming a part of Lidl's distinct identity in 1995 (Lidl having only commenced business in Germany using the Mark with Text in 1987, opening its first store in the UK in 1994). Mr Unterhalter's evidence that he now considers the Wordless Mark to be a core part of Lidl's brand identity does not speak to the position in 1995; and
- ii) Mr Unterhalter does not suggest that Lidl's current practice involves seeking to achieve a "wider scope of protection" (as it is conceded occurred in 1995). This appears to undermine the suggestion that I can properly infer

that Lidl's current approach to its trade mark strategy is the same in all material respects to its approach in 1995.

248. In Lidl's Statement of Case on Good Faith, it makes a number of points designed to persuade the court of its good faith:

- i) First, it points out that the specification of goods listed in the 1995 Application is consistent with the goods of a supermarket business and it pleads that "it is to be inferred that the 1995 Application was made for the purpose of protecting the Wordless Mark in connection with the use being made of it by Lidl at that time". The trouble with this pleading, however, is that without any evidence whatever to establish Lidl's knowledge or belief at the time, it does not appear to me to be sufficient to displace the inference of use of the Wordless Mark as a legal weapon (considered by Arnold LJ to be a legitimate inference). I agree with Tesco that this really amounts to little more than a submission. There is no evidential basis for the underlying contention that Lidl knew or thought that it was using the Wordless Mark by using the Mark with Text. In this context the fact that the registration involved goods that were consistent with a supermarket business takes matters no further;
- ii) Second, it draws attention to the fact that in January 2021, Tesco filed a petition at the Slovak IPO seeking revocation of a 1995 registration of the Wordless Mark in Slovakia on grounds of non-use. The point made by Lidl is that the Slovak IPO rejected this petition, finding (as I have done) that use of the Mark with Text does constitute use of the Wordless Mark. However, I have already accepted that a finding of use is not sufficient to protect against a finding of bad faith – the question for the court is the subjective intention of the proprietor of the trade mark at the time of registration. The fact that a registered mark is later found to have been used as a component part of another mark does not (without more) evidence the existence of the necessary subjective intention.
- iii) Third, it seeks to rely upon an undertaking given by Lidl in 1997 to Osmiroid International Limited, a company whose mark has a similar background involving a circle on a square, "to use [Lidl's] yellow circle logo in combination with the name Lidl or LIDL" in consideration for which Osmiroid consented (in a letter of 3 September 1997) to registration of the Wordless Mark for goods falling in Class 16. Lidl asserts that it is to be "inferred from the terms of the undertaking that Lidl considered use of the Mark with Text to be use of the Wordless Mark". However, I am again inclined to agree with Tesco that this evidence does not assist Lidl. It does not (without more) evidence a subjective intention on the part of Lidl to use the Wordless Mark and nor does it support the proposed inference; the letter is the only available evidence and it appears to be concerned with acts of trade in the real world rather than with the minutiae of trade mark law. I note that Lidl made no mention of this evidence in its closing submissions.
- iv) Fourth, Lidl relies upon the fact that (as it was required to do by the wording of the application form) it made a statement of intention to use the Wordless Mark in the 1995 Application and thereafter further confirmed its "genuine

intention to use” the Wordless Mark upon a query from the Patent Office. However, given the inference legitimately raised by Tesco’s pleading, I do not see that this is sufficient on its own to establish good faith – as Tesco correctly points out, there is nothing akin to a statement of truth in making the application for the registered trade mark and so this exercise is little more than “bureaucratic box-ticking”.

249. Given that I have been unable to accept any of the points made by Lidl in its Statement of Good Faith, I am bound to find that in the absence of any evidence of the type I have already identified, Lidl has been unable to displace the *prima facie* inference raised by Tesco that, at the time of the 1995 Application, the Wordless Mark was registered in order to use it as a weapon to secure a wider legal monopoly than it was entitled to, with no genuine intention to use it. This is sufficient to amount to bad faith and renders the 1995 Wordless Mark invalid. Furthermore, in my judgment, Lidl has been unable to rebut the inference that later applications appear to have been applying the same policy (in so far as they were applying for an extension of goods and services which went beyond merely reproducing existing protection).

Evergreening and the later Applications

250. Tesco has a second string to its bow – relying in addition on evidence of “evergreening”, which it says supports its main case on bad faith in respect of the 1995 Registration and also operates as an independent attack on the later registrations. In particular, as Arnold LJ observed at [53]:

“...Tesco rely upon the facts (which are actually undisputed) that (i) Lidl have never used the Wordless Mark in the form in which it was registered, (ii) Lidl registered the Wordless Mark in 1995 in order to obtain a wider scope of protection than that conferred by the Mark with Text and (iii) Lidl applied to re-register the Wordless Mark in respect of (partially) duplicative goods and services in 2002, 2005, 2007 and 2021”.

251. Once again, Arnold LJ arrived at the view that Tesco had done enough in its pleading to invite the inference that Lidl intended to avoid sanctions for non-use by re-registering the Wordless Mark (see [56]). He plainly considered that, again, the burden had shifted to Lidl to rebut the charge of evergreening (see for example his rejection of Lidl’s case on EU registrations in [57]). He expressly pointed (at [54]) to the fact that the later registrations (including the 2021 application) duplicate coverage of quite a lot of the goods and services covered by the 1995 registrations, albeit they include some goods and services not covered by the 1995 registrations. As for the 2021 application he noted that it covered “every single Class, something which in and of itself raises questions about Lidl’s filing strategy”.
252. In this context, Lidl drew my attention to the case of *Pelicantravel.com s.r.o v OHIM, Pelikan Vertriebsgesellschaft GmbH & Co KG (intervening)* (Case T-136-11), submitting that the real question is whether there is a commercial rationale for the relevant specifications in the context of the registration as a whole. Whilst paragraphs [46] and [49] of that decision certainly refer to the

question of commercial common sense, observing that it was “conceivable” that Pelikan had decided to direct its commercial policy towards services in which it was interested or which might interest it in future, I do not consider that to be an answer in this case. Where Tesco has successfully raised a rebuttable presumption of lack of good faith, that presumption cannot be displaced purely by reference to the fact that Lidl may conceivably have had a legitimate commercial strategy. As Sir Christopher Floyd observed at his point 7 in *Skykick*, with reference to *Hasbro* at [42]: “it is for the applicant to provide a plausible explanation of the objectives and commercial logic pursued by the application”. Some evidence of Lidl’s strategy would be required, but none has been produced.

253. I need say little more about the 1995 Application – I have already found bad faith in respect of its filing, but on balance I agree that the objective evidence of evergreening (which I accept for reasons I set out in more detail below) is plainly supportive of that finding. In this instance I do consider that this later evidence is of probative value when it comes to considering the earlier application.
254. As for the 2002, 2005 and 2007 Registrations, I do not consider that Lidl has adduced evidence of subjective intention capable of rebutting the charge of bad faith having regard to the objective indicia of evergreening – in respect of which there is no dispute on the facts that these registrations duplicate, at least in part, goods and services from earlier registered Wordless Marks. Mr Unterhalter is unable to explain why this approach was taken at the time and I have already explained why I do not consider his evidence to have any probative value in respect of registrations occurring long before the date of that evidence. Although I accept Lidl’s submission that the mere fact of overlap is not indicative of bad faith (see *Hasbro Monopoly* at [70]), as Arnold LJ observed in *Lidl* at [51], “Tesco’s case is not based on the mere existence of an overlapping mark”.
255. Further and in any event, the inferences of good intention which Lidl invites the court to draw in its Statement of Case on Good Faith are not inferences which I consider appropriate from the matters pleaded. In so far as Lidl seeks to rely on the fact that the 2002, 2005 and 2007 Registrations were EU registrations, that is not now open to them in light of paragraph [57] of the judgment of Arnold LJ. In so far as Lidl relies upon statements made to (i) the United States Patent and Trademark Office (“USPTO”) for registration of the Wordless Mark in the USA (at around the time of filing the 2002 Application); and (ii) the USPTO for registration of the Wordless mark in the USA in 2012, I agree with Tesco that such statements are no more than assertions and carry no evidential weight. I do not consider that the decision of the German court, relied upon by Lidl in connection with the 2005 registration, is capable of carrying the weight that Lidl seeks to place on it.
256. In all the circumstances, I am once again bound to find that the 2002, 2005 and 2007 registrations were designed in part to “evergreen” so as to avoid sanctions for non-use (an abuse of the trade mark system) and in part to further the policy of registration of the Wordless Mark as a legal weapon. This was in bad faith and I find that these marks were invalid.
257. Tesco did not seek to address the 2021 application (UK00003599128 filed on 22 February 2021 – the “**2021 Application**”) specifically in its submissions and it

was not clear whether it sought to pursue the observation made by Arnold LJ in *Lidl* as to that application calling Lidl's filing strategy into question.

