



Neutral Citation Number: [2020] EWHC 2424 (Ch)

Case No: IL-2019-000103

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

The Rolls Building  
7 Rolls Buildings  
Fetter Lane, London  
EC4A 1NL

Date: 10/09/2020

Before :

**THE HON. MR JUSTICE FANCOURT**

Between :

- (1) SAZERAC BRANDS, LLC
- (2) SAZERAC COMPANY, INC
- (3) SAZERAC UK LIMITED

**Claimants**

- and -

- (1) LIVERPOOL GIN DISTILLERY LIMITED
- (2) HALEWOOD INTERNATIONAL LIMITED
- (3) HALEWOOD INTERNATIONAL BRANDS LIMITED

**Defendants**

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Mr James Mellor QC and Mr Maxwell Keay (instructed by **Fieldfisher LLP**) for the  
**Claimants**

Mr Tom Moody-Stuart QC and Mr Thomas Jones (instructed by **TLT LLP**) for the  
**Defendants**

Hearing dates: 14, 15, 17 July 2020 (trial held fully remotely, by Skype for Business)

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**Approved Judgment**

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

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THE HON. MR JUSTICE FANCOURT

**Mr Justice Fancourt :**

This judgment comprises the following sections:

- I. Introduction (paras 1-11)
- II. The bourbon market and the rival products (paras 12-24)
- III. The relevant law of trade mark infringement (paras 25-46)
- IV. The average consumer of bourbon (paras 47-56)
- V. Likelihood of confusion (paras 57-79)
- VI. Reputation of Eagle Rare (paras 80-88)
- VII. Did the Defendants take unfair advantage of Eagle Rare? (paras 89-110)
- VIII. Is there detriment to the distinctive character of Eagle Rare? (paras 111-115)
- IX. Conclusions and ancillary matters (paras 116-121).

**I. Introduction**

1. This is a claim to restrain alleged infringement of two trade marks, owned by the First Claimant, by the Second Defendant's brand of bourbon whiskey, and for damages or an account of profits. The trial was of liability only, conducted under the Shorter Trials Scheme.
2. The trade marks of the First Claimant in suit are both for the word mark "EAGLE RARE": one an EU registered trade mark no. 2597961, filed on 1 March 2002 in respect of class 33 alcoholic beverages (not including beers), spirits (beverages), whiskey and bourbon whiskey, and the other a UK registered trade mark no. 1148476, filed on 10 February 1981 in respect of class 33 whisky and disclaiming any exclusive right to the word RARE. On 22 June 2018, the First Defendant filed an application to register a UK trade mark for the word mark "AMERICAN EAGLE" in respect of class 33 alcoholic beverages (except beers) and spirits. This was registered unopposed on 21 September 2018 as UK trade mark no. 3319844. An application to register an EU trade mark for AMERICAN EAGLE was filed on 18 October 2018 and was opposed by the Claimants. That application was withdrawn on 24 January 2020.
3. The Claimants seek a declaration of invalidity of the First Defendant's UK trade mark on the basis of their prior rights and the alleged infringement, and the Defendants seek revocation of the First Claimant's UK and EU trade marks as regards whisky and alcoholic beverages (not including beers) and spirits (beverages) respectively on the ground of non-use for a period in excess of 5 years and continuing.
4. Despite the existence of the First Defendant's registered trade mark, I shall refer for convenience to the First Claimant's trade marks as "the trade marks" and the First

Defendant's mark as "the sign", as is conventional. It is common ground that if the Claimants succeed in establishing infringement of the trade marks the First Defendant's trade mark falls to be declared invalid. It is generally unnecessary to distinguish between the different Defendant companies and I will revert to the position of the Third Defendant at the end of this judgment.

5. The allegations of trade mark infringement are made on two separate grounds:
  - i) First, that the AMERICAN EAGLE sign is similar to the EAGLE RARE trade mark and is used in relation to identical goods, namely bourbon whiskey, and there is consequently a likelihood of confusion on the part of the UK and EU public.
  - ii) Second, that the sign AMERICAN EAGLE is similar to the trade marks EAGLE RARE, which have a reputation in the UK and in the EU, and the use of AMERICAN EAGLE takes unfair advantage of the distinctive character or repute of EAGLE RARE and/or is detrimental to its distinctive character.
6. The claims for infringement are brought under sections 10(2) and (3) of the Trade Marks Act 1994 ("the Act") and under articles 9(2)(b) and 9(2)(c) of Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Trade Mark ("the Regulation"). Since the terms and effect of these provisions are materially identical, it is necessary only to refer to the terms of the Regulation in this judgment. The application of the sections and articles in question to the facts of this case may of course differ, depending on the terms of registration and the use of the trade marks in the United Kingdom and in the European Union separately.
7. In brief, Eagle Rare is a well-established, high quality Kentucky straight bourbon whiskey made by Sazerac Company, Inc at the Buffalo Trace Distillery, Frankfort, Kentucky. It was first made in 2001 and is marketed in two expressions of the brand, a 10-year old version and a 17-year old version. The 10-year old is made only in limited quantities and is available in the UK only "on allocation" (i.e. the amount for sale in the UK depends on the amount released each year and allocated to the UK by Sazerac) and it is sold only in limited outlets in the UK. The 17-year old is very scarce indeed and much sought after by cognoscenti of aged bourbon. The RRP of the 10-year old is around £35 for a 70 cl bottle and the RRP of the 17-year old is in the region of £120 for a 70 cl bottle, when available at all in the UK.
8. American Eagle as a brand was conceived by Mr Stewart Hainsworth, the CEO of the Halewood Group of Companies (of which all three Defendant companies are members) in June 2018. The Second Defendant now sells the brand in three expressions: a 4 year old, an 8 year old and a 12 year old version. Each is a Tennessee straight bourbon. The 12 year old was launched in late February 2019 at about £65 for a 70 cl bottle, though the price has since been reduced, and it was only released in small quantities. That is therefore the date at which alleged infringement of the Eagle Rare trade marks has to be assessed. The 4 year old was released in September 2019 at around £25 a bottle, in larger quantities. The 8 year old version has only very recently been released, in limited quantities at around £40 a bottle. Both these prices have been reduced somewhat in recent times in order to promote the brand.

9. Up to June 2020, 75% of American Eagle bourbon sold by the Second Defendant was the 4 year old version. Mr Hainsworth accepted that, going forward, about 95% of sales would be of the 4 year old. Once sufficient stocks of aged liquor are available, it will be promoted to supermarkets and other multiple retailers, but to establish the brand fully will take between 5 and 10 years, he said.
10. The central disputed issue on the first ground of alleged infringement (art. 9(2)(b)) is whether an average consumer is likely to be confused by the similarity of the trade marks and the sign. The Defendants accept that there is some similarity but contend that it is limited. Within that issue is an important sub-issue about the identity and characteristics of the average consumer, which will impact directly on an objective assessment of likelihood of confusion.
11. The main issues to be decided on the second ground of alleged infringement (art 9(2)(c)) are whether Eagle Rare has an established reputation among UK and/or EU consumers and whether, either intentionally or recklessly, the Second Defendant took unfair advantage of that reputation and the First Claimant's trade marks by registering and using its own American Eagle trade mark. The Claimants allege that the Defendants unfairly set about taking advantage of the EAGLE RARE heritage and reputation in the way that they named and positioned their brand.

## **II. The bourbon market and the rival products**

12. It is convenient to address first the nature of the bourbon market in the UK and the position of the brands within it, on which subject I was assisted by the evidence of two experts in the field. Mr Robert Allanson is a journalist and freelance consultant, who is the editor of Whisky Magazine and who has also worked as a brand ambassador for William Grant and Sons. He is the chairman of judges and a taster for the World Whiskies Awards. He was called by the Claimants. Mr Tristan Stephenson is a freelance consultant and author of books on alcoholic drinks, bourbon and American whiskey in particular, who also owns bars and restaurants and who previously worked as a brand ambassador for Diageo. He was called by the Defendants. Both experts provided me with a valuable insight into the nature of the market and both were open and straightforward in giving their evidence.
13. The experts were agreed about the scale and importance of the bourbon market in the UK. American whiskey comprises about 10% of the total UK retail market in whisky products. About 90% of that 10% share is attributable to sales by the best known manufacturers of American whiskey, Jack Daniels and Jim Beam. (Strictly, Jack Daniels is not a bourbon because its cereals mash does not include at least 51% corn, but not because it is made in Tennessee rather than Kentucky: a bourbon can be made in any US state, though the majority of it is made in Kentucky.) The vast majority of the US whiskey sales in the UK are at a "value" or "entry" level, or for "mass market" purchase, priced in supermarkets in the region of £14 to £18 a 70 cl bottle. There are also supermarket "own brands" competing at the same level at a more competitive price. The experts agreed that that leaves a small share of the American whiskey market divided between at least two further categories, which Mr Allanson called the "middle ground" and "premium" bourbons, and which Mr Stephenson called "premium" and "super premium". Despite the different names used, they were

talking about the same categories, priced respectively at between £20 and £30+ and between £30+ and about £50 a bottle. There is arguably also a tiny top tier of very exclusive, ultra premium products retailing at much higher prices.

