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The UK Court of Appeal allows a Lidl trade mark to go a long way

Julius Stobbs, Emma Dixon (Stobbs IP) · Tuesday, April 2nd, 2024

This is the first of three blog posts examining the UK Court of Appeal’s decision in the highly publicised dispute between Lidl and Tesco, concerning Tesco’s use of a blue and yellow sign (the “**Tesco Sign**”) for its Clubcard promotions.



The Wordless Mark



The Mark with Text



Example of the Marks as used by Lidl



The Sign (Tesco)



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

In a decision handed down on 19 March 2024, the Court of Appeal upheld the High Court’s findings of trade mark infringement and passing off by Tesco.

The High Court decision

At first instance, the Tesco Sign and the Lidl Mark with Text were held to be sufficiently similar when considered from the point of view of an average consumer. Despite the differing texts on the marks, it was held that these did not have 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*”.

The substantial evidence put forward by Lidl was held sufficient to establish a link between the Mark with Text and the Tesco Sign, with both origin and price match confusion/association found. There was no finding of a subjective intention on behalf of Tesco to deliberately take unfair advantage or ‘free-ride’ on Lidl’s reputation, as Tesco had simply been promoting its own agenda, but intention is not necessary for s.10(3) infringement.

Smith J held at first instance that use of the Tesco Signs had resulted in detriment to the distinctive character of the Mark with Text, as evidenced by the fact that Lidl had been forced to take ‘evasive’ action in the form of corrective advertising. Tesco was further held to have taken unfair advantage of the reputation in the Lidl Marks for low-priced value. She further held that Tesco had failed to establish due cause through its argument that it had the right to use a combination of yellow and blue colours, as yellow was commonly used by supermarkets as bright, attention-grabbing signage and blue is its own livery colour. Smith J stated that it was those characteristics used in combination that are specific to the Lidl Marks.

The Appeal

Tesco’s principal ground of appeal against the judge’s findings of trade mark infringement and passing off was that the judge was wrong to find that the average consumer seeing the Tesco Signs would be led to believe that the price(s) being advertised had been “price-matched” by Tesco with the equivalent Lidl price, so that it was the same or a lower price.

In dismissing Tesco’s appeal on trade mark infringement and passing off, Lord Justice Arnold noted that while at first sight the trial judge’s finding that a substantial number of consumers would be misled by the Tesco Signs into thinking that Tesco’s Clubcard Prices were the same as or lower than Lidl’s prices for equivalent goods is a somewhat surprising one. However, he went on to explain that the decision is perhaps less surprising when it is borne in mind that the judge had found on the evidence that: (a) the Wordless Mark had become distinctive of Lidl through use of the Word with Text; (b) that the Tesco Signs would call the Mark with Text to mind, and (c) and that it is common ground that Lidl have a reputation for low prices. Lord Justice Arnold concluded that the judge’s finding was based upon these three strands of evidence and that she was not only entitled to place some weight on each of those strands, but also to regard each of the three strands as reinforcing the other two. Ultimately, he concluded that “*Standing back, I am not persuaded that her finding was rationally insupportable*”.

What now?

It remains to be seen whether Lidl, as a serial packaging copyist itself, will see this judgment used by brand owners looking to tackle Lidl’s own lookalike products. Smith J’s findings at first instance that colour and shape were key features of the Lidl Marks, with the “Lidl” word being less of a differentiator, are invaluable to those pursuing lookalike claims and align with consumer behavioural science. Lidl may come to regret this win...

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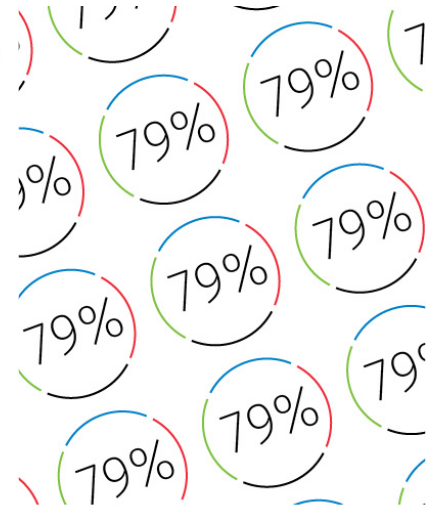
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