258. In its Statement of Case on Good Faith, Lidl relies on its understanding, as confirmed by Mr Unterhalter in his fourth statement, that the Wordless Mark “is an important part of [its] branding”. This was not challenged by Tesco (in so far as it reflected Mr Unterhalter's current understanding), just as it did not appear to challenge at trial Lidl's plea that the 2021 Application was designed to achieve protection for a version of the Mark that reflected the recent brand-colour update that was undertaken at the end of 2020 and in relation to a broader specification of goods and services including those which the Lidl business had begun to sell in the intervening time since 2007. This plea is consistent with Mr Unterhalter's evidence in his third and fourth statements (which I accept) as to the very large range of non-food products found in Lidl stores. Although Tesco continues to maintain that the 2021 Application is another “evergreened” application, I reject that case.
259. To my mind, the objective indicia that existed in relation to the earlier registrations are weaker and, in any event Lidl has evidence of subjective intention which I accept is sufficient to overcome any adverse inference. I note in particular that between 9 April 2010 (the date of registration of the 2007 Application) and 22 February 2021, there was a gap of almost 11 years, a gap which I accept would not have been permitted to appear if Lidl was interested in “evergreening”. Further and in any event, by February 2021, I accept that, on balance, Lidl genuinely believed that the Wordless Marks had been the subject of genuine use and were not vulnerable to revocation. The 11 year gap is objective evidence of that fact. By 2021, I also accept that the Wordless Mark enjoyed its own reputation for all the reasons I have already identified.
260. Furthermore, I note the *inter partes* correspondence between the parties commencing on 24 September 2020 with a letter from Lidl's solicitors asserting the use of the Wordless Mark “internally and externally within Lidl GB and across our other 30 markets”, together with the fact that the Particulars of Claim, asserting use of the Wordless Mark as a component of the Mark with Text and verified by a statement of truth, was served on Tesco under cover of a letter of 16 February 2021 (i.e. before the 2021 Application). Indeed the YouGov Survey was conducted between 19 and 22 February and it seems unlikely that its results were not immediately relayed to Lidl.
261. In all the circumstances I reject the suggestion that the 2021 Application supports Tesco's case on evergreening, or that there is any basis on the evidence for a finding that, by this stage, Lidl did not believe that it was using the Wordless Mark.

PASSING OFF

The Law

262. The scope of protection conferred by the law of passing off is not the same as that afforded by a registered trade mark. It is common ground that the elements

required if a case in passing off is to be established are well settled and were summarised by Lord Oliver in *Reckitt & Colman Products Ltd v Borden* [1990] 1 WLR 491 at 499:

“First, [a claimant] must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services.

Secondly, [a claimant] must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods and services of the [claimant]. Whether the public is aware of the [claimant's] identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the [claimant]. For example, if the public is accustomed to rely upon a particular brand name in purchasing goods of a particular description, it matters not at all that there is a little or no public awareness of the identity of the proprietor of the brand name.

Thirdly, [the claimant] must demonstrate that he suffers, or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the [claimant].”

263. In *Glaxo Wellcome UK Ltd & Anor v Sandoz Ltd & Ors* [2019] EWHC 2545 (Ch) at [156]-[189], Arnold LJ emphasised the following points:

(i) The date on which the three elements identified in *Reckitt* must be assessed is the date when the defendant commences the acts complained of ([157]).

(ii) Passing off requires deception – it is not enough if members of the public are merely caused to wonder if there is a connection. ([158]-[159]).

(iii) For there to be passing off, a substantial number of members of the public must be misled. It is insufficient that careless or indifferent people may be led into error ([160]). (To this point I add that while the requirement is that a substantial number of a claimant's actual or potential customers would be deceived, it is not necessary to show that most of them are (see *PlanetArt* at [78]). As the Court of Appeal made clear in *Lumos Skincare v Sweet Squared* [2013] EWCA Civ 590 (per Lloyd LJ at [60] quoting *Neutrogena*): “There is passing off even if most of the people are not fooled most of the time but enough are for enough of the time. By “enough” I mean a substantial number

of the plaintiff's customers or potential customers deceived for there to be a real effect on the plaintiff's trade or goodwill".

(iv) The correct approach was well described by Jacob J in *Neutrogena* at page 482 ([161]):

"The judge must consider the evidence adduced and use his own common sense and his own opinion as to the likelihood of deception. It is an overall 'jury' assessment involving a combination of all these factors, see '*GE*' *Trade Mark* [1973] R.P.C. 297 at page 321. Ultimately the question is one for the court, not for the witnesses. It follows that if the judge's own opinion is that the case is marginal, one where he cannot be sure whether there is a likelihood of sufficient deception, the case will fail in the absence of enough evidence of the likelihood of deception. But if that opinion of the judge is supplemented by such evidence then it will succeed. And even if one's own opinion is that deception is unlikely though possible, convincing evidence of deception will carry the day. The Jif lemon case (*Reckitt & Colman Products Ltd. v. Borden Inc.* [1990] R.P.C. 341) is a recent example where overwhelming evidence of deception had that effect. It was certainly my experience in practice that my own view as to the likelihood of deception was not always reliable. As I grew more experienced I said more and more 'it depends on the evidence'".

(v) It is not sufficient for a claimant to prove that the public recognises a particular attribute and associates it with the claimant – mere recognition is not enough, the relevant public needs to perceive the attribute as a badge of origin ([170]-[173]).

(vi) Passing off is not confined to misrepresentation as to trade origin, and may extend to misrepresentation as to equivalence ([174]-[181]).

(vii) However, as Arnold LJ said at [181]:

"In the light of these authorities, counsel for the Defendants did not dispute that, in principle, a misrepresentation as to equivalence could be actionable as passing off, but submitted that it was necessary to consider with care what goodwill the claimant owned and whether any misrepresentation was made by the indicia complained of which was likely to damage the claimant's goodwill. I accept that submission."

(viii) It is not a necessary ingredient of passing off that the misrepresentation was deliberate. While the intentions of the defendant may have evidential relevance, the misrepresentation may be an innocent one ([182]-[183]). Thus as Lord Simonds said in *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* (1946) 63 RPC 39 at page 42 "...if the intention to deceive is found, it will readily be inferred that deception will result.

Who knows better than the trader the mysteries of his trade?” ([185]). It is likely to be important to distinguish between a conscious decision to live dangerously and one who intends to cause deception and deliberately seeks to take the benefit of another trader’s goodwill ([187]-[188]).

264. In *PlanetArt*, Daniel Alexander KC noted the dual relevance of misrepresentation as follows (at [49]):

“First, in most cases...the central question is whether there is a misrepresentation...this is the critical element of the tort. A finding of misrepresentation, or its absence, informs but is not conclusive of the other two requirements of the tort. If there is a misrepresentation it is often likely that it is because the claimant has developed sufficient goodwill. So the presence of misrepresentation is itself a test of goodwill.”

