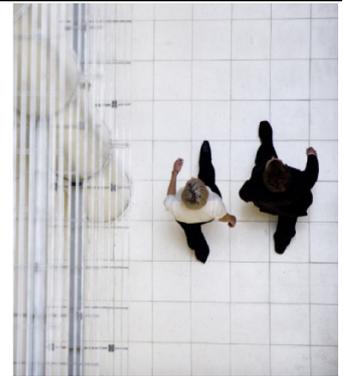


Review

Commercial & Dispute Resolution



Are your brands losing out to own-labels?

A growing trend

Since the early 1990's, there has been a surge of own-label and so called "lookalike" products appearing on supermarket shelves. The practice is widespread and whilst it may appear as an attempt to free ride on the back of an established brand, many own-label producers would argue that it merely aids consumers to identify similar (and often cheaper) products.

According to the British Brands Group, up to 52% of shoppers have been confused into thinking that own-label and branded products are associated in some way, with up to 6% of shoppers purchasing an own-label product by mistake. Clearly there is a huge difference between offering consumers a choice and deliberately attempting to confuse consumers with misleadingly similar packaging, but where does the line lie?

The role of passing off

Brand owners have long been able to take action against own-label products by using the law of passing off providing it can be demonstrated that:

- The claimant's goods/services have goodwill attaching to them;
- There has been a misrepresentation by the defendant leading (or likely to lead) the public to believe that the goods/services are those of the claimant; and
- This has resulted (or is likely to result) in damage to the claimant. This could include loss of profit, loss of reputation or loss of opportunity to expand.

Passing off is not a statutory right but has been established by case law. Over recent years the scope of passing off has broadened to "extended passing off", whereby a group of traders that collectively share goodwill may bring an action. This was first demonstrated by the "Spanish champagne" cases which were brought by French champagne houses against a Spanish producer of sparkling wine. The judge held that "champagne" meant sparkling wine produced in the Champagne district of France by champagne producers and that use of the term "champagne" in relation to a Spanish sparkling wine was likely to mislead consumers and amount to passing off.

"...up to 52% of shoppers have been confused into thinking that own-label and branded products are associated in some way..."

The same principle has since been applied to a number of products including sherry, advocaat and most recently to vodka.

Diageo v Intercontinental Brands

Intercontinental Brands (IB) sell a vodka and fermented alcohol drink with an ABV of 22%, marketed as VODKAT. Diageo own a number of well known alcoholic drink brands, including SMIRNOFF and brought an action against IB for passing off. The judge held that IB had passed off VODKAT as vodka and that all the elements of extended passing off were satisfied, namely that:

- The term "vodka" has established goodwill and describes a clearly defined class of goods as defined in European legislation (now Council Regulation No.110/2009/EC) as "*a spirit drink produced from ethyl alcohol of agricultural origin.....minimum alcoholic strength by volume of vodka shall be 37.5%*".
- IB misrepresented that VODKAT was vodka (rather than just contained vodka) by way of the marketing methods employed, in particular, the packaging was reminiscent of vodka and did not clearly describe the product, supermarkets had not been instructed that VODKAT should be displayed away from the vodkas and IB had not educated the public as to the nature of the product.
- The public had been confused into thinking that VODKAT was vodka. In particular, consumers had believed it was vodka, supermarkets and shops had sold it positioned amongst vodka, bars had mistakenly served it when asked for vodka and journalists had referred to it as vodka.
- Diageo had suffered damage by way of lost sales and also because VODKAT was liable to diminish the distinctiveness of vodka.

The decision also gives helpful guidance on the use of evidence in support of a passing off claim. The judge highlighted that following a trap purchase, the defendant should be notified of the trap purchase and be given a chance to investigate, test the evidence and adduce contrary evidence. Also, where surveys are used, the prior consent of the other party should be requested to allow the probative value of the survey to be assessed and modifications made before the survey is conducted. If criticism of the survey methodology is withheld until trial it negates this objective.

What does it mean for brand owners?

The decision is likely to be welcomed by brand owners as it confirms the availability of extended passing off where products have established goodwill and fall within a sufficiently well defined class of goods. Given that the UK has one of the most advanced own-label industries in the world, it is likely that future cases will seek to further broaden the categories of products protected.

"...consumers had believed it was vodka, supermarkets had sold it positioned amongst the vodka, bars had mistakenly served it when asked for vodka..."

FURTHER INFORMATION

For further information please contact:



Patricia Jones

Partner, Manchester

T: +44 (0)161 830 5304

E: patricia.jones@hammonds.com



Rachael Sharples

Lawyer, Manchester

T: +44 (0)161 830 5041

E: rachael.sharples@hammonds.com

WWW.HAMMONDS.COM

If you do not wish to receive further legal updates or information about our products and services, please write to: Richard Green, Hammonds LLP, Freepost, 2 Park Lane, Leeds, LS3 2YY or email richard.green@hammonds.com.

These brief articles and summaries should not be applied to any particular set of facts without seeking legal advice. © Hammonds LLP 2010.

Hammonds LLP is a limited liability partnership registered in England and Wales with registered number OC 335584 and is regulated by the Solicitors Regulation Authority of England and Wales. A list of the members of Hammonds LLP and their professional qualifications is open to inspection at the registered office of Hammonds LLP, 7 Devonshire Square, London, EC2M 4YH. Use of the word "Partner" by Hammonds LLP refers to a member of hammonds LLP or an employee or consultant with equivalent standing and qualification.