14. Mr Allanson placed Eagle Rare 10 year old at the upper end of the middle category, whereas Mr Stephenson placed it in his super premium category. The RRP of about £35 suggests that it is just above the middle category, but both experts agreed that in terms of quality Eagle Rare punches above its weight, which is another way of saying that it is very competitively priced for its quality. Eagle Rare 17 year old is agreed to be in the very highest tier of most exclusive and expensive American whiskeys.
15. The total volume of US whiskey sold in the UK in 2018 and 2019 was around 1.4 million 9-litre cases annually, worth about £650 million. Between about 1.2 and 1.3 million cases are Jack Daniels and Jim Beam mass market products. After allowing for other mass market products, it can therefore be seen that the sales volumes for premium and super premium brands are quite low. Within that space, certain better known brands (Maker's Mark, Bulleit, Wild Turkey and Woodford Reserve) occupy much of the ground. Ms Laura Edwards, who gave evidence for the Claimants, exhibited the Claimants' own volume and value sales records for 2018 and 2019, and on- and off-licence sales data purchased from an independent consultancy firm, Nielsen, which in turn derives the on-sales data from a firm called CGA. Both firms assess data and make predictions based on samples of on- and off-trade retail outlets.
16. The Nielsen data (which was incomplete in the form provided to the Third Claimant) shows that better known middle category brands are estimated to sell (in total) between 10,000 and 30,000 9-litre equivalent cases in the UK each year. In comparison, in 2018 Eagle Rare is estimated by Nielsen to have sold 351 9-litre equivalent cases (4,212 bottles), and in 2019 504 cases (6,048 bottles). The figures for on-sales derived from CGA are shown to be zero, i.e. a statistically negligible amount, so the sales achieved by Eagle Rare appear to be almost all for consumption at home rather than in bars and restaurants. Those figures suggest a very healthy increase in sales of 43.6% over the two years in question. The value of these sales of Eagle Rare is shown by Nielsen to be £162,354 in 2018 and £216,118 in 2019, an increase of 33.1%. The average price per bottle is shown as £35.97 in 2018 and £33.35 in 2019.
17. The Third Claimant's own figure for volume of 10 year old sold in 2018 is 15,249 equivalent 70 cl bottles and in 2019 19,710 bottles, an increase of about 23%. These figures do include a small number of sales in Ireland. Those volumes are nevertheless very substantially higher than the assessments made by Nielsen. The value of the sales recorded by the Third Claimant is shown as £106,561 in 2018 and £394,615 in 2019, an increase of 271%. Ms Edwards was asked to explain how a 23% volume increase could translate into a 271% value increase. Her evidence was that there were sales mix issues at play, apart from any increase in price per bottle (although Nielsen records an average reduction in price), with the likely explanation that Sazerac was selling more to better paying customers (and she gave an indication of the degree of variance in sales prices).
18. In my judgment, a combination of price increase (if any), a 23% increase in volume and the sales mix as explained by Ms Edwards cannot explain a value growth of 271%. Something is wrong with these value figures advanced by the Claimants. I

accept the figures for volume of sales, in preference to the value figures and the estimates made by Nielsen, as these purport to be actual sales figures and should be easily verifiable by the Claimants and therefore likely to be accurate. They are also in line (allowing for year on year growth) with a figure for 5.5 years' sales to March 2020 that Ms Edwards gave. I therefore conclude that volume sold in the UK increased by 23% from 2018 to 2019, has approximately doubled over three years and currently stands at roughly 1500 to 1600 cases per year (making some allowance for Irish sales). Although this is significantly higher than the Nielsen figures, the latter are predictions and are valued by producers for their likely comparative accuracy rather than absolute accuracy derived from the sampling of data, and the selection of outlets by Nielsen may have caused significant inaccuracy for low-volume businesses.

19. Eagle Rare is, nonetheless, a much smaller product than the better known middle to premium quality brands that it competes with in the UK market. It is sold in some Waitrose stores and has been for 10 years, but the number of such stores stocking Eagle Rare was unspecified; otherwise, apart from Ocado and Majestic, it is only sold through smaller and specialist outlets. Mr Stephenson professed himself surprised to learn that it was stocked in any multiple retailer, because it was a recognised high quality niche product, with limited availability - well known and valued by connoisseurs but little known in the broader market. Mr Allanson described Eagle Rare as a "high end" and highly regarded product, with an excellent reputation spread mainly by word of mouth, known of and found in exclusive and rarefied bars but not in the mass market, whose sales only amount to a small segment of the premium UK market in bourbon. Eagle Rare also scores highly in blind tastings, the results of which are published in the national press on occasions, and it has won a number of prestigious awards in the industry. It is also lauded in books such as those written by Mr Stephenson, who has sold up to 20,000 copies of each.
20. In comparison with sales in the UK, sales in the EU (excluding the UK) have been more than 60% higher over the same 5.5 years period. The majority of these sales are in France, the Netherlands and Germany, with Belgium Denmark, Italy, Poland and Switzerland also having sales of more than 100 cases per year at some time during that period.
21. It is also to be borne in mind that UK and EU sales do not reflect a limited interest in Eagle Rare. There is a limit to the amount of cases that the Claimants can sell anywhere: the amount of aged liquid that was distilled 10 years previously and still remains in charred oak barrels in Kentucky. Only a part of that is then allocated to the UK and EU markets. I accept the evidence of Mr Comstock, a Marketing Director of Sazerac, that there is great demand for Eagle Rare each year when it is released and that if there was an unlimited source of aged liquid Sazerac would be able to sell (across all markets) twice the volume that it does sell. Ms Edwards said that she would be able to sell twice the allocation in the UK.
22. In comparison with their knowledge of Eagle Rare, neither expert had previously heard of American Eagle. This has to date only been released to a limited extent, so the lack of knowledge is understandable. The launches were low key because the Defendants did not have a substantial volume of the product to sell; there has been no significant marketing activity, so much so that the Claimants were not aware of the sale of American Eagle until more than 6 months after its release. To June 2019, only 83 half cases (6 x 70 cl) had been sold; by June 2020 2,478 half cases. It is sold at

certain specialist retailers and online by Ocado, and is stocked by certain high end bars in London and elsewhere.

23. Mr Bradbury said that he did not see American Eagle as competing with Eagle Rare but rather with Jack Daniels and Woodford Reserve and Woodford Double Oak. Nevertheless, the price of Eagle Rare 10 year old sits very close to the now reduced price of American Eagle 8 year old and appears to be broadly comparable, though American Eagle obtains its aged liquid from a small family distillery in Tennessee. Mr Stephenson considered that American Eagle 12 year old would cross over to some extent with sales of Eagle Rare 10 year old, online and in bars, and that American Eagle 4 year old would compete with Eagle Rare in the craft cocktail market.
24. I find that the high quality upper middle and premium parts of the bourbon market are relatively underpopulated by brands in the UK and EU markets. These brands are set comfortably above the mass market brands though the increase in price is not so steep as to deter lower level drinkers from experimenting on occasions with the quality brands. Eagle Rare 17 year old is on a much higher level with few if any peers. American Eagle 8 year old will be a direct competitor with Eagle Rare 10 year old, with American Eagle 12 year old at a slightly higher and considerably more expensive level. The 4 year old version is a little lower in price and will compete both with mass market brands and to some extent with the middle or upper-middle level products such as Eagle Rare. The volume of sales through multiples to which the Defendants aspire will be far in excess of sales and exposure of Eagle Rare. As a result, in time, more consumers of bourbon whiskey would become aware of American Eagle than are aware of Eagle Rare.

### **III. The Relevant Law of Trade Mark Infringement**

25. Article 9.2 of the Regulation provides:

“Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trademark, the proprietor of that EU trademark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

(a) the sign is identical with the EU trade mark and is used in relation to goods or services which are identical with those for which the EU trade mark is registered;

(b) the sign is identical with, or similar to, the EU trademark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the EU trademark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;



(c) the sign is identical with, or similar to, the EU trademark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark.”

26. So far as article 9.2(b) is concerned, the only disputed issue is whether there exists a likelihood of confusion. The Defendants accept that there is a degree of similarity between the American Eagle sign and the Eagle Rare trade mark, though they suggest that the degree of similarity is low. The Court will have to assess the degree of visual, aural and conceptual similarity. So far as article 9.2(c) is concerned, the issues in dispute are whether the Eagle Rare trade mark has a reputation and whether the Defendants’ use of the American Eagle sign takes unfair advantage of the distinctive character or the repute of the Eagle Rare mark or is detrimental to its distinctive character. The Defendants accept that if it is established that Eagle Rare has a reputation then the use of the sign will give rise to a link with the trade mark in the mind of the average consumer. It is therefore possible to limit my summary of the directly applicable legal principles to these issues.
27. It is well-established that the likelihood of confusion must be assessed from the perspective of the average consumer. This person is deemed to be reasonably well-informed and reasonably observant and circumspect: *per* Arnold J in Interflora Inc v Marks and Spencer plc [2013] EWHC 1291 at [194]. It is common ground that in the instant case the average consumer is a consumer of bourbon whiskey. An average consumer is a typical consumer, who is neither excessively ignorant or careless nor excessively knowledgeable and careful. If it is reasonable to expect that the average consumer would distinguish between the sign and the trade mark, there will be no likelihood of confusion. There is no need for evidence of actual confusion.
28. The Court of Justice of the European Union (“CJEU”) has considered the approach to determining the likelihood of confusion on many occasions and the Trade Mark Registry has adopted a summary of the principles established by it. This summary has in turn been approved by the Court of Appeal in Comic Enterprises Ltd v Twentieth Century Fox Film Corporation [2016] EWCA Civ 41; [2016] FSR 30, per Kitchen LJ at [31]:

“(a) the likelihood of confusion must be appreciated globally, taking account of all relevant factors;

(b) the matter must be judged through the eyes of the average consumer of the goods or services in question, who is deemed to be reasonably well-informed and reasonably circumspect and observant, but who 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, and whose attention varies according to the category of goods or services in question;

(c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details;

(d) the visual, aural and conceptual similarities of the marks must normally be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components, but it is only when all the other components of a complex mark are negligible that it is permissible to make the comparison solely on the basis of the dominant elements;

(e) nevertheless, 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;

(f) and beyond the usual case, where the overall impression created by a mark depends heavily on the dominant features of the mark, it is quite possible that in a particular case an element corresponding to an earlier trade mark may retain an independent distinctive role in a composite mark, without necessarily constituting a dominant element of that mark;

(g) a lesser degree of similarity between the goods or services may be offset by a greater degree of similarity between the marks, and vice versa;

(h) there is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it;

(i) mere association, in the strict sense that the later mark brings the earlier mark to mind, is not sufficient;

(j) the reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense; and

(k) if the association between the marks creates a risk that the public might believe that the respective goods or services come from the same or economically-linked undertakings, there is a likelihood of confusion.”

29. In assessing the likelihood of confusion, the court must attribute to the Claimants a fair and notional use of their trade marks. That will therefore be across the whisky and bourbon whiskey market, with the result that the First Claimant’s trade marks will not be associated only with high end products. The court must consider all the circumstances of the use of the Defendants’ sign that are likely to operate in the consumer’s mind when it considers the impression that the sign is likely to make on them in the context in which it is used: Specsavers International Healthcare Ltd v Asda Stores Ltd [2012] EWCA Civ 24; [2012] FSR 19 at [87]. Thus, if the particular use of the mark on the product and the colourways used are inconsequential, these are

unlikely to make an impression on the mind of the average consumer: see Red Bull GmbH v Sun Mark Ltd [2012] EWHC 1929 (Ch); [2013] ETMR 53 at [79] – [86]. Moreover, the trade marks in issue are word marks only, not figurative marks, so the comparative trade dress of the Claimants’ and the Defendants’ products are immaterial.