265. There is no generalised tort of “unfair competition” (*L’Oreal v Bellure* [2008] R.P.C. 9 per Jacob LJ at [161]). Passing off is directed towards a specific set of conditions that amount to unfair competition and include a requirement for misrepresentation.

Application of the law to the facts

266. Lidl’s passing off case, as pleaded, is that by reason of its use of the Sign in connection with the Tesco business and goods, Tesco has misrepresented “that products sold by Tesco share the qualities of those of Lidl, including in particular, that the goods offered for sale by Tesco in connection with the Sign are of equivalent good standard, and sold at the same or equivalent price, as similar products sold in the course of the Lidl business; or that Tesco has otherwise ‘price matched’ the prices of its products with those of Lidl; in each case contrary to fact”. This is a claim of misrepresentation as to equivalence and so it is necessary to examine the claim to goodwill and misrepresentation with the utmost care. Notwithstanding the evidence as to source confusion, there is no pleaded case of passing off in that regard.

Goodwill

267. Dealing first with goodwill, it is Lidl’s case that it has acquired valuable and substantial goodwill in the Mark with Text and the Wordless Mark in relation to its “business, services and goods”, namely those services and goods for which the Lidl Marks are registered. Accordingly, Lidl says that, in the UK, the Mark with Text has come to signify the business, services and goods of Lidl “and no other”. That Lidl has goodwill in the Mark with Text is admitted by Tesco, although this is expressly confined to an admission that the Mark with Text indicates the origin of retail services that Lidl provides. Tesco denies that the Mark with Text indicates to the public that Lidl exclusively provides retail services or goods of any particular standard, quality or price. Tesco also denies the existence of any goodwill in the Wordless Mark.

268. In opening, Tesco suggested that there is no pleaded allegation that Lidl’s goodwill is itself associated with any attribute, such as a particular price or

quality. However, on close analysis of the pleadings, I reject this suggestion. Lidl's plea of passing off at paragraph 28(a) of the PoC cross references to earlier paragraphs, including paragraph 24 of the PoC, which includes the statement that "Lidl operates in the mass market, operating a business model as a 'discount' supermarket, providing grocery products at a price point that is accessible to the mass market consumer, with the aim of offering a balance between high quality and low price. Thus Lidl's goodwill and reputation in the UK is supported by the striking value for money that it offers to its customers, encapsulated by its slogan: 'Big on Quality, Lidl on Price'".

269. Having regard to the evidence to which I have already referred in this judgment, I accept Lidl's case that (i) the UK public recognises the Lidl Marks as indicating Lidl's goodwill, and (ii) its goodwill includes its reputation as a discounter that offers goods at low prices. In this context I accept Ms Farrant's evidence and I note references in the trade press and in *The Guardian* to Lidl being a "discounter", a "German discounter" and a "budget shop", together with YouGov data recording that Lidl is described by its fans as "Good value. Good offers/deals. Cheap". Ms McEtrick accepted in her evidence that Tesco was losing customers in 2019 who were trading out to Aldi, Lidl, and more recently Asda, for Every Day Low Prices and Mr Threadkell did not quibble with Lidl's reputation as a discounter. Indeed he accepted that it was common knowledge "amongst the general public" that Lidl are "value-oriented competitors with a reputation for price", something that was also abundantly clear from Tesco's internal documents.
270. However, I am inclined to agree with Tesco that Lidl's claim that consumers associate Lidl with some unspecified "quality" or "standard" of goods is both vague and lacking in evidential support. Lidl did not elaborate on this plea in closing and I note that evidence attached to Ms Farrant's statement designed to show "third party recognition, commentary, discussion and press coverage relating to Lidl's various own brand products" includes both positive and negative reviews.

Misrepresentation

271. Here the misrepresentation is said by Lidl to be the mistaken belief arising from Tesco's adoption of the CCP Signs as to the relationship between Clubcard Prices and Lidl's prices -i.e. that a substantial number of Lidl customers are led to believe that the Clubcard Price is the same or lower than the price offered by Lidl for the equivalent goods. That mistaken belief is said to be deceiving consumers and causing damage to Lidl because price sensitive shoppers will purchase goods in Tesco rather than Lidl.
272. I accept Lidl's submissions that although this court cannot begin to quantify the precise proportion of consumers who are, or have been, deceived, nevertheless the evidence supports the proposition that a substantial number of consumers have been deceived. I reject Tesco's submission that the CCP Signs are "exclusively addressed" at Tesco's consumers, a submission which is neither consistent with the marketing campaigns across a variety of media, nor with the evidence of Ms McEtrick that one of the aims of the CCP Signs promotion was to "better the value perception of Tesco". In any event, the evidence shows that

a very high percentage of the UK population shops at Tesco (at least) occasionally and so even if the CCP Signs are intended to be directed at Tesco's consumers, they will be seen by many consumers who also shop elsewhere.

273. I also reject Tesco's submission that there is no evidence that Lidl's prices are generally lower than Tesco's prices. Obviously to establish a misrepresentation it is necessary for Lidl to satisfy the court that the impression gained by consumers by reason of the CCP Signs (i.e. that Tesco's Clubcard Prices are the same or lower than the price offered by Lidl) is misconceived. In general terms, as Mr Brandreth submits, Lidl's reputation as a discounter plays to this point (as does Ms McEttrick's acceptance that customers were trading out to, amongst others, Lidl for EDLP). However, this evidence is incapable on its own of evidencing a misrepresentation. Nonetheless, I consider that for the reasons identified in dealing with unfair advantage at paragraphs 177-181 of this judgment, Lidl has satisfied its burden. Annex 24 to the PoC shows that, as Ms Farrant confirmed in her evidence, under the Clubcard Prices Scheme (at least) some of the Tesco prices are not as good as Lidl prices.
274. In my judgment, the evidence to which I have already referred as to the link that is being made by consumers between the Tesco CCP Signs and the Lidl Marks establishes the existence of deception. That evidence is consistent across different sources as to the basis, cause and nature of the deception. Whilst it is clear that many consumers will not be fooled by the similarities between the CCP Signs and the Lidl Marks, it is also clear that a substantial proportion of people will be fooled – the evidence from Messrs Paulson and Berridge (whose views on seeing the CCP Signs were not said by Tesco to be atypical), the evidence of the spontaneous reactions from the Lidl Vox Populi and the evidence from the Source Survey all supports such a conclusion, as does my finding that this is likely to be the tip of the iceberg.
275. Lidl sought to persuade me that the first H&P Report identifying 8% of people as confused as to the origin of the CCP Sign in OOH advertising provides relevant evidence as to the level of possible deception – 8% of customers being more than Lidl's total grocery market share (of 7.2% in 2022), but I remain unconvinced. There is of course a distinction between confusion and misrepresentation, such that confusion may be established without an actionable misrepresentation. Further, likely levels of confusion as to origin do not appear to me to provide any probative pointer to the more nuanced question of deception in relation to equivalence. In any event, for reasons I have identified, it does not matter – there is already sufficient evidence, in my judgment, to find that a substantial proportion of customers will be deceived.
276. While there is evidence that certain Tesco employees understood the CCP Signs to be reminiscent of Lidl's Marks, I reject Lidl's submission (which did not appear to me seriously to be pursued in closing) that Tesco deliberately intended to mislead, for similar reasons to those identified above in dealing with intention in the context of the claim in trade mark infringement.

Damage

277. I accept that for the reasons I have identified above in the context of the claim for trademark infringement, Lidl has suffered damage by reason of Tesco's misrepresentation; the mechanism by which the harm has been caused is the same. Tesco's main point as to damage concerned the proposition that even if customers were deceived, they would only be deceived into thinking that Tesco's Clubcard Prices are equivalent to Lidl's prices and that, on the available evidence, there is no reason to think this is untrue. However, I have already dealt with, and rejected, this point when dealing with unfair advantage.

