

the apparent assurances of Miss Jackson as she was not in a position to remove the restrictions of the licence agreement.

Chris de Mauny

Hogarth Chambers, London

Email: cdemauny@hogarthchambers.com

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■ Vodka gets the champagne treatment

Diageo North America, Inc & another v Intercontinental Brands (ICB) Limited & others [2010] EWCH 17 (Ch), Mr Justice Arnold, 19 January 2010

The High Court held that allowing VODKAT to be packaged and marketed in its current condition would lead to the blurring of the exclusivity of the term vodka.

Legal context

The concept of extended passing off began with *Bollinger v Costa Brava Wine Co. Ltd* [1960] Ch 262. The court held that champagne was sparkling wine produced in the French region of champagne, therefore the use of the term 'Spanish champagne' in reference to sparkling wine from Spain was likely to mislead members of the public who were not knowledgeable about champagne into thinking that the defendant's wine was champagne. This case was followed in *Vine Products Ltd v Mackenzie* [1969] RPC 1, *John Walker & Sons v Henry Ost* [1970], and *H.P. Bulmer Ltd v J. Bollinger SA* [1978] RPC 79, which dealt with the legal status of the terms sherry, Scotch whisky, and champagne cider, respectively.

Erven Warnink BV v J. Townend & Sons Ltd [1979] AC 731 ('*Advocaat*') allowed the courts to consider terms that did not originate from a geographical area. Goulding J held that UK consumers had purchased the defendant's product thinking that it was advocaat, and the claimant had suffered damage as a result. It was irrelevant that advocaat did not indicate geographical importance. This decision was confirmed by the House of Lords, Lord Diplock stating that if a product with particular characteristics had acquired a public reputation, the goodwill in the name of those entitled to use it should be protected against deceptive use of the name by others.

Facts and analysis

Diageo, a drinks manufacturer, produced a wide range of beverages including Smirnoff vodka which, in the year ending 30 June 2007, accounted for 40% of the UK vodka market.

Drinks manufacturer ICB started marketing VODKAT in April 2005. The product was not vodka but clear, vir-

tually tasteless and 22% alcohol by volume (ABV). VODKAT was made up of vodka and fermented alcohol made from oranges. The mixture was then treated to remove the taste and colour of the fermented alcohol. After the success of VODKAT, ICB widened the product range to include VODKAT CLASSICS and VODKAT SMOOTHIES.

ICB accepted that the purpose of starting the name with VODKA was to show an association with vodka, but only that it contained vodka, not that it actually was vodka. ICB produced VODKAT in bottles commonly used for spirits with a red screw top bearing the word VODKAT in white lettering. The front label was reminiscent of other vodka bottles; the stylization of the word VODKAT, the use of the word 'Pure Blend' printed above a crown device, a silver lion superimposed in a red shield with the words 'Alcoholic Vodka Blend' in white, a red disc bordered in white bearing a white lion with the words 'Gustus Tracio Corroboro' in white superimposed on the silver lion, and a red banner with '22% vol IMPERIAL 70cl e' in white. The rear label stated that the product was 'a premium alcoholic vodka blend that can be enjoyed with your favourite mixer, with or without ice'. Subsequent changes were made to the get-up (the versions collectively referred to as the 'old get-up') following complaints from the Gin and Vodka Association, North Yorkshire Trading Standards and Department for Environment, Food and Rural Affairs that it could mislead the public. The 'new get-up' was launched in August 2009 to deal with Diageo's concerns and included the prominent statement, 'Great New Look! Same Great Taste!'

Diageo alleged that ICB was passing off VODKAT as vodka and that it had breached EC Regulation 110/2008 ('the Regulation', on the definition, description, presentation, labelling, and the protection of geographical indications of spirit drinks, which prescribes that spirit drinks should be 37.5 per cent ABV). Diageo dropped the claim for breach of the Regulation and ICB dropped a counterclaim against Diageo for breach of competition law. By the time the case came to trial, VODKAT had been on the market for over 4.5 years and over 13 million bottles had been sold.