30. To establish a likelihood of confusion, it is sufficient to show that, having regard to the perceptions and expectations of the average consumer, a significant proportion of the relevant public is likely to be confused: Interflora Inc v Marks and Spencer plc [2014] EWCA Civ 1403; [2015] FSR 10 at [129], per Kitchen LJ.
31. Paragraph (k) of the Trade Mark Registry’s summary draws attention to the different kinds of confusion that can exist. There may be ‘direct’ confusion where there is risk that the average consumer will instinctively consider one brand to be another brand; there may also be ‘indirect’ confusion, where there is a risk that the average consumer will instinctively consider one product – though different from another product – to be linked to it, by being from the same stable or from a connected or subsidiary undertaking. In both such cases, there may be confusion of A as (or as connected with) B or of B as (or as connected with) A. All these cases where there is risk of confusion are to be distinguished from cases where, on the basis of the global assessment, one mark will merely call to the mind of the average consumer the other mark, but without confusion as to their identity or origin. In such a case there is no risk of confusion but mere association. In a case where there is very low similarity or wholly different products, there may be no link at all made between the mark and the sign. It is important to bear these possible categories in mind when addressing the facts of a particular case.
32. As the Guidance indicates, a global appreciation of the trade mark and sign may take account of the most distinctive and dominant components, but the other components cannot be ignored except where they are of negligible impact, or where the component parts are themselves signs with independent significance that is different from the whole. This does not apply where the average consumer would regard a composite mark as a unit having a distinct meaning: White & Mackay Ltd v Origin Ltd [2015] EWHC 1271 (Ch); [2015] FSR 33 at [18] to [21].
33. Establishing a reputation for the purposes of article 9(2)(c) is not a particularly onerous requirement, as has often been stated, but it must nevertheless be proved on the basis of some evidence. The enhanced protection afforded by art. 9(2)(c) in a case where the offending sign is used on dissimilar goods or services depends on a sufficient reputation having been established through use. Reputation here is used in the sense of knowledge of the goods, not their repute among those who do know them. The general principles that apply are those set out by the CJEU in (Case C-375/97) General Motors Corporation v Yplon SA [2000] RPC 572:

“... It cannot be denied that, in the context of a uniform interpretation of Community law, a knowledge threshold requirement emerges from a comparison of all the language versions of the Directive.

23. Such a requirement is also indicated by the general scheme and purpose of the Directive. In so far as Article 5(2) of the

Directive, unlike Article 5(1), protects trademarks registered for non-similar products or services, its first condition implies a certain degree of knowledge of the earlier trade mark among the public. It is only where there is a sufficient degree of knowledge of that mark that the public, when confronted by the later trademark, may possibly make an association between the two trademarks, even when used for non-similar products or services, and that the earlier trade mark may consequently be damaged.

24. The public amongst which the earlier trade mark must have acquired a reputation is that concerned by that trade mark, that is to say, depending on the product or service marketed, either the public at large or a more specialised public, for example traders in a specific sector.

25. It cannot be inferred from either the letter or the spirit of Article 5(2) of the Directive that the trademark must be known by a given percentage of the public so defined.

26. The degree of knowledge required must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that trade mark.

27. In examining whether this condition is fulfilled, the national court must take into consideration all the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.

28. Territorially, the condition is fulfilled when, in the terms of Article 5(2) of the Directive, the trademark has a reputation “in the Member State”. In the absence of any definition of the Community provision in this respect, a trade mark cannot be required to have a reputation “throughout” the territory of the Member State. It is sufficient for it to exist in a substantial part of it.”

34. The relevant public which must have some knowledge of the earlier trade mark is therefore that concerned by it. That must mean the part of the public that has had contact with or exposure to the goods or services on which the owner of the mark has used it. The extent of the public that must have some knowledge of the trade mark therefore depends on the product or service marketed by its owner. But not all of that sub-set of the public needs to have knowledge: it suffices that a significant part of the public concerned has knowledge.
35. The parties did not agree whether, as concerns Eagle Rare’s reputation, the relevant part of the UK public was (1) that with contact with or exposure to the whisky market generally or (2) that with contact with or exposure more specifically to the bourbon market; nor is this a point that has been expressly decided in any domestic or

European authority that the parties' lawyers could find. The Claimants submitted the latter, on the basis that they had only marketed bourbon and so could only have established a reputation for a brand of bourbon. The Defendants submitted the whisky market generally, on the basis that the First Claimant's UK trade mark is registered for the broader specification of "whisky", not "bourbon", as the EU trade mark is. They argued that an attempt to gain wider protection of the mark in the whisky market as a whole meant that a reputation had to be established across that wider market, if reputation was to be invoked, otherwise a claimant could obtain much wider extended protection for a mark on the basis of a broad specification but narrow use.

36. In my judgment the Claimants are right on this issue, both in principle – where the alleged infringing use is in the narrower class of goods – and as a matter of interpretation of the ruling of the CJEU. Para 24 of the judgment in General Motors v Yplon makes it clear that the extent of the reputation that needs to be established depends on the use of the trade mark on products or services actually marketed, and that it is only the part of the public concerned by the actual use of the mark that must have the relevant knowledge of it. The words of para 26 ("the products or services covered by that trade mark"), though capable of being read as a reference to the specification of the trade mark, are not in context making that reference: para 26 explains that only a significant part of the public concerned, as identified in para 24, and not the whole of it, needs to have knowledge of the trade mark. It would be illogical for the owner of the mark to have to prove a reputation in a field in which the mark has not yet been fully deployed, or deployed at all, if all that they were seeking to do was restrain infringement in a narrower field in which the mark had been used. Were the owner of a mark seeking to restrain infringement under article 9(2)(c) that went beyond the scope of the use of the mark then a different conclusion might well be reached, on the basis that reputation on a wider basis needed to be proved to restrain a wider infringement.
37. As to what amounts to a significant part of the public concerned, the language of the CJEU in the decision in General Motors v Yplon does not suggest that "significant" is used in the sense of "really substantial" but rather in the sense of commercially significant. If goods are known by a commercially insignificant proportion of the public in a particular sector, they do not have a reputation within the meaning of art. 9(2)(c). A trade mark does not have to be "well known" in a particular market to have a reputation in that sense and a reputation in one member state may well be in a substantial part of the EU, and therefore sufficient to establish a reputation across the whole of the EU: see Case C-125/14 Iron & Smith KFT v Unilever NV [2015] ETMR 45 at [19], [20].
38. The question is likely to arise and be important in a case where the market is very broad but the trade mark has only had local exposure. This is exemplified by Waseem Ghias t/a GRILLER v Ikram t/a THE GRILLER ORIGINAL [2012] EWPC 3, in which the market for fast food restaurants was huge and the turnover for the claimant's franchise in London and Essex was "miniscule" in comparison (just over £1 million); and by Burgerista Operations GmbH v Burgista Bros Ltd [2018] EWHC 35 (IPEC), in which the claimant had only 6 restaurants in Austria and one in Germany at the relevant date, albeit with turnover amounting to €9,250,000 and over 865,000 individual transactions. The brand was however only known locally, not

throughout Austria, and the proportion of the burger fast food business in the EU was considered to be “very small indeed”. Although the claimant had a reputation of some kind, it did not have a reputation within the meaning of art. 9(2)(c).

39. Where on the other hand only a small sector of the public is concerned by the goods in question and the goods are marketed and consumed nationally, rather than locally, there may more readily be seen to be a reputation in the trade mark if there has been a sufficiently long history of sales or substantial promotion of the brand. Whether a trade mark has a reputation in that sense must be assessed by close reference to the facts, having regard to the market share of the brand, the intensity, geographical extent and duration of its use and the size of the investment made by the owner in marketing it: PAGO International GmbH v Tirolmilch Registrierte Genossenschaft mbH (C-301/07) [2010] ETMR 5 at [25].
40. For a trade mark infringement to be actionable under art. 9(2)(c) the owner must establish one of three kinds of injury, which were addressed by the CJEU in L’Oreal SA v Bellure NV (C-487/07) [2009] ETMR 55 as follows:

“38. ... first, detriment to the distinctive character of the mark, secondly, detriment to the repute of that mark and, thirdly, unfair advantage taken of the distinctive character or the repute of that mark (see, to that effect, *Intel Corporation*, paragraph 27).

39. As regards detriment to the distinctive character of the mark, also referred to as ‘dilution’, ‘whittling away’ or ‘blurring’, such detriment is caused when that mark’s ability to identify the goods or services for which it is registered is weakened, since use of an identical or similar mark by a third party leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is particularly the case when the mark, which at one time aroused immediate association with the goods or services for which it is registered, is no longer capable of doing so (see, to that effect, *Intel Corporation*, paragraph 29).

40. As regards detriment to the repute of the mark, also referred to as ‘tarnishment’ or ‘degradation’, such detriment is caused when the goods or services for which the identical or similar sign is used by the third-party may be perceived by the public in such a way that the trade mark’s power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.

41. As regards 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’, that concept relates not to the detriment caused to the mark but the advantage taken by the third-party as a result of the use of the identical or

similar sign. It covers, in particular, cases where, by reason of a transfer of the image 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.

42. Just one of those three types of injury suffices for Article 5(2) of Directive 89/104 to apply (see, to that effect, *Intel Corporation*, paragraph 28).”

41. In this claim only detriment to the distinctive character of the Eagle Rare trade marks and taking unfair advantage of the distinctive character or the repute of the trade marks are relied on by the Claimants.
42. The correct approach to determine whether unfair advantage has been taken of a trade mark was explained by the CJEU in L’Oreal v Bellure as follows:

“44. 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 to 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. As regards the strength of the reputation and the degree of distinctive character of the mark, the court has already held that, the stronger that Mark’s distinctive character and reputation are, the easier it will be to accept that detriment has been caused to it. It is also clear from the case-law that, the more immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is taking, or will take, unfair advantage of the distinctive character or the repute of the mark or is, or will be, detrimental to them (see, to that effect, *Intel Corporation*, paragraphs 67 to 69).