COPYRIGHT INFRINGEMENT

278. Lidl's case is that the Second Claimant is the owner of copyright in original artistic works consisting of the Mark with Text and the Wordless Mark (for these purposes referred to as "**the Works**") which has been infringed by Tesco copying a substantial part in the design for the CCP Signs. The age of the Works means that there is no formal record of authorship and ownership, but Lidl relies upon the statutory presumptions in section 104(4) and (5) of the Copyright, Designs and Patents Act 1988 ("**the CDPA**"). Lidl says that the Mark with Text was first published in 1987 (when a trade mark application was filed) and that, accordingly, copyright expires in 2057 pursuant to the provisions of section 12(3)(b) of the CDPA.

279. The agreed issues for trial under this heading are as follows:

- i) Whether copyright subsists in each of (i) the Mark with Text and/or (ii) the Wordless Mark as an artistic work;
- ii) If so, whether copyright in each of the Works is owned by Lidl; and
- iii) Whether Tesco copied the Works or either of them and, if so, whether such copying was in respect of a substantial part.

280. Pausing there, although the Wordless Mark continues to be mentioned in respect of the claim of copyright infringement, Lidl dealt only in its submissions with the Mark with Text and I agree with Tesco that where the Wordless Mark has not in practice been used, other than as a background to the Mark with Text, any copying can only have been in respect of the Mark with Text. There is no suggestion that Tesco has seen the Wordless Mark. Accordingly, I shall approach this aspect of the claim on the assumption that it is really concerned with the Mark with Text.

The subsistence and ownership of Copyright

281. Pursuant to section 1 CDPA, a "copyright work" is a property right which subsists in, amongst other things, "original literary, dramatic, musical or artistic works". Section 4(1)(a) of the CDPA defines "artistic work" as including "a graphic work...irrespective of artistic quality", whilst section 4(2)(a) provides that a "graphic work" includes "any painting, drawing, diagram, map, chart or plan".

282. Copyright only protects works which are original in the sense that they are the author's own creation. The test for originality was considered by the European Court of Justice in *Infopaq International A/S v Danske Dagblades Forening* [2010] F.S.R. 20 (Case C-5/08) at [39]. A work, and its various parts, will be considered original "provided that they contain elements which are the expression of the intellectual creation of the author of the work". This EU test of originality was further elaborated upon in *Cofemel v G-Star Raw* [2020] E.C.D.R. 9 (Case C-683/17) at [29]-[31]:

"29. The concept of "work"...[f]irst...entails that there exist an original subject matter, in the sense of being the author's own intellectual creation. Second, classification as a work is reserved to the elements that are the expression of such creation...

30. As regards the first of those conditions...if a subject matter is to be capable of being regarded as original, it is both necessary and sufficient that the subject matter reflects the personality of its author, as an expression of his free and creative choices...

31. On the other hand, when the realisation of the subject matter has been dictated by technical considerations, rules or other constraints, which have left no room for creative freedom, that subject matter cannot be regarded as possessing the originality required for it to constitute a work..."

283. The court went on at [35] to observe that, where subject matter has the characteristics identified in [30], and therefore constitutes a work, "it must, as such, qualify for copyright protection...and it must be added that the extent of that protection does not depend on the degree of creative freedom exercised by its author, and that that protection is therefore not inferior to that to which any work falling within the scope of that directive is entitled". In other words, the question of protection is a matter of fact and not degree.

284. Whilst Lidl pointed out that the test of originality as identified in the UK authorities has sometimes been described differently, I did not understand Tesco to advance any test other than that set forth in *Infopaq* and *Cofemel*. Indeed, Tesco specifically relied upon the decision of Arnold J in *England & Wales Cricket Board v Tixdaq* [2016] EWHC 575 (Ch) relying upon *Infopaq* at [65]. Further and in any event, I note that *Copinger & Skone James on Copyright* 18th Edition, at 7-51 express the view that it is far from clear that any divergences between UK and EU law will be significant in the general run of cases.

285. Mr Unterhalter's unchallenged evidence is that his enquiries of the corporate archivist for the Schwartz Group (the multi-national retail group that owns Lidl) have uncovered the following information as to the development and creation of the Works:

- i) the stylised Lidl text was designed in around 1972/73;
- ii) around the beginning of the 1980s a circular logo was created in the form of a yellow circle with a red border, with the Lidl stylised text superimposed

on it. In some newspaper adverts of the time (printed in black and white) this was sometimes shown in a grey/black circle instead of yellow/red.

- iii) In the late 1980s a square version of the Lidl logo was created in the form of a blue square with the circular logo and stylised Lidl text superimposed on it forming the Mark with Text. A German trade mark was applied for on 20 November 1987 in relation to the Mark with Text. The earliest record of the Mark with Text being used is a photograph of a Lidl store in France in the late 1980s or very early 1990s.
 - iv) It is likely that the Works were created by employees of Lidl Stiftung who would have been German nationals.
286. It is common ground that the Works are capable of being “artistic works” falling within the category of “graphic works”. However, the parties disagree over whether they are ‘original’. Tesco accepts that the Mark with Text contains a device with a stylised version of the word “Lidl” and that copyright subsisted in this device and was owned by Lidl. However, Tesco rejects the subsistence of copyright in the finished Works which, essentially, Tesco contends were developed over some 20 years in 3 distinct stages, involved negligible additional artistic skill and labour and, in any event, incorporate elements in the form of the blue square and yellow circle created by (it is to be assumed) different authors such that there is no principled basis to consider the skill and labour involved in the design of those elements *per se* together in one copyright work. Thus Tesco says that none of the skill and labour involved in producing the stylised Lidl text logo can be protected by the design of the circle logo and that, similarly, none of the skill and labour involved in producing the stylised text logo or the circle logo can be protected by the addition of the blue square in the Mark with Text logo.
287. I reject Tesco’s case on this score for two main reasons. First, the Mark with Text involves a combination of elements. Tesco conceded in opening that if an act of combination is artistically significant then copyright will protect that artistic combination. This much is clear from *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, a case in which the House of Lords was concerned with betting coupons printed with lists of forthcoming matches and columns of squares on which the punter could indicate his forecast as to the result of each match. In dismissing an argument that the coupons needed to be “dissected” into separate parts with a view to determining the subsistence of copyright, Lord Reid said this (at 277):

“A wrong result can easily be reached if one begins by dissecting the plaintiffs’ work and asking, could section A be the subject of copyright if it stood by itself, could section B be protected if it stood by itself, and so on. To my mind, it does not follow that, because the fragments taken separately would not be copyright, therefore the whole cannot be. Indeed, it has often been recognised that if sufficient skill and judgment have been exercised in devising the arrangements of the whole work, that can be an important or even decisive element in deciding whether the work as a whole is protected by copyright.”