Goodwill

The court found that 'vodka' denoted a clearly defined class of goods, as specified in the Regulation and evidenced by the large amount of vodka products sold in the UK from the 1990s. Arnold J also mentioned that the public could distinguish various products that contained vodka from vodka because of the different ways in which they are marketed. In addition, Arnold J held that vodka, as a class of goods, had a reputation, giving rise to protectible goodwill.

Misrepresentation

Diageo alleged that ICB's marketing of VODKAT led to misrepresentation in three ways:

- The use of the name VODKAT itself.
- The name VODKAT in the absence of a clear description of the product.
- The name VODKAT in the absence of a clear description of the product when used with the get-up.

Arnold J held that the name VODKAT implied that the product contained vodka or was vodka. ICB had not clearly described that the product was not vodka, most versions of the old get-up were reminiscent of vodka, instructions were not given to the trade to display the product well away from vodka and the advertising campaign failed to educate the public as to what the product actually was. Arnold J was not convinced by the arguments put forward by ICB that VODKAT was sufficiently distinguishable from vodka by the fact that it was not actually described as vodka, the presence of the '22% vol' label and the low price. He considered that many consumers would have not noticed the label, and those who did would not have known that this meant that the product was of a lower strength than vodka or would have thought that it was a weaker version of vodka. As to the price, it was true that VODKAT's price was usually lower than 'Cheapest On Display' vodkas; however, this price differential would not have alerted all consumers as seen from the trap purchases discussed in the judgment.

Confusion

Arnold J found actual confusion and a likelihood of confusion after reviewing Diageo's evidence, including examples from the advertising industry, journalists, supermarkets, individuals who had made trap purchases, convenience stores, pubs and bars, and views of Trading Standards officers. ICB's assertion that there had only been a few instances of confusion, given the length of time that VODKAT had been on sale, was rejected by Arnold J because a significant proportion of those who had been confused would not have realized it, and those who had realized it would not have bothered to complain. This was confirmed by evidence that consumers in the 18–21 age group were not likely to complain about products.

Diageo did not assert that ICB intended to deceive the customers with VODKAT and the old get-up. Arnold J agreed with the argument that ICB did not take care to clear up the confusion after the adoption of a risky brand name. The new get-up was less reminiscent of vodka but it was not enough to avoid confusion, in light of the old get-up and the fact that ICB marketed the re-brand as 'a new look for the same old product'. Diageo also argued that the re-brand was too late in reversing the perceptions of customers who had already been 'confused' or 'deceived' by the old get-up (however, the re-brand was less likely to confuse customers who came across the

product for the first time). Arnold J considered that these findings applied to VODKAT CLASSICS and VODKAT SMOOTHIES because customers would have been just as confused by these products as they would have been by VODKAT itself.

Damage

Arnold J held that, as the market leader in vodka sales, Diageo would have suffered loss of sales because of confusion, which was different to the loss of sales through competition. ICB's marketing of VODKAT was, more importantly, eroding the distinctiveness of vodka by extending it to include beverages that were not 37.5 per cent ABV spirits and lower strength products containing fermented alcohol. This could be seen by the introduction of products similar to VODKAT, such as VODKOVA and VOSHKA, which would have continued if unchecked. Arnold J concluded that ICB passed off VODKAT as vodka in the old and new get-up.

Practical significance

This judgment, following a long line of cases, confirmed that vodka had protectible goodwill. Vodka's uniqueness was being damaged because it was used in relation to a product that was not vodka by definition of its ingredients or its alcoholic content.

As stated in *Advocaat*, it was irrelevant whether a term indicated geographical provenance. It could still have protectible goodwill in relation to extended passing off.

A claim for extended passing off was not only available where the class of goods are perceived to be of higher quality.

The decision also offered practical guidance on how to carry out and use trap purchases in a passing off action. The defendant should be given immediate notice of the allegations so it has the chance to investigate the matter and provide a defence.

Some interesting comments were made by the judge concerning ICB's survey about customers' views of vodka. Diageo had made it clear in correspondence that it did not think the survey would be useful, but it did not articulate specific criticisms. Arnold J said that Diageo was not estopped from advancing criticisms about the survey at trial. However, it would have been better to submit them before the trial so that the survey may have been modified in response to the criticisms.

Adjoa Anim

Olswang

Email: adjoa.anim@olswang.com

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