45. In addition, it must be stated that any such global assessment may also take into account, where necessary, the fact that there is a likelihood of dilution or tarnishment of the mark.

46. In the present case, it is a matter of agreement that Malaika and Starion use packaging and bottles similar to the marks with a reputation registered by L’Oreal and others in order to market perfumes which constitute ‘downmarket’ imitations of the luxury fragrances for which those marks are registered and used.

47. In that regard, the referring court has held that there is a link between certain packaging used by Malaika and Starion, on the one hand, and certain marks relating to packaging and

bottles belonging to L’Oreal and others, on the other. In addition, it is apparent from the order for reference that that link confers a commercial advantage on the defendants in the main proceedings. It is also apparent from the order for reference that the similarity between those marks and the products marketed by Malaika and Starion was created intentionally in order to create an association in the mind of the public between fine fragrances and their imitations, with the aim of facilitating the marketing of those imitations.

48. In the general assessment which the referring court will have to undertake in order to determine whether, in those circumstances, it can be held that unfair advantage is being taken of the distinctive character or the repute of the mark, that court will, in particular, have to take account of the fact that the use of packaging and bottles similar to those of the fragrances that are being imitated is intended to take advantage, for promotional purposes, of the distinctive character and the repute of the marks under which those fragrances are marketed.

49. In that regard, where a third party attempts, through the use of a sign similar to a mark with a 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 has been unfairly taken of the distinctive character or the repute of that mark.

50. In the light of the above, the answer to the fifth question is the Article 5(2) of Directive 89/104 must be interpreted as meaning that the taking of unfair advantage of the distinctive character or the repute of the mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that party of the distinctive character or the repute of the mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark’s image.”

43. In Whirlpool Corporation v Kenwood Ltd [2010] RPC 2, the Court of Appeal held that it was insufficient to show simply that there was an advantage obtained: there had



to be an added factor for the advantage to be categorised as unfair. Further, “It may be that, in a case in which advantage can be proved, the unfairness of that advantage can be demonstrated by something other than intention”, though it appears that no court has subsequently identified other particular circumstances in which “unfairness” would be established, other than deliberate riding on the coat-tails of the trade mark with a reputation. In Jack Wills Ltd v House of Fraser (Stores) Ltd [2014] EWHC 110 (Ch); [2014] FSR 39, Arnold J said that, in his judgment:

“... there is nothing in the case law to preclude the court from concluding in an appropriate case that the use of a sign the objective effect of which is to enable the defendant to benefit from the reputation and goodwill of the trade mark amounts to unfair advantage even if it is not proved that the defendants objectively intended to exploit that reputation and goodwill.”

44. The CJEU in Intel Corporation Inc v CPM United Kingdom Ltd (Case C-252/07) [2009] RPC 15 held that a conclusion of detriment to the distinctive character of a trade mark required evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change would occur in future (para 78). The right approach was described by the CJEU in Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (Case C-383/12):

“42. Admittedly, Regulation No 207/2009 and the Court’s case-law do not require evidence to be adduced of actual detriment, but also admit the serious risk of such detriment, allowing the use of logical deductions.

43. None the less, such deductions must not be the result of mere suppositions but, as the General Court itself noted at paragraph 52 of the judgment under appeal, in citing an earlier judgment of the General Court, must be founded on ‘an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case’.”

A key consideration in any such case is how distinctive the earlier mark is.

45. It is less clear that taking unfair advantage of the repute or distinctive character of a trade mark similarly requires evidence of a change in the economic behaviour of a consumer of the goods or services in question. The proof of taking unfair advantage is after all an alternative to proof of detriment to the repute or distinctive character of the mark, and an advantage may accrue to a defendant without any detriment to the claimant. In Jack Wills v House of Fraser, Arnold J was presented with a concession by counsel for the claimant that there would need to be some evidence or logical inference of a change in behaviour of consumers of the defendant’s goods, and he affirmed that the right approach to the issue of evidence of such a change was that set out in the paragraphs of the Environmental Manufacturing case cited above. In Argos Ltd v Argos Systems Inc [2018] EWCA Civ 2211; [2019] FSR 3, in dealing with the issue of unfair advantage, Floyd LJ said at [107]:

“So far as a requirement for a change in economic behaviour is concerned, the CJEU has held that proof that the use of the sign is or would be *detrimental* to the distinctive character of the trademark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the trademark is registered or a serious likelihood that such change will occur in the future: see *Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (C-383/12)* EU:C:2013:741; [2012] E.T.M.R. 54 (at [34] – [43]). It by no means follows that there is a requirement for evidence of a change in the economic behaviour of consumers of the trademark proprietor’s goods or services in order to establish the taking of unfair advantage of the distinctive character or repute of the trade mark. In my judgment, it should be sufficient to show a change in economic behaviour of customers for the defendants’ goods or services in order to show that the use of the sign is taking unfair advantage. In *Jack Wills Ltd V House of Fraser (stores) Ltd* [2014] EWHC 110 (Ch); [2014] F.S.R. 39, Arnold J proceeded on an assumption to that effect as a result of a concession by counsel (see at [82]) but I consider the concession to be correctly made. I do not think, however, that change of economic behaviour provides the answer to this case....”

Thus it appears that a logical inference that there will be a change in economic behaviour by those purchasing a defendant’s goods will be sufficient to establish an advantage taken of the distinctive character or repute of the claimant’s trade mark but, as the decision in the *Argos* case showed, not necessarily sufficient to establish an *unfair* advantage. How these principles apply in the case of a defendant starting a new business or product line is not clearly established.

46. An intentional riding on the trade mark proprietor’s coat-tails is established to amount to taking unfair advantage, whether it boosts a defendant’s sales or harms a claimant’s business, or both; but there is no authority establishing that a reckless disregard rather than an intentional exploitation of others’ rights amounts to taking unfair advantage. The concept of taking advantage implies something deliberately done, not merely recklessly or negligently risking a law suit. There may however be cases in which, although a defendant’s conduct in using its sign is not proved to have been with the intention of taking advantage of the defendant’s trade mark, nevertheless knowledge of that mark and deliberate action will suffice to amount to an unfair taking of advantage. It will depend on the particular facts of the case. The sole question remains: has the defendant unfairly taken advantage of the distinctiveness or repute of the claimant’s trade mark?

#### **IV. The average consumer of bourbon**

47. It is common ground that the issue of likelihood of confusion is to be assessed objectively through the perception of the average consumer of bourbon in the UK and

the EU. When the Trade Mark Registry summary of the applicable principles of EU law, approved by the Court of Appeal, refers to the matter being judged through the eyes of the average consumer of the goods in question, it is of course not restricting the assessment to visual similarity or distinctiveness of the trade mark and the sign. Visual, aural and conceptual similarity or distinctiveness are all in play. It is important therefore to consider, in this context, what idea or image the respective names conjure up in the mind of the average consumer, what associations the names have, how they sound when used in the contexts in which the average consumer might encounter their use (in shops, bars, restaurants and clubs, or in conversation), and how they appear visually, though not in the stylised form on a bottle of Eagle Rare.

48. The main issue between the parties on the approach to assessing likelihood of confusion arises from the words of the Trade Mark Registry summary “whose attention varies according to the category of goods or services in question”. The average consumer is deemed to be reasonably well-informed and reasonably circumspect and observant in all cases, but the degree of attentiveness may differ according to the nature or quality of the goods in issue. Thus, a person buying an everyday product from a supermarket shelf, e.g. a packet of pasta, may be expected to be less attentive than a person who buys a rarer and more expensive item, such as a high quality watch, or a product where the exact identity is important, such as pharmaceutical products. Loyalty to brand has a part to play, in that, e.g. a smoker of cigarettes is generally accepted to pay fairly close attention to the brand of the packet that they are buying. It is also, in my judgment, necessary to have regard to the range of circumstances in which the purchase of bourbon whiskey is likely to take place. Much entry level bourbon will be bought in supermarkets and in pubs and clubs; higher quality products more often in restaurants and bars, off-licences or online.
49. The average consumer of bourbon is not a particular purchaser of a particular product. They are a legal construct and represent a range of characteristics of normal purchasers of bourbon at various levels of the product, buying in various circumstances. The parties agree that it is inappropriate to seek to identify the average purchaser of a bottle of Eagle Rare 10 year old, since the Eagle Rare trade mark is registered for whisky and bourbon generally. It is inappropriate to seek to identify specific characteristics of an average consumer, beyond their reasonable degree of knowledge, circumspection and perceptiveness, or any average circumstances of purchase. It would perhaps be more appropriate to refer to “average consumers” of bourbon, given that the applicable test is whether a significant proportion of the relevant public is likely to be confused. What the concept of average consumer does do is *exclude* from the range of persons in consideration idiosyncratic purchasers, such as scholars, journalists or collectors, and consumers at each end of the range of knowledge, circumspection and attentiveness. Particularly knowledgeable consumers are therefore excluded, as are those who have no knowledge of or care about what they are buying. However the average consumer is not necessarily the drinker of the bottle that they buy; they may be buying a gift for someone else to consume.
50. The Defendants’ case is that average consumers of bourbon are more than averagely knowledgeable about bourbon, as compared with average consumers of brandy, gin or even Scotch whisky, and therefore more attentive to what they are buying. Accordingly, the Defendants say, the average consumer will pay a high degree of

attention to what they are buying and are less likely to be confused by similar names than a purchaser of these other drinks.