288. In my judgment, the act of bringing together the Lidl text with the yellow circle and the blue background was an act which involved skill and labour – the combination of colours and shapes and the orientation of the various elements. Tesco’s real complaint, as I pointed out in opening, appears to be that the combination consists of insufficient skill and labour because it is too simple. However, as to that, my second reason for rejecting Tesco’s argument is that simplicity of design and/or a low level of artistic quality does not preclude originality (see *Karo Step Trade Mark* [1977] R.P.C. 255 per Whitford J at page 273 and *IPC Magazines v MGN* [1998] FSR 431 per Richard McCombe QC at 438). Tesco referred me to *Solar Thomson Engineering Co Ltd v Barton* [1977] R.P.C 537, a case in which the Court of Appeal was concerned (amongst other things) with whether copyright could subsist in a drawing involving three concentric circles. However, as Buckley LJ made clear, it was not necessary to decide the point in that case, which was concerned with the plane view on a drawing of an industrial design and not with a combination of elements from elsewhere. I do not consider it to take matters further.
289. Someone in the employ of Lidl took the Lidl text and the yellow circle with the red border and superimposed them on a blue background to create the Mark with Text. On balance, I consider that this is likely to have involved time, labour and creative freedom (even if the artistic quality involved is not “high”). Tesco’s own evidence as to the various combinations of apparently basic shapes and colours considered by its own designers in arriving at a decision as to the CCP Signs tends, in my judgment, to bear this out.
290. That the shapes involved are (as Tesco described them) “kindergarten shapes” does not appear to me to affect the analysis and nor does Tesco’s reference in closing to *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] 1 WLR 2416. In that case, which was concerned with whether the defendant had infringed the artwork used in a complex fabric design involving stripes and flowers, Lord Hoffmann observed at page 2423 that “[o]riginality, in the sense of contribution of the author’s skill and labour, tends to lie in the detail with which the basic idea is presented”. Whilst Lord Hoffmann’s observation was plainly apposite in the factual context with which he was concerned, I do not consider that it rules out the potential for copyright to subsist in a combination of (simple) shapes and text. Ultimately the litmus test must be whether the Mark with Text involves the exercise of intellectual creation involving the expression of free choice. In my judgment, it does.
291. Accordingly, I find that the Mark with Text, by its combination of text, colours and shapes, has the originality required by the statute. Furthermore, absent any positive case to the contrary from Tesco, I find that the Mark with Text qualifies for copyright protection in the United Kingdom and that (pursuant to section 104 CDPA) it is to be presumed that Lidl are the owners. In this context I accept that Mr Unterhalter’s “Author Search” was both reasonable and comprehensive. I note that the circumstances of publication (involving registration of a logo) are consistent with ownership and that there has never been any challenge to Lidl’s ownership.

Did Tesco copy the Mark with Text and, if so, was that copying in relation to a substantial part?

The Law

292. Section 16(1) CDPA provides that the owner of the copyright in a work has the exclusive right in the United Kingdom (a) to copy the work, including by reproducing the work in any material form (see section 17(1) CDPA); and (b) to issue copies of the work to the public, including by putting into circulation copies not previously put into circulation in the United Kingdom (see section 18(2) CDPA). It is Lidl's case that Tesco has infringed copyright in the Mark with Text by reason of its use of the CCP Signs, which it is alleged involves a reproduction of the Mark with Text or a substantial part of it.
293. Alternatively, Lidl alleges infringement of copyright pursuant to section 23 CDPA, which provides that copyright in a work is infringed if, without the licence of the copyright owner, a person "possesses", "exhibits" or "distributes" in the course of a business "an article which he knows or has reason to believe is an infringing copy of the work".
294. The entitlement of the copyright owner to stop acts of infringement is not limited to the copying of the entire work, but also extends to "any substantial part" of the work, whether "directly or indirectly" and "it is immaterial whether any intervening acts themselves infringe copyright" (section 16(3) CDPA). In *ATB Sales v Rich Energy & Ors* [2019] EWHC 1207 (IPEC), HHJ Melissa Clarke (sitting as a Judge of the High Court) said this:

"14. ...when considering whether a 'substantial part' of a copyright work has been taken for the purposes of section 16(3) CDPA 88, what matters is the extent to which that part contains elements which express the intellectual creation of the author. If it contains elements which express the intellectual creation of the author, then it is a substantial part. If it does not, it is not.

15. It is common ground that an essential part of proving copying is an unbroken causal connection between the original work and the infringing copy. That causal connection can be either direct or indirect pursuant to section 16(3)(b) CDPA 88. A prima facie case of copying may arise if there is substantial similarity and proof of access to the original work by the alleged infringers. In the leading authority *Designers Guild v Russell Williams Textiles* [2000] 1 WLR 2416 at 2425, Lord Millet expressed the court's task as follows:

'The first step in an action for infringement of artistic copyright is to identify those features of the defendant's design which the plaintiff alleges have been copied from the copyright work. The court undertakes a visual comparison of the two designs, noting the similarities and differences. The purpose of the examination is not to see whether the overall appearance of the

two designs is similar, but to judge whether the particular similarities relied on are sufficiently close, numerous or extensive to be more likely to be the result of copying than coincidence. It is at this stage that similarities may be disregarded because they are commonplace, unoriginal or consist of general ideas. If the plaintiff demonstrates sufficient similarity, not in the works as a whole but in the features which he alleges have been copied, and establishes that the defendant had prior access to the copyright work, the burden passes to the defendant to satisfy the judge that, despite the similarities, they did not result from copying. Even at this stage, therefore, the inquiry is directed to the similarities rather than the differences. This is not to say that the differences are unimportant. They may indicate an independent source and so rebut any inference of copying.”

See also *SAS Institute Inc v World Programming Ltd* [2013] EWCA Civ 1482, per Lewison LJ at [38].

295. What is substantial is a question to be answered qualitatively rather than quantitatively. The ‘part’ which is regarded as substantial can be a feature or combination of features of the work, abstracted from it rather than forming a discrete part (see *Designers Guild* per Lord Hoffmann at page 2422H).
296. An example of infringing indirect reproduction occurred in *Solar Thompson Engineering* where the defendant provided clear verbal instructions to an external consultant designer to inform the design process and then selected one of two drawings produced by the designer which was most similar to the copyright work. Buckley LJ held that in light of the instructions given to the designer it could not have been a coincidence that one of his drawings bore a strong resemblance to the plaintiff’s design. Buckley LJ said this at page 560:
- “It must in my judgment be regarded as a reproduction of the plaintiff’s sectional drawing, the instructions given by the defendant to the designer affording a sufficient causal link to eliminate mere coincidence and to give the designer’s version the quality of an indirect reproduction of the sectional drawing. So the defendant will not in my judgment escape from the charge of infringement by making use of the independent designer’s design”.
297. The shifting burden of proof referred to in *ATB Sales* is a function of the fact that there will rarely be direct evidence of copying (which will usually be done in secret and vehemently denied). Accordingly a close similarity between the claimant’s design and the alleged infringing article together with the opportunity for the alleged copier to have access to the claimant’s design or work “raises an inference of copying” (see *A. Fulton Company v Grant Barnett* [2001] R.P.C 16 at [95] per Park J). A similar point was made in the House of Lords in *King Features Syndicate Inc v O and M Kleeman Ltd* [1941] AC 417 at 436 (per Lord Wright):

“Here the only evidence of actual copying, direct or indirect, is similarity with regard to the figure, which is a substantial part of the sketch, between the copyright work and the alleged infringement. I think, however, that, where there is substantial similarity, that similarity is prima facie evidence of copying which the party charged may refute by evidence that, notwithstanding the similarity, there was no copying but independent creation.”

298. However, ultimately the court must weigh up all the evidence. In *Michael Mitchell v British Broadcasting Corporation* [2011] EWPC 42 at [25], HHJ Birss QC, as he then was, said this at [25]:

“Speaking entirely generally, it seems to me that the more strikingly similar two works may be, the more likely the proposition may seem that there has been copying, and that will mean that one may expect even more cogent evidence to rebut such a case than one might expect in a different case in which the similarities are less striking. It can only ever be a matter for weighing up the evidence.”

Applying the law to the facts

299. It is 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 indicates that the similarities (the blue background with the yellow circle superimposed on it) are sufficiently close that they are more likely to be the result of copying than mere coincidence – I refer back to my analysis in the context of similarity and link under the heading of trademark infringement. In my judgment (considering the question quantitatively rather than qualitatively) the blue background with the yellow circle plainly forms a substantial part of the Mark with Text. In the circumstances, I agree with Lidl that it is for Tesco to provide an explanation for that similarity.
300. In its original Defence to Lidl’s claim, Tesco entered a non-admission in respect of the allegation that it had copied the Lidl Marks. However, by way of a later amendment, Tesco pleaded that “the Clubcard Prices Signifiers were independently designed by Tesco employees, as set out in the witness statements of [Mr Threadkell] and [Ms McEttrick]” and that “Mr Threadkell and his team subsequently set out to create a Clubcard Prices ‘signifier’, utilising existing components from the Tesco Master brand guidelines document and the value toolkit”. Although the external consultants Sherlock were mentioned in this pleading, there was no reference to Wolff Olins.
301. In fact, Ms McEttrick’s statement made clear that she had not been involved in the design of the CCP Signs and so the only witness called by Tesco at the trial to give evidence as to the independence of its design of the CCP Signs was Mr Threadkell. He denied copying, saying this:

“At no point during the design process of the Clubcard signifier did I have, nor as far as I am aware did any of my team have, any intention to copy the Lidl logo. Nor was any such idea suggested to the design agency, Sherlock.”