51. The evidence about this, being a matter of opinion, came mainly from the two expert witnesses.
52. Mr Allanson identified different levels of consumers of bourbon: the mass market, accounting for 90% or more of the sales; people with more disposable income who would tend to buy the middle range products, as he called them, and the connoisseur who would buy the premium bourbons. In his expert report he said that the UK bourbon drinker is someone who is more loyal than a typical Scotch whisky drinker and would have a favourite drink. However the mass market consumer is “not that knowledgeable”. In the middle ground, people have variable knowledge, ranging from those with a good knowledge to those – the vast majority – who would not be that knowledgeable. He accepted that people who buy Eagle Rare and similar high end brands are more “in the know” about their bourbons.
53. In cross-examination, Mr Allanson reaffirmed his opinion that the vast majority of middle-group bourbon drinkers would not be that knowledgeable about the various brands available, whereas the premium quality buyers are much more knowledgeable. But he agreed that even mass-market customers would take care to buy their preferred brand, and that loyalty to brand went across all the groups of consumers. He said that more aspirational drinkers in the middle market would set out to buy certain products, and were more likely to experiment. But he agreed that in general the consumer pays attention to what they are ordering in the bourbon market. Asked whether consumers were well-used to distinguishing between brands with similar names, he agreed that they were if they remembered the names. Asked to comment on whether a consumer would assume that Yellow Rose whiskey came from Four Roses, Mr Allanson said that they would, unless they were able to examine the labels with the specialist knowledge that he had. He said that there was potential for confusion with the Heaven Hill and Heaven’s Door brands in the US. But he agreed that the consumer in the premium sector would take care to distinguish between brands.
54. Mr Stephenson said in his expert report that there were three categories of bourbon drinkers. First, those in clubs, bars and pubs who tend to consume entry level American whiskeys to drink as mixed long drinks, or as shots, who tend to stick with one brand but are price sensitive and may go for what is cheapest. Second, those who drink neat bourbon or strong cocktails, who consume the more premium brands and cherish regular brands but also explore new brands. Third, people transitioning from the first class to the second class. He said that the level of discernment in the second category is quite high, ranging from those with a few bottles at home and a knowledge of cocktails to the serious aficionados, who join clubs and internet forums. A dedicated bourbon drinker in the second category would tend to research and understand what they are drinking, whereas a first category drinker is more driven by brand loyalty and price.
55. I reject the Defendants’ case that the average consumer of bourbon in the UK or in the EU would have a *high* degree of attention to what they were buying. The evidence, including that of the Defendants’ own expert, does not go that far. It would be rather surprising if it did, placing the average consumer of bourbon in a quite different category of superior attentiveness to the average consumer of gin, brandy or Scotch

whisky. Bourbon has a large mass market; it is not just a connoisseur's drink. I accept the evidence that there is a significant degree of brand loyalty, greater than with the average consumer of Scotch, and that the majority of consumers tend to stick to their brand, unless motivated to try others. This betokens a degree of care when buying, to ensure that the preferred brand is bought rather than e.g. a supermarket own label, or a different brand – i.e. the shopper would go into the supermarket to buy and would look for Jack Daniels, not just American whiskey. I accept, on the evidence that I heard, that this is more so than with buyers of other spirits.

56. I accept Mr Allanson's evidence that (were all the brands available in the UK and EU) the average consumer would be likely to be confused about the identity or provenance of Four Roses and Yellow Rose, and Heaven Hill and Heaven's Door. That evidence was given as an instinctive reaction to questions; it was convincingly given and had a ring of truth to it. Although the names are different, a non-specialist would be likely to assume that there was some link between them, judging by their names. I accept the evidence of both expert witnesses that in the premium category (which includes the top of Mr Allanson's middle category and so Eagle Rare 10 year old) consumers would exercise more care and be more attentive to what they were buying, and be more discriminating. However, I do not see that feature as being particularly distinctive of the bourbon market. Neither does that level of attentiveness of the top decile of the market raise the attributes of the average consumer of bourbon to one of *high* attentiveness. I do however carry forward to the final analysis a conclusion that there is a greater than usual degree of brand loyalty within the bourbon market and so, on average, the consumer has a *somewhat higher* degree of attentiveness than a consumer of certain other spirits.

## **V. Likelihood of confusion**

57. The issue under art 9(2)(b) is whether there is a likelihood of a significant proportion of the relevant market, with the characteristics of the average consumer, being confused as to whether American Eagle is the same product as Eagle Rare, or Eagle Rare is the same product as American Eagle, or whether American Eagle and Eagle Rare are produced by the same or economically linked undertakings. The trade marks and the sign are acknowledged to be at least similar and the goods are identical, viz bourbon whiskey.
58. In addressing the likelihood of confusion, the matter must be addressed globally, taking into account all relevant factors including a notional and fair exploitation of the Eagle Rare trade marks.
59. The mark Eagle Rare self-evidently comprises two separate words, one of which is a strong substantive and the other an adjective, in the nature of a qualification or description. That is not to treat the mark as if it were Eagle rather than Eagle Rare but only to observe that the average consumer would regard the word Eagle as the more distinctive component and the word Rare as relating to the quality of the product. Use of "rare" in this way is common in the aged spirits market and would be recognised as such by the average consumer of bourbon. The words "Eagle Rare" would not in my judgment be read by the average consumer as describing or referring to a rare species of eagle, e.g. a golden eagle.

60. The sign American Eagle is similar in that it includes the word “Eagle”, though as the second rather than the lead term, and in that Eagle is qualified by an adjective, “American”. The word American is also strong, much stronger than “Rare”, so that the sign would more naturally be read as a composite whole. That is because the two words are more naturally linked than the words Eagle and Rare, when read in that order. The word “American” has additional visibility because it comes first. I reject the Claimants’ argument that “American” is weak because it does no more than state the obvious, viz that bourbon is an American product. There is nevertheless similarity in visual terms, given that the substantive Eagle appears in both mark and sign as a strong component.
61. Conceptually, the sign American Eagle conjures up an image distinct from something or anything American and an eagle: it conjures up an image of a bald eagle, a particular type of eagle native to North America and an iconic symbol (and the national bird) of the United States of America. I therefore consider that, conceptually, the trade mark and the sign are distinct and not strongly similar.
62. Aurally, the degree of similarity is somewhat less than the degree of visual similarity. Aural perceptions are more evanescent than visual perceptions and the word “eagle” is more noticeable for coming first in the trade marks. There is therefore a difference in aural perception if the full names of the trade marks and sign are used. I accept the evidence of Mr Allanson that Eagle Rare is on occasions abbreviated to Eagle, though there was no evidence of the extensiveness of this use and I find that it is occasional rather than generally established. To the extent that either brand is abbreviated, the degree of similarity is obviously increased. There is, bearing in mind these points, therefore some similarity in the mark and the sign in aural terms.
63. Retreating from a detailed analysis of the mark and the sign, so as to replicate the more fleeting experience that the average consumer is likely to have, without the ability at the same time to compare the two closely, there is in my judgment a significant degree of similarity, but not overwhelming similarity. Had the Defendants’ sign been “New Eagle” or “Eagle Special” the degree of similarity would in my judgment have been much greater; the reason it is less marked is on account of the strength of the word “American” and the conceptual difference arising from the conjugation of the words “American” and “Eagle”, as explained above.
64. The relevant context in which to judge the likelihood of confusion is the context and circumstances of the use of the sign by the Defendants. That includes all the circumstances of the use that are likely to operate in the mind of the average consumer in considering the sign, and the impression it is likely to make on them: Specsavers v Asda, at [87].
65. The Defendants are using the sign in the context of the bourbon whiskey market in the UK and EU. The sign is used on bottles of whiskey that are sold in retail outlets, in bars, clubs and restaurants and online – exactly the same market in which Eagle Rare is sold. I am not persuaded that there is any other context or circumstances that are material. Thus, the impression likely to be made on purchasers of bottles from retail stores (including supermarkets, when the Defendants’ 4 year old product is produced and released in greater quantities and more widely in due course) and off-licences, both for personal consumption or for others to consume, and on buyers of drinks in pubs, bars and clubs and restaurants, and on online purchasers, must all be considered.

Purchase in a retail store is likely often to be under some pressure of time or other constraints; on-licence purchases may well be in noisier environments, where the visual appearance of the name is either unavailable or obscured and the full name may not be heard. Online purchases are likely to be conducted in a more considered way, in a quieter environment.

66. Given that the considerable majority of purchasers are likely to have either brand loyalty – and so a degree of focus on what they are buying – or a more developed interest in and so attention to the higher-level product that they are buying, I consider that there is little likelihood that a significant proportion of the bourbon buying public would be confused into thinking that American Eagle is the same product as Eagle Rare, or vice versa. Some, with a partial recollection of one or other name may be confused, but I doubt that a significant proportion would be. My reason, in addition to the point about degree of attention to what is being purchased, is that there is overall a sufficient degree of difference between the mark and the sign for consumers not to believe that they are the same product. This is principally because of the strength and image of the name American Eagle, which is conceptually different from Eagle Rare. American and Eagle together form a strong composite sign in a way that “New Eagle” or “Eagle Special” would not, and would be perceived by a consumer as a composite whole. Although the goods are identical, the average consumer would know that there are various different brands available.
67. Given the distinctive character of the Eagle Rare trade mark, it is however clear to me that the average consumer who sees or hears the sign American Eagle would be likely to call Eagle Rare to their mind. This is not a matter of enhanced distinctive character arising from the extent of use made of the mark; it is a case of the mark being distinctive per se, in that no other bourbon whiskey on the UK and EU markets at the relevant time had a name that used the word “eagle”. The evidence covered other US brands with eagles featuring on the label of the bottle and one limited issue US bourbon brand with “Eagle” in the name (“War Eagle”). However, only 7 bottles of this were available on or through specialist whisky exchanges in the UK: these bottles had clearly “leaked” out of the US and the evidence was that they were not marketed generally in the UK or EU. There is therefore a natural association in the mind of the consumer between a new brand using the word “eagle” and Eagle Rare, given the coincidence of the product and the name, even if the average consumer would not instinctively consider them to be one and the same product.
68. However, association is not enough under art 9(2)(b): what is required is a likelihood of direct or indirect confusion. Thus, it is not sufficient if a consumer considering the purchase of American Eagle 4 year old will have brought to their mind Eagle Rare and, as a result, will buy the American Eagle product, if nevertheless they are aware that the bottle that they are buying is not Eagle Rare nor produced by an undertaking associated with Eagle Rare.
69. Evidence was given by Mr Stephenson and Mr Hainsworth about the concept of brand extensions in the whisky and bourbon markets. Neither of the expert witnesses addressed this issue in their reports, but brand extensions and the likelihood of indirect confusion were not what they were specifically asked to give their opinions about. Their expert opinions were sought on the nature of the bourbon market in the UK, the habits of UK bourbon drinkers and the position of Eagle Rare and American Eagle within that market. Mr Stephenson (with whom Mr Hainsworth and Mr

Bradbury, an employee of the Second Defendant, agreed) said that it was a very common pattern in the whisky and bourbon market to have many different expressions under the same branding, including plays on the brand name. The examples of Jack Daniels producing Gentleman Jack and Winter Jack and Famous Grouse producing The Snow Grouse and Black Grouse were put to Mr Stephenson, who agreed that they were examples of this pattern. In re-examination, Mr Stephenson said that a collection of expressions might have different age statements, and the bottle shape generally stayed much the same, though perhaps with different labelling, and “obviously the name of the brand will still be there”. American Eagle bottles do not of course use the name Eagle Rare anywhere on the bottle.

70. The proper basis for a finding of “indirect” confusion, as it has been called, must be evidence that a substantial proportion of the relevant public would be aware that distilleries and/or other distilleries in a group of economically linked undertakings produce different expressions or variants of the same brand, or different products or brands that are connected with each other in that economic sense. There must be sufficient evidence to establish, as a matter of logic and deduction, a likelihood that confusion about such a connection will exist. Confusion cannot be established by speculation or the mere possibility that any one or more products are from the same stable or from connected undertakings. I remind myself that “indirect” confusion is not to be handed out “as a consolation prize”, as it has been said, for failing to establish “direct” confusion, but that there must be either evidence of actual confusion or a proper evidential basis on which, logically, a risk of such confusion can be established.
71. I find that it is both common and well-known in the spirits market in the UK and the EU, including their respective bourbon sub-markets, for producers not only to have different expressions of brands (i.e. different age statements or special releases or “single cask” products, and the like) but also to release different products with different names, that may or may not allude directly or indirectly to another brand, which are made in the same distillery, by the same distiller or by a distiller in the same group as (or licensed by) the originating distiller. Mr Stephenson very readily accepted in cross-examination in general terms that this was so. He did refer to the presence of the senior brand name on the bottle somewhere, but he was answering a question about how different expressions of the same brand were presented and doing so by reference to actual examples of this in the documentary evidence. I did not take his comment to be to the effect that all sub-brands or connected brands include on the label a reference to the main brand. In any event, the average consumer would not have that expectation or scrutinise the label to ascertain whether any link was to be found.
72. There was no evidence of any actual confusion of a consumer of American Eagle, though this is not wholly surprising given the novelty, low-key launch and limited release to date of that brand, and further given the fact that Mr Bradbury had not instructed his sales team to inquire into and report on any incidents of confusion between American Eagle and Eagle Rare specifically. It is not uncommon in such cases for there to be little hard evidence of actual confusion. In those circumstances, the Claimants must satisfy me that it is inherently likely that such confusion will arise.
73. I consider that there is a likelihood of a significant proportion of the bourbon markets in the UK and EU being confused about whether Eagle Rare and American Eagle are



connected brands. It is common for connected brands to have similar names: see the examples given in para 69 above. The average consumer would be aware of the fact that brands have different expressions and connected products, and that distillers can make more than one brand. It is natural to consider, as Mr Allanson did when presented for the first time with “Yellow Rose” and “Heaven’s Door”, that there was a connection with the “Four Roses” and “Heaven Hill” brands. He had not heard of the smaller brands, so he approached this question in the same way that an average consumer would, though he accepted that with scrutiny of the label and using his expertise the difference could be established.

74. The position with Eagle Rare and American Eagle is similar, in that prior to American Eagle’s launch there was no other bourbon in the relevant market using the name “Eagle” as part of its brand name. It is a distinctive component of the brand name. Another identical product in the same market with “Eagle” in its name would not only call Eagle Rare to mind but would be likely to cause the average consumer to assume that they were connected in some way. That is so even though American Eagle has a strong composite identity, because of the presence of the word “Eagle”. I do not consider that the fact that American Eagle is Tennessee bourbon rather than Kentucky bourbon makes any difference, since the average consumer will not have this distinction in mind, and even if they did it would not negate the possibility of an economic link between the respective undertakings. It goes only to support the conclusion that the products would not mistakenly be thought to be the same.
75. Confusion is more likely when a trade mark is distinctive. The test is whether that association between the mark and the sign creates a risk that the public might believe that the respective goods or services come from the same or economically-linked undertakings. I consider that there is such a risk because the product is identical, the names have marked similarity – indicative of a possible connection between them – and because the existence of connected brands using similar names is well-known to the public. In particular, once American Eagle 4 year old is established and becomes more widely known than Eagle Rare, having been positioned by the Defendants to compete with Jack Daniels and the like in the mass market, it will be natural for a consumer to assume that Eagle Rare is a special version of American Eagle.
76. War Eagle is not material to the issue of whether the average UK or EU consumer would be confused because it is not (save to an exceptionally limited extent, and unofficially) available in those markets. In any event, I accept the explanation of Mr Comstock, the senior marketing director of the Second Claimant, that it was not troubled by possible confusion of brands in the United States because it produced (and so had control of) War Eagle specifically for a restaurant depot, for use in restaurants only, and therefore there would be little opportunity for consumers to be confused. The fact that, perhaps inevitably, some bottles appear (from searches belatedly done by the Defendants) to have leaked into the specialist retail market in the United States makes no difference to this: the numbers available are miniscule. Moreover, whether confusion might arise on the US market in those circumstances has little if anything to do with the question of whether UK or EU consumers would be likely to be confused about a connection between American Eagle and Eagle Rare.
77. I therefore find that there is a likelihood of confusion in that a significant proportion of the relevant public would be likely to think that American Eagle and Eagle Rare are related brands.

78. The evidence focused primarily on the UK market, but there was no distinction drawn in any material respect between the average consumer in the UK and the average consumer in the EU. The fact that the Defendants intend to exploit the brand name in the EU is shown by their application for an EU trade mark; the withdrawal of the application at the last minute was clearly tactical, as no other explanation for it was given by the Defendants. Both of the First Claimant's trade marks have therefore been infringed by the Defendants' sign.
79. That disposes of the claim under art 9(2)(b) of the Regulation and means that the Claimants succeed on their claim. I now turn to the alternative basis of claim under art 9(2)(c) in case this matter goes further on appeal.

## **VI. Reputation of Eagle Rare**

80. Extended protection under art 9(2)(c) is only available in a case where the trade mark in suit has an established reputation; in this case, for reasons that I have already given, a reputation in the bourbon market in the UK or the EU, or both. Reputation in this usage means that the trade mark is sufficiently known in the market, not that it has a repute for the quality of the product sold under the trade mark. It is frequently said in the authorities that establishing a reputation in this sense is not a high threshold; there is no requirement for the trade mark to be well known throughout the market.
81. The Defendants' case, in short, is that Eagle Rare is sold in such small quantities, with only limited exposure and very little promotional marketing, that only a tiny fraction of the relevant market will have any knowledge of it, a fraction that is too small for it to claim a reputation under art 9(2)(c). The Claimants contend that the level of sales and exposure to the market over nearly 20 years, combined with a significant degree of publicity in mainstream press from the numerous awards and accolades that Eagle Rare has received over that time, coverage in specialist whisky publications and exposure in Waitrose, Ocado and Majestic Wine, means that it is well known as a superior product in the bourbon market, though inevitably better known by connoisseurs than by those buying entry level products. The relatively small sales do not betoken a lack of interest or appetite: Eagle Rare is sold on allocation only and the Claimants have too little aged liquid available to be able to satisfy the market demand.
82. The facts that I find are that 18,750 70 cl equivalent bottles of Eagle Rare were sold in the UK in the twelve months ending July 2019 (making some allowance for Irish sales), the equivalent of 1500 to 1600 9-litre cases. Using Nielsen's figures to establish the relative proportions of the off-trade market, Eagle Rare has a tiny share of the American Whisky market, even if the Claimants own volume sales figures rather than Nielsen's assumed figures are used: 1500 cases out of nearly 1.4 million cases in 2019, or out of approximately 135,000 cases that were neither Jack Daniels nor Jim Beam. The latter comparison gives a more realistic indication of the share of the middle and top end markets combined in which Eagle Rare competes. Eagle Rare's proportion of this part of the market was established in cross-examination to be 0.34%. The proportion of the on-trade market was statistically insignificant. Distribution levels for Eagle Rare are at about 2% of the retail outlets covered by Nielsen's sample, compared with 20-35% for larger brands such as Wild Turkey and Bulleit, with a rate of sale lower than that of the larger brands. I accept that the low

rate of 2% may be partly the consequence of Eagle Rare not being stocked by most multiple retailers or convenience stores. As Ms Edwards said, Eagle Rare is not far less known, just far less distributed in the off-trade market. I accept that is probably so, though as Mr Comstock said Buffalo Trace as a brand is known by more people in the UK, whereas Eagle Rare is more popular with the aficionados.

83. The sales figures for the EU are some 60% higher than the UK over the last 5½ years, with 1,775 cases shipped to France in 2019, 1,278 cases to Germany in 2019 and a similar shipment to the Netherlands in 2020 (which might have replaced as an import destination the previous year's shipment to Germany). There are about a hundred cases shipped annually to several other countries: see para 17 above.
84. Mr Moody-Stuart QC, who appeared with Mr Jones for the Defendants, sought to construct an argument that any exposure of Eagle Rare to the market was limited to those who purchased bottles or drank it in high end bars, or at least only gained exposure via those purchasers in that they will have spoken about it to friends. I do not accept so limited an impact. Although the evidence of social media coverage and blogs was very limited, the writing up of the product in the national and London press is likely to provide significant exposure, as is word of mouth from those who have bought or tried Eagle Rare. Laudatory coverage in books such as those of Mr Stephenson (who referred to it in his evidence as a “popular brand”, by which he said he meant its reputation as well as its renown) is significant, as are the regular double spreads of Sazerac brands in Whisky Magazine. The presence of Eagle Rare in specialist online retailers also provides exposure, as to an extent do the Waitrose, Ocado and Majestic listings.
85. Eagle Rare is not a mass market product: it is a premium brand that is only ever likely to appeal to a part of the bourbon market, and it has relatively small releases annually into the UK and EU. But that does not mean that it has no reputation in those markets. The share of the French red wine market enjoyed by Chateau Lafite-Rothschild is likely to be similarly tiny, but no sane person would suggest that it has no reputation in the wine market on that account. The esteemed first growth and Eagle Rare are of course not comparable in various respects and the comparison is merely illustrative of a particular point, but it is an example of why low sales and limited market penetration are not the end of the matter. A significant contributing factor to the reputation of Lafite-Rothschild is its presence since 1855 at the top of the industry classification, with reputation spreading by word of mouth over a longer period of time, supported by some well-targeted but relatively limited advertising, and much press and journalistic comment. There are however very few who are able to expound on its quality from first-hand experience.
86. In comparison, Eagle Rare has been produced and exported to the UK since 2001. The UK advertising budget controlled by the Third Claimant is small – around £10,000 a year – but it emerged from Mr Comstock's evidence that the Second Claimant funds a double page colour spread of some of the Sazerac brands, including Eagle Rare, in each edition of Whisky Magazine. Eagle Rare has collected numerous prestigious awards in the whisky industry, which themselves, to some extent, trigger press coverage. It is frequently included in comparative surveys of bourbon and American whiskey in the national and London press. It is sold in Waitrose and Majestic Wine (though it was not clear in how many branches of these), online by Ocado, and by specialist retailers such as The Whisky Exchange and Master of Malt.