302. Consistent with Tesco's pleading, Mr Threadkell's statement gave the clear impression that the work on the CCP Sign had been carried out by his team at Tesco ("My team and I were looking to create a 'signifier'; "My team provided the brief and the ideas"; "Because my team worked informally, we didn't keep written records of the discussions we were having between ourselves"; "Amongst the designs produced by my team were..."). Although his statement referred, on occasions, to the involvement of external design agencies in the form of both Sherlock and Wolff Olins, the overarching impression was that the impetus for the design of the CCP Signs came from Mr Threadkell and his internal team.
303. However, during cross examination it became clear that this was an inaccurate and incomplete picture. The following passage illustrates the problem:

"Q. Now let us go through those paragraphs in the order that you discuss them in your statement. The first one of those is at paragraph 36...You say it..."One ultimately aborted project was a potential price-cut message, and we produced a number of potential designs for use with such a message." So we understand from this that it is something your team is doing, and these are designs that you produced in that time; yes?

A. Yes. When we see "My team", my team in combination with our agency partners.

Q. I am sorry, where does it say that? Is that part of the clarification you are now giving the court? Should it read, "In parallel to the Clubcard Prices signifier, but unrelated to it, my team and other external bodies I have not named were working on several value related products at the same time"? Is that what it should say?

A. Yes, possibly.

Q. Not yes possibly, what is your evidence? What do you tell the court? This is what you recall you told me. What do you recall?

A. We work in partnership with agencies on this type of design work.

...

MRS. JUSTICE JOANNA SMITH: Mr. Threadkell, whenever you refer to "my team" in your statement, should I read that as including your external partners, or is it not as simple as that?

A. It is not exclusively, **but the creation of designs will predominantly be through external partners**" (emphasis added).

304. Unfortunately, despite confirming at the outset of his evidence that he was able to recall what had happened, it quickly became apparent that, in addition to the misleading impression provided by his written evidence, Mr Threadkell was not always clear about who had done what on any particular project, including who had been responsible for the creation of specific documents.

305. In the circumstances, as I have already intimated, it is necessary to look very closely at the available documents to try to obtain an understanding of the development of the design for the CCP Signs. Before doing so, I observe that although Lidl addressed me in detail on this subject in their written closing submissions, Tesco provided no analysis of the evidence whatsoever, preferring to focus primarily on the submission (at least in its written closing) that Lidl is “profoundly misconceived” to suggest that it is “inherently unlikely that anyone might have independently derived a design consisting of a yellow circle within a blue square”, and pointing to the national flag of Palau by way of example. In other words, Tesco’s written submissions boiled down to the point (apparently without reference to any evidence) that the similarities between the Mark with Text and the CCP Signs are purely coincidental.
306. In my judgment that is a somewhat startling submission to make at the end of a trial in which Tesco has sought to advance a positive case on the basis of evidence of independent design. To my mind it suggests a lack of confidence (with good reason) in the weight that can be attached to that evidence. In oral closing, Mr Cuddigan sought to take me through various documents, denying that the burden had shifted to Tesco and asserting that, for various reasons, the proposition that Wolff Olins had copied Lidl’s Logo was “absurd” and that the documents speak for themselves. However, he was forced to concede that Mr Threadkell’s evidence was inaccurate and that there is an “evidential gap”. I am also mindful that I must treat his interpretation of the documents (without any corroborative evidence) with caution.
307. I make three additional preliminary points:
- i) First, I agree with Lidl that Mr Threadkell’s written evidence reflects neither the documents, nor his oral evidence. I have already identified that he failed to acknowledge the role of Wolff Olins (despite it being clear on the documents) and that he advanced a justification for the development of the design of the CCP Background Signifier which fell apart under cross examination. Specifically, he suggested that the CCP Background Signifier was consistent with the Tesco Master Brand guidelines and value toolkit. However this was plainly erroneous: the use of the circle was expressly contrary to those documents, which confined use of a roundel to “packaging”. Upon this being pointed out to him, Mr Threadkell tried to suggest that in fact he intended to change the guidelines, but this was not borne out by the documents and, indeed, the available evidence establishes that the CCP Background Signifier was regarded as “different” from the standard designs. In all the circumstances, I am also in agreement with Lidl that this “justification” appears to have been nothing more than an after the event reconstruction by Mr Threadkell designed to strengthen his evidence about design choices. Ms McEtrick qualified her written evidence by admitting that her reference to use of a circle in the context of the content of the Master Brand guidelines was itself “an after the event justification”, just as she candidly accepted that there was no inevitability in the use of the background colour blue.
 - ii) Second, for reasons which will become clear from my analysis of the evidence, I consider that this is an appropriate case in which to draw an

adverse inference from the failure on the part of Tesco to call anyone from Wolff Olins to give evidence. Mr Threadkell's evidence was that Tesco is still working with Wolff Olins. However, he said that he had not asked them personally whether they could give evidence at the trial and nor had he suggested to Tesco's lawyers that they should be contacted. Given the extent of their involvement (which is plain on the face of the contemporaneous documents), I consider this to be extremely surprising and, indeed, Mr Cuddigan was unable to provide any sensible explanation for the omission in closing. Had a designer from Wolff Olins been called to give evidence, I can only infer that such evidence would have been adverse to Tesco's case on the development of the design of the CCP signifier.

- iii) Third, and in any event, I do not consider that Mr Threadkell's evidence is capable of discharging the evidential burden that lies with Tesco of satisfying the court that the design for the CCP Signs was an independent creation. An important question seems to me to be why (after Tesco says it took so much trouble in getting its story straight – a point to which I shall return in a moment) Mr Threadkell in fact gave inaccurate evidence which appears to have been designed only to obscure Wolff Olins' involvement. Mr Cuddigan's valiant attempts in oral closings to point to what Wolff Olins must have been doing or thinking when creating their designs (together with the contribution that Tesco must have made) do not begin to answer that question, just as they are no substitute for evidence from Wolff Olins itself. Against that background and weighing up all of the available evidence, as I must do, I arrive at the view that the Lidl Mark with Text was copied by Wolff Olins as part of their exploratory work commissioned by Tesco and thereafter adopted by Tesco.

308. The rationale for these points is to be found in my analysis of the evidence. Doing the best I can with the morass of Powerpoint presentations to which I was referred and weighing those in the balance together with all of the other available evidence, I find that:

- i) In 2016, as Mr Threadkell says in his statement and as is confirmed by Ms McEttrick, he was given a brief to evolve the Tesco Master Brand through a simplification process. This was to involve a redefinition of Tesco's existing brand assets and it culminated in the production of a Master Brand document in late 2016 (in respect of which no copy has been produced). A version of the same document dated July 2017 shows that the Master Brand comprises the Tesco logo (in the form of red text sitting on a blue dotted line against a white background), the proprietary Tesco typeface Tesco modern (in blue), Tesco primary (in blue white and red), the acceptable shapes for communications (squares, circles and the "ping"), together with roles for key colours, guidelines for tone of voice and the Brand architecture. Ms McEttrick explained that "the Master Brand is important in order to achieve a coherent and consistent way for customers to get what they need from Tesco", including by the use of colour.
- ii) At or around the same time, Tesco commissioned Wolff Olins to carry out an exploratory piece of work on its behalf in relation to the Master Brand

project (this is referred to by Ms McEttrick in her evidence and is clear from a Powerpoint presentation prepared by Wolff Olins and dated 13 December 2016). Wolff Olins had been involved in completing an initial value brand guideline in 2016 incorporating various proposed designs including a yellow circle on a blue background.

- iii) The December 2016 Wolff Olins presentation proposes various design options for conveying a “value message”, including a “ping” shape in yellow on a blue background¹⁸. It appears to have been part of the preparation for a subsequent Wolff Olins presentation to Tesco in the form of a further Powerpoint presentation entitled “Value proposition and creative execution UKCP” and dated 17 January 2017, clearly designed to consider how to communicate value in a consistent way throughout Tesco’s stores. The presentation (which, contrary to Mr Threadkell’s evidence was plainly not “created by me and my team” in the sense originally advanced in his statement) referred to the approach of Tesco’s competitors to the issue of price, identifying Lidl as “emotive” by reference to its slogan “Big on Quality, Lidl on price”. It went on to recommend that yellow was a recognisable “value” colour and that blue was the “brand speaking”. One “simplified approach” that it recommended was a yellow “ping” on a blue background tile with the words “Big on Little Prices” – an approach which was then mocked up in photos of generic instore promotions.
- iv) I accept Lidl’s submission that Tesco commissioned this presentation but that Wolff Olins produced the designs pursuant to that commission. Their copyright notice appears on the documents. There are no contemporaneous documents from Tesco to Wolff Olins providing initial ideas or sketches of the sort one might expect to see if there was collaboration over the designs. Lidl also submits that the slogan “Big on Little prices” is a clear play on Lidl’s slogan “Big on Quality, Lidl on price”. This was denied by Mr Threadkell who suggested that “Big on Little prices” was a play on the Tesco slogan “Every Little Helps”. However, in circumstances where Mr Threadkell was not responsible for this presentation, I cannot accept his evidence about that, which amounts to nothing more than speculation. Looking carefully at the presentation as a whole, I agree with Lidl that Wolff Olins appear to have been exploring how Tesco could be emotive about price by reformulating the Lidl slogan on to a similar colour scheme to that in fact used by Lidl. I also infer that the exercise of looking at how to convey value with reference to competitor branding reflected instructions given to Wolff Olins by Tesco. Indeed, whilst denying any intention on the part of Tesco to capitalise on inferences drawn from looking at competitors, Ms McEttrick herself confirmed that where the UK grocery market uses a finite number of colours to indicate value in different ways “it is prudent to understand what is really cutting through in terms of helping customers find the best value by looking at the competition”.
- v) In a value communications toolkit dated July 2018 (which Mr Threadkell again suggested had been created by “my team and I”, but which is clearly

¹⁸ A “ping” shape being effectively an upside down teardrop shape, or balloon.

marked with the Wolff Olins copyright notice), guidance for subsequent design work was set out. This included an asset library which identified the blue tile as “new” and yellow “packaging roundels”. The “ping” shape had, by this stage, been abandoned.

- vi) In 2019, Tesco developed a strategic plan designed to improve its value perception. Internal Tesco documents confirm that Tesco was targeting “the discounters”, i.e. Aldi and Lidl, with a view to stopping their growth. Tesco was determined “to challenge in the market against Aldi/Lidl by providing headline value on key items where it matters most to consumers” and to “[r]educe switching losses to Aldi, Lidl and Bargain Stores”. This strategy saw an integrated response of which Clubcard Prices was a part.
- vii) The brief for the CCP background design was provided to Mr Threadkell in March 2019¹⁹ in the form of a Powerpoint presentation. The “Considerations” identified in the brief included a query as to whether yellow should be used: “Should yellow be used for the value elements (ie value tile mechanic? As that is in the guidelines – please explore blue and yellow options”.
- viii) Mr Threadkell asked his team to speak to Sherlock and provide them with information including asking them to consider the use of blue and yellow, whether alone or in combination. The incumbent Clubcard marketing agency, Havas Helia, was also asked to consider possible designs. However, Mr Threadkell did not consider the resulting proposals from either external designer to be useful.
- ix) On 7 June 2019, Tesco provided a briefing to Wolff Olins in the form of a power point presentation entitled simply “Value”. The briefing explained that value was key and that the “key objective [was] to win back the Wicks”. It identified Tesco’s “existing toolkit” and noted a need to “enhance communication that the toolkit does not currently cover”. The design brief provided made clear that Wolff Olins was to “develop a design recommendation” and “update the value toolkit”. Amongst other things, this involved instructing Wolff Olins to look at what Tesco’s competitors were doing and to “compare Tesco and competitors” (accepted by Mr Threadkell as an exercise that would “inform [the] design approach”), together with revisiting work previously done (Mr Threadkell accepted in his evidence that this would have included Wolff Olins’ earlier work). An objective of the analysis of competitor advertising was to identify “implicit associations”. The briefing explained the concentration on the Wicks because “they constitute our largest share losses as they switch to Aldi, Lidl and more recently Asda”. Although Mr Threadkell’s evidence was that this design brief was focused on a value related project separate from the development of the Clubcard Prices signifier, it is also clear that Tesco was viewing the Clubcard Prices promotion as part of its overall approach to value – as Mr Threadkell admitted “the portfolio of work is interrelated”.

¹⁹ “Clubcard member pricing; Visual identity and toolkit”

- x) Also in June 2019, Wolff Olins was provided with a “Synthesis of Insight” by Ms Webb’s Insight Team. Mr Threadkell accepted that this was part of the work foreshadowed in the briefing to Wolff Olins. The clear message from this was that Tesco’s competitors, including Lidl, had a significantly better value perception and that Tesco may not be able to advertise its way out of the problem because Aldi and Lidl had changed people’s “price anchors”. A Tesco Powerpoint presentation entitled “Clubcard Prices” dated July 2019 outlines the desire to “change the value perception of Tesco from X to Y and get x customers shopping more of Tesco more often”.
- xi) Another discussion document created at around the same time internally by Tesco considered the issue of Value Strategy, looking specifically at ‘value’ audits carried out in relation to Tesco’s competitors, including Lidl, designed to determine how these competitors communicate value. In closing, Tesco was right to point out that the focus in this document on Lidl was on the use of the colour orange, but it was, in my judgment, wrong to say that this dispels any possibility of copying. There is no evidence that this document was even provided to Wolff Olins for the purposes of its designs.
- xii) I accept Lidl’s submission that the drawing of implicit associations with competitors may be a key part of the design process, as indeed was accepted by Mr Threadkell:

“Q...You want to understand what the associations are, you want to measure how they work, and that is going to inform your design approach. That is what Wolff Olins is being told, right?”

A. Yes.”

In the absence of any witness from Wolff Olins, I draw the reasonable inference (supported by the evidence to which I have already referred) that, as instructed, Wolff Olins did just that. Mr Threadkell denied that Tesco wished to “exploit” any implicit associations with competitors, but of course his evidence does not address the approach of the design team at Wolff Olins, given the instructions they had received.

- xiii) On or about 2 July 2019, Wolff Olins provided Tesco with a presentation entitled “Tesco Brand Expression: Value price cut exploration” which identified various proposed designs including (at “price cut v1”) a blue tile with a yellow circle; the ping was no longer in use. The slide showing this design then appears to have been incorporated on or about the same time into a Tesco presentation entitled “Value – price cut update”. A recommendation was included in the Tesco presentation that “this copy” should not be used in the “Value” natural working team because it was being checked by legal. In his witness statement, Mr Threadkell stated that this design (which he acknowledged was “virtually identical to the Clubcard Prices signifier”) had been “produced by my team”. This was plainly incorrect (as he accepted in cross examination), although he continued to maintain that it had been produced by Wolff Olins “in

partnership with Tesco”. However, that was nowhere evidenced in his statement and, on balance, close analysis of the documents indicates that the design was created by Wolff Olins (as the copyright notice indicates and the “Agency Creative Brief” in the same presentation suggests). Tesco appears to have done no more than add the words.