Ms Edwards agreed that there may be about 40 people a month who are chosen and invited by the Third Claimant to tastings of Eagle Rare, and doubtless the choice is made with a view to maximising dissemination of the name and the quality of the brand.

87. In view of this, and accepting the evidence of both experts that Eagle Rare is well known among serious and discriminating bourbon drinkers and a popular brand, though less likely to be known in the mass market, I conclude that Eagle Rare is sufficiently known to have a reputation in the bourbon market of the UK and the EU. Had it been material, I would also have found a sufficient reputation in the wider whisky markets: the double page spread in Whisky Magazine and the degree of cross-over in awards, comparative tastings and newspaper columns related to such matters demonstrate that bourbon is not an island but a significant and increasingly integrated part of a wider whisky market.
88. Mr Moody-Stuart sought to persuade me, by analogy with the Burgerista case, that the turnover of Eagle Rare in the UK and in the EU is simply too low. In Burgerista, the turnover was €9 million – higher than the gross revenue from EU sales of Eagle Rare – but the significant point in that case was that the brand was only known in a few locations in Austria (not even in multiple locations throughout Austria) and one location in Germany. There was no evidence of penetration and knowledge elsewhere at all. Many people knowing of the brand in 7 individual towns or cities in the EU was simply too small a proportion of the EU population (or even of one Member State) for the brand to have established a reputation in a significant part of the EU. Although there is no evidence of the numbers of UK and EU citizens likely to have heard of Eagle Rare, there are no geographic limits to the dissemination of the brand within the relevant market in the UK or a substantial part of the EU. I therefore do not consider that the Burgerista case assists the Defendants: this is not a case of a brand being well-known in very limited geographic parts of the relevant market.

## **VII. Did the Defendants take unfair advantage of Eagle Rare?**

89. The remaining question is whether the sign takes unfair advantage of or is detrimental to the repute or distinctive character of the First Claimant's trade marks. The Claimants rely on unfair advantage and on detriment to distinctive character, but not on detriment to repute.
90. In considering these matters, in view of the conclusion that I have reached about article 9(2)(b) infringement, I shall assume that the Claimants have established only an association with (a calling to mind of) Eagle Rare but no confusion of the respective brands. If a significant part of the market is at risk of being confused in the way that I have found, the answer to article 9(2)(c) infringement is self-evidently that the sign is detrimental to the distinctive character of the trade marks. If, on the other hand, there is no confusion, there will still be infringement under article 9(2)(c) if unfair advantage or detriment can be proved by the Claimants.
91. It is axiomatic that strong and direct competition is not taking unfair advantage, nor is there any tort of copying or positioning one's brand to meet an identified demand. The Claimants have to prove that the Defendants' sign takes advantage of the

distinctive character or repute of their marks, and second that in the circumstances such an advantage is unfair. I have already held that the trade marks do have inherent distinctive character because the name is strong and only Sazerac sells a bourbon in the relevant markets with an eagle mark.

92. What advantage do the Defendants take of the repute or distinctive character of Eagle Rare? The advantage alleged by the Claimants is a substantial degree of attraction to their own brand by association with the heritage and history of the Buffalo Trace Distillery in circumstances in which the American Eagle product itself has no heritage or history, and by association with the high quality and repute of the Eagle Rare product. Bourbon is a product whose image is based on long-established artisanal skills and an old-fashioned, simple way of life. Given the reputation of Eagle Rare, a significant part of the market will form a link between American Eagle and Eagle Rare, even though they realise (on the assumption on which I am proceeding in this Part) that they are separate products. The Claimants say that “aura” associated with Eagle Rare will be transferred to (or “rub off” on) American Eagle.
93. The essence of taking advantage is that the Defendants must obtain some benefit from the association with Eagle Rare, which will manifest itself in the way that consumers in the relevant market act. In other words, more consumers, faced with a choice of brands, will choose American Eagle rather than other brands because of the association with Eagle Rare. There is no positive evidence that this is so and the Claimants invite the court to deduce from the evidence about the bourbon market that there is a serious likelihood that it will be so.
94. The advantage thereby obtained is said by the Claimants to be objectively unfair, in view of the relative positions of the two brands (one established, of high repute, and one new), and to be additionally unfair for two reasons. First, the Defendants, through Mr Hainsworth, the CEO of the Halewood Group, chose and developed the brand name American Eagle with the intention of taking advantage of Eagle Rare’s reputation and distinctive character. Second, the Defendants through Mr Hainsworth and others, were reckless about taking unfair advantage, because they failed to take the steps that a reasonable and honest person would have taken to see whether the sign chosen would be highly likely to have that effect on other registered trade marks. In their closing submissions, the Claimants sought to characterise the recklessness case as the Defendants being reckless as to a distinct risk that American Eagle would take advantage unfairly of the reputation of an established brand.
95. In seeking to establish that Mr Hainsworth intended to ride on the coat-tails of the Claimants’ product, the Claimants obtained permission at the pre-trial review to rely on some similar fact evidence, which was the attempt of the Defendants in 2018 to register a trade mark “VERA LYNN” in respect of alcoholic beverages (except beer) and spirits. The application was successfully contested by the late Dame Vera on grounds of passing off rights and bad faith. The Hearing Officer upheld both grounds of objection. Mr Hainsworth explained that the name was only ever intended to be used for gin, on account of claimed cockney rhyming slang for “gin”, and only as a novelty product to be handed out to those visiting the Defendants’ gin distillery in the City of London. Regardless of that explanation, it is self-evident (despite Mr Hainsworth’s equivocation on the subject in evidence) that it was also an attempt intentionally to benefit from Dame Vera’s good name and considerable reputation.

96. However, although it was put to Mr Hainsworth in cross-examination that he was intending to take advantage of Dame Vera in that way, the same allegation was never put in relation to the American Eagle brand, and Mr Hainsworth's different explanation was not seriously challenged by Mr Mellor QC, who appeared for the Claimants with Mr Keay,. Neither did the Claimants in their closing submissions pursue a case based on intentional taking of unfair advantage in the naming of American Eagle. I therefore do not consider that case further but make the following findings of fact.
97. Mr Hainsworth is by nature innovative and an opportunist when it comes to branding of goods, and somewhat impulsive in his approach to "banking" possible brand names. What he now characterises as poor misjudgment in the case of Vera Lynn is evidence of his rather bullish approach. When on business in Thailand in June 2018, Mr Hainsworth saw a branch of the clothing store "American Eagle" and was immediately struck by what a good name it would be for the bourbon whiskey that he wanted to establish to add to the range of spirits that the Halewood Group was producing. On impulse and without thinking, he did a search in the trade marks register for "American Eagle" only; he found that the only prior registration in class 33 in that name had not been renewed in 2017; and he immediately instructed his trade mark attorney to register an application for that trade mark for the sale of spirits and whiskey. I find that neither Mr Hainsworth nor the attorney searched in any other names.
98. Mr Hainsworth was well aware of the Claimants and their product Eagle Rare. The Second Claimant had at the time a substantial minority shareholding in West Cork Distillers, which had produced previously a whiskey called Skibbereen Eagle, named after the County Cork village where that distillery is found. West Cork Distillers conducted its trade mark affairs through the Second Defendant company because it did not have the resources to conduct its own trade mark affairs. The Second Defendant therefore applied to register Skibbereen Eagle as a trade mark and produced some design work, featuring an eagle in flight, for use with that product. The application was opposed by the Claimants at the time and a settlement agreement was eventually signed by the Claimants and the Second Defendant, which permitted West Cork Distillers to use the sign but only for Irish whiskey. It was evident from Mr Hainsworth's manner that he rather resented the need for West Cork to submit to the will of the Claimants in the way that it chose to do. With the benefit of hindsight, Mr Hainsworth seemed able to persuade himself, but not the court, that the settlement agreement had nothing to do with the Second Defendant or himself, save in so far as the Second Defendant was acting as agent for West Cork. It was not, he said, a matter with which he was at all concerned when seeking to establish the American Eagle brand.
99. Mr Hainsworth's initial suggestion in his evidence was that he did not even think about the Claimants' trade marks when proceeding to register his own trade mark and then develop the American Eagle brand and products. He later acknowledged that he might have thought about the settlement agreement at some stage. I find that he undoubtedly did, because he specifically instructed his design team to feature the Skibbereen Eagle graphics on the American Eagle product, which they did. It is in my judgment impossible that Mr Hainsworth, as an experienced businessman, could have taken that step without realising that the Claimants had trade marks for Eagle

Rare and that they would be likely to object to his application for registration of American Eagle, as they had objected to Skibbereen Eagle. On the other hand, he was entitled to hope for the best and wait to see whether an objection in due time was raised, which in the event it was not, by oversight of Mr Comstock's marketing department in Kentucky.