- xiv) For the sake of completeness, I reject Mr Threadkell’s evidence in his statement that Wolff Olins played no material part in the design of the signifier for the Clubcard Prices, which does not appear to me to be consistent with the contemporaneous evidence.
- xv) Pausing here for a moment, I observe that Mr Threadkell’s evidence in his statement to the effect that the development of the Clubcard Prices Signifier was “wholly independent of any thoughts about Lidl. I am not aware that anyone else involved in the project had Lidl in mind at any stage of this design work” also appears to me to be demonstrably wrong. As soon as the involvement of Wolff Olins is appreciated, it is impossible to accept this evidence. There was repeated reference to Lidl in the design briefs to Wolff Olins, the Insight team research provided for Wolff Olins’ benefit and, as I have already found, Wolff Olins appear to have had Lidl directly in mind in reformulating the Lidl slogan and using it on a yellow and blue background similar to that of the Lidl Logo (albeit initially using a ‘ping’ shape, later changed to a circle).
- xvi) Mr Threadkell’s evidence in his statement is that the design identified in the 2 July 2019 presentation (i.e. the yellow disc on the blue background) “stuck in his mind” at the time. Indeed, his response in cross examination to the proposition that “the Wolff Olins design signifier that you say is virtually identical to the Clubcard Prices Signifier becomes the Clubcard Signifier” was not to deny it, but simply to accept that “this is early exploratory work” which ended up in its finished form “through editing and finalising” – evidence which was wholly inconsistent with the impression conveyed by his written statement.
- xvii) The CCP Background Signifier appears to have been adopted at or shortly after an (undocumented) meeting on about 28 November 2019. Although Sherlock had by this stage provided designs for the CCP Background Signifier which used the colour red, these were not chosen and Mr Threadkell’s explanation was that he did not wish to use the colour red which was being used for the Aldi Price Match. It appears that, consistent with his internal email dated 28 November 2019, Mr Threadkell was keen to focus on “the strategic intent of all the value: price shouts we can discuss”. To my mind this echoes Tesco’s objective of improving its value perception, something which Wolff Olins had plainly been briefed to achieve.
- xviii) Finally, Lidl points out, and I accept that there does appear to have been a design available that was consistent with the Master Brand guidelines and the value toolkit, that did not clash with the red of the Aldi Price Match and that performed well in consumer testing – namely the yellow tile tested by The Source as Option 2 and identified as representing a good ‘safe’ option

and offering “familiarity and clarity”. Yet, despite the evidence in his statement that he “felt there was a lot of sense in sticking with what was known (so as not to confuse customers) and proven to work”, Mr Threadkell did not choose this option. Instead, Tesco chose Option 4 identified by The Source as the design that Tesco should choose if they really wanted customers to notice/call out a different message. Indeed the evidence is that this choice was made before The Source Survey was commissioned. In my judgment, this decision required a proper explanation from Tesco (which did not try to justify the choice by reference to consistency with existing Brand Guidelines), but any such explanation was absent from the evidence.

309. Drawing the threads of this evidence together, and always bearing in mind that copyists are most unlikely ever to admit copying, I accept Lidl’s case that Mr Threadkell’s evidence appears to have been designed to obscure the involvement of Wolff Olins and so to distract from Wolff Olins’ obvious focus on producing a design which would signal value by (amongst other things) looking to how this was achieved by Tesco’s competitors, including Lidl. I find that Wolff Olins copied the background to the Lidl Logo as part of its exploratory work (and as a natural consequence of the brief provided to it by Tesco) and that Tesco adopted that copy as the basis for the CCP Background Signifier, regarding it, for reasons which remain unexplained, as “non-negotiable”.
310. I am fortified in my conclusions by the following additional features of the litigation, to which Lidl drew my attention in closing:
- i) First, Tesco’s position as to the origin of the design has changed over time. In a letter dated 18 October 2021, Tesco’s solicitors set out their instructions to the effect that “the Clubcard Prices logo design was created by an external design agency” – instructions which are entirely consistent with the position following the cross examination of Mr Threadkell, but inconsistent with his witness statement. The letter also acknowledged that the Clubcard Prices project had been known by various project names, including “Simple Great Value Plan” and “Value Proposition”. This also appears consistent with the evidence as I have identified it above. However, only a few days later on 25 October 2021, Tesco’s solicitors sought to correct this information, saying that (although an agency had assisted with the whole project), in fact, “the Clubcard Prices logo was designed in-house, rather than by an agency...The first iteration of a blue square with a yellow circle was on a slide deck, **produced by our clients**, dated 29 November 2019” (**emphasis added**). This information was incorrect.
 - ii) Second, Tesco’s pleaded case has changed, from its initial non-admission of copying to its subsequent positive case of independent design. This was explained by Mr Cuddigan in opening as being a function of needing “to get our story right before we committed it to print”. I agree with Lidl that the explanation given suggests strongly that Tesco knew it was going to deny copying but chose nevertheless to enter a non-admission, which would appear to amount to a breach of CPR 16.5. In any event, I note that it appears that Tesco’s “story” as presented at trial was full of holes.

311. Of course, ultimately, these changes of position would probably not have mattered if Mr Threadkell's evidence had come up to proof. However, in circumstances where it manifestly failed so to do, I consider them to be indicative of a defendant casting around for a defence, which ultimately (as I have held) it could not sustain on the documents. It was within Tesco's power to call evidence to explain the documents and to support its case on independent design. It could have called a designer from Wolff Olins, or other members of Mr Threadkell's (six strong) internal design team, but it chose not to do so.
312. In his closing submissions, Mr Cuddigan submitted forcefully that absent any intention on the part of Tesco for the CCP Signs to call to mind Lidl there can be no motivation to copy. Copying would run directly contrary to a finding (consistent with Ms McEttrick's evidence) that Tesco had sought to avoid any association with Lidl. Mr Cuddigan suggested that, in the circumstances, Lidl was really seeking to establish the existence of a conspiracy, the basis for which had not been put to the witnesses.
313. This submission gave me pause for thought. However, 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 EDLPs and to convey the message of "value", a message which Lidl's Logo already conveyed so effectively. I note that this is in fact entirely consistent with the analysis at paragraphs 175-176 above.
314. I do not doubt that, as Ms McEttrick said, Tesco did not want its customers mistaking its advertising for that of Lidl, just as it did not want to do anything which might tarnish its Clubcard brand; I also do not doubt that despite internal disquiet, Tesco ultimately convinced itself that the CCP Signs would involve no misattribution to Lidl. This seems to have been because Tesco considered its Clubcard brand to be so strong that the reference to "Clubcard" on the CCP Signs would immediately dispel any issues that there might otherwise have been. However, looking closely at the evidence, Tesco provided instructions to Wolff Olins which plainly invited them to focus on achieving a perception of value and, amongst other things, to look at how Lidl (amongst other "discounter" competitors) went about doing this. Wolff Olins produced a design which Tesco's employees immediately appreciated was likely to cause confusion with Lidl, but Tesco went ahead with the Clubcard Prices promotion in any event.
315. In my judgment, none of these facts is inconsistent with copying with a view to enhancing the value perception of Tesco's own Clubcard Prices offering by adopting a get up, in the form of a blue background and yellow circle, which already had a proven association with a strong value proposition (i.e. the Lidl Logo) in the minds of consumers. I find that is what occurred. Put another way, the fact that there was no deliberate intention positively to evoke Lidl does not mean that the design was not copied with the focus being on the message that a blue and yellow background would convey for the Clubcard campaign.

CONCLUSION

316. In summary, I find for Lidl on its claims of trademark infringement in respect of the Mark with Text, passing off and copyright infringement. I find in favour of Tesco on its Counterclaim of bad faith in respect of the Wordless Mark.
317. I now invite the parties to liaise over the terms of the Order. In so far as any consequential matters arising out of this judgment cannot be agreed, they will be dealt with at a hearing to be listed in due course.