100. While Mr Hainsworth did not intentionally seek to take advantage of the Claimants' marks, he must have known and did know that the Claimants would be likely to challenge American Eagle on the basis of a risk of confusion or taking unfair advantage, or both. I find that he also was aware that any association with Eagle Rare could do the Defendants no harm, given the novelty of their product on the market and the fact, as he put it in cross-examination, that "I do not have the strong provenance story".
101. I reject the assertion made by Mr Hainsworth that the settlement agreement was nothing to do with the Defendants – it plainly had to do with the Second Defendant, which entered into it as sole obligor in its own right and acknowledged and agreed to respect and avoid confusion with the Sazerac marks – and that he reached a conclusion that there was no conflict between American Eagle and the Claimants' rights. He was aware that the Claimants would be likely to object. Mr Hainsworth did not need to instruct his attorney to carry out searches for similarly named products because he knew of the Eagle Rare marks.
102. I do not find that he was reckless in failing to carry out other searches, but that he was reckless in failing to consider whether use of the sign would take advantage of or be detrimental to the Claimants' trade marks and reckless as to the risk of litigation ensuing. He was determined to push on in any event and did not consider any impact on the Claimants. He was pleased with the strong brand name that he had hit upon, which had the good fortune first to be available in class 33 and then not to be opposed during the registration process.
103. What, then, is the legal significance of Mr Hainsworth (on behalf of the Defendants) being reckless as to whether the Defendants would take advantage of the Claimants' trade marks or that litigation would ensue? Mr Moody Stuart says none, because the risk of litigation is irrelevant and the risk of infringing the Claimants' trade marks is a circular argument, that can only support a case of taking unfair advantage if there is indeed an infringement. He submits that an intention to take advantage is different, in that the court will be slow to conclude that, despite a defendant's intention to take advantage of a trade mark, there was no unfairness if a benefit was gained at the owner's expense. Mr Mellor was unable to point to any authority in which a reckless disregard for the rights of others, as distinct from an intention to take advantage, has been held to support a case based on unfair advantage.
104. I agree with Mr Moody-Stuart that it is hard to see what an argument based on recklessness adds to an objective assessment of whether unfair advantage has in fact been taken. The Defendants owed the First Claimant no duty of care, only a duty not to infringe its trade marks. The Defendants did not pay sufficient heed to the rights of the Claimants, but that only has consequences if the Claimants have rights that the Defendants infringed. The Defendants proceeded at some risk, but their recklessness was a matter for them: it does not confer on the Claimants greater rights than they have. The authorities are clear that some additional element of unfairness is required

before any advantage taken of an owner's trade mark becomes actionable. While that does not necessarily depend on an intention to ride on coat-tails, that will be the paradigm case. I must however consider whether the elements of unfairness and taking advantage are objectively present despite the absence of any intent on the part of the Defendants.

105. Eagle Rare has an established (but not enhanced) reputation for high quality bourbon products, emanating from the historic Buffalo Trace Distillery in Frankfort, Kentucky. It produces only limited quantities of its 10 year old and 17 year old products, such that demand exceeds supply and there is no benefit in extensive advertising or marketing. It has therefore not spent heavily on building a reputation, but its repute has developed slowly through those "in the know", by word of mouth and press coverage. American Eagle acquires its liquid from an unidentified family distillery in Tennessee and has (or had at the relevant time) no reputation. It marketed its 12 year old product at almost double the recommended price for Eagle Rare 10 year old and its 8 year old at a higher price than Eagle Rare 10 year old, albeit the prices have since been reduced in an attempt to promote the new brand.
106. What the Defendants needed, objectively, was an association with quality, reputation and history to enable them to sell their aged bourbon at those prices. The 4 year old product would be sold at a lower price than Eagle Rare 10 year old, but only marginally lower. The Defendants were therefore aiming to sell a new product at higher prices (for a comparable product) than the Claimants charged for their well-regarded, high quality product. Did a link with the Claimants' product give them that advantage? To reach that conclusion I would need to accept that the use of the name American Eagle is likely to affect the economic behaviour of those in the market for aged bourbon, otherwise the Defendants will have obtained no advantage, unfair or otherwise.
107. In my judgment, there can be little doubt that an association in the minds of a significant part of the relevant markets with a well-regarded, high quality product such as Eagle Rare would be likely to benefit the Defendants. Average consumers looking for a mid- to upper-range aged bourbon would be more likely to buy it at a higher price if there were some association (albeit no confusion) with a quality and heritage product such as Eagle Rare. I consider that American Eagle does take advantage of the repute of Eagle Rare in this way, though not all consumers will make the link owing to the limit to Eagle Rare's reputation. The economic behaviour of the Defendants' target customer base would be likely to be affected by a link with Eagle Rare. But would it be at the expense of Eagle Rare's own market, or cause damage to the distinctive character of Eagle Rare, such that the advantage was unfairly taken?
108. Since there is assumed to be no confusion, and in view of the evidence about the relative care taken by consumers of bourbon, particularly high end bourbon, and the regard in which Eagle Rare is held, it is hard to see that there would be any commensurate loss to the Claimants. Consumers would not mistakenly or deliberately buy American Eagle rather than Eagle Rare. The price differential and repute is all in favour of Eagle Rare. I am not persuaded that any actual or would-be purchaser of Eagle Rare would switch to buy American Eagle instead. Any advantage obtained by American Eagle is much more likely to be at the expense of other value or mid-range brands in the market. Given that Eagle Rare has not achieved its repute by dint of heavy advertising expenditure or investment in promotion, it cannot be said



to be an unfair advantage because the Defendants are “getting a free ride” on the back of significant expenditure by the Claimants over the years (or, at least, no such significant investment was proved by evidence).

109. For reasons given in the next part of this judgment, I do not consider that the use of the sign American Eagle will be likely to dilute or “whittle away” the ability of the trade marks to denote the Second Claimant’s products, on the assumption (on which I have approached the alleged article 9(2)(c) infringement) that that there is no likelihood of a significant part of the relevant public being confused about the brands.
110. If there is little if any confusion between the brands, any calling to mind of the Claimants’ trade marks and the repute of their product would not be harmful to the Claimants. It may be irritating to them that they will lose the only “eagle” association for whiskey in the UK and EU but their trade mark is not EAGLE and they are not entitled to a monopoly over that word. There is a benefit to the Defendants in calling to mind the trade marks of the Claimants and the high quality heritage product that they produce. However, in my judgment, that advantage to the Defendants is not objectively unfair so that, absent an intentional taking advantage or detriment to the distinctive character or repute of the trade marks, it should be considered an actionable infringement. The fact that the Defendants can be said to have been reckless as to whether the Claimants’ rights were infringed does not, in my judgment, make the necessary difference.

### **VIII. Is there detriment to the distinctive character of Eagle Rare?**

111. The Claimants do not allege detriment to the repute of Eagle Rare but they do allege detriment to its distinctive character. I have concluded that the Eagle Rare mark has distinctive character, but there is no evidence that the name Eagle Rare will be less strongly indicative of the Claimants’ product (absent confusion) as a result of the sale of American Eagle. I must therefore consider whether as a matter of logical deduction there is likely to be such dilution in future, when the sales of American Eagle (particularly the 4 year old) have grown to the levels at which the Defendants aim.
112. The question is not whether, in those circumstances, the word “eagle” will be associated with the Claimants’ whiskey but whether EAGLE RARE will less strongly signify the Claimants’ brand as a result of the use of AMERICAN EAGLE. The sign is not identical or close to being identical to the trade marks and so the question is whether another brand name using the word “eagle” will have the effect of diluting the connection between EAGLE RARE and the Claimants’ product. The presence of a larger brand using the word “eagle” in its name will give the word a greater degree of prominence on shelves in retail outlets that sell bourbon, and so “eagle” itself will become less rare on those shelves: a bottle of bourbon with the word “eagle” on it (or an eagle design) will be more often seen. But will that greater familiarity with the word “eagle” cause EAGLE RARE to be less strongly connected with the Claimants’ brand if there is no confusion between the brands? Eagle Rare as a brand was explained by the expert witnesses to have something of a mystique about it, attributable to its reputation as a “hard to find” whiskey.

113. If a sign identical or very similar to Eagle Rare were being used in connection with the sale of something other than spirits it is easy to see that Eagle Rare could become less associated with the Claimants' product and more associated with something different. But that is not what will happen if the Defendants continue to use the sign on their bottles of whiskey. The sign is similar to but different from the trade marks and has its own strong conceptual identity. The word "eagle" will no longer on its own call to mind only the Claimants' whiskey but the question is whether the mark EAGLE RARE will continue to do so. In the anglophone world, the difference is in my judgment such that there will be no dilution of the trade marks. A consumer would not buy American Eagle instead of Eagle Rare because of an association in their mind with Eagle Rare, or consider that American Eagle was Eagle Rare. On the contrary, to the extent that American Eagle calls to mind the trade marks the consumer will continue to be aware that Eagle Rare is something distinct.
114. The Claimants submit that in the EU market, where English is not a first language, the distinctiveness of EAGLE RARE will be more readily eroded by the use of American Eagle. That seems to me to be unevidenced conjecture and I am unpersuaded. The distinction is primarily by virtue of the word "American", which would readily be noted and understood in any part of the EU.
115. Accordingly, if there is no likelihood of confusion, I find that the use of American Eagle will not cause detriment to the distinctive character of the trade marks. Of course, on the basis of my prior conclusion that a significant part of the market would be confused as to whether American Eagle and Eagle Rare come from the same stable or are economically linked undertakings, there is also detriment to the distinctive character of Eagle Rare.

## **IX. Conclusions and ancillary matters**

116. It follows from my findings and reasons explained above that there is infringement of the First Claimant's UK and EU trade marks.
117. As a result, the registration of the First Defendant's mark is declared invalid.
118. The Defendants raised at trial the question of what if any responsibility the Third Defendant had for the alleged infringement. The First Defendant was the owner of the American Eagle mark and the Second Defendant carried on the business of selling the product. The Third Defendant is a company in the Halewood Group but no distinct allegation of infringement was made against it. Instead, it appears that the Third Defendant was originally sued because it was the owner of other trade marks, to which the Claimants originally objected but have in the course of these proceedings withdrawn their objection. It was also the Third Defendant who applied to register the mark VERA LYNN, but nothing turns on that so far as any relief against the Defendants is concerned.
119. The Claimants submit that all three Defendants should be jointly liable for the tort committed, on the basis that Mr Hainsworth made no real distinction between them and they are all part of the same group, but that is not a sufficient basis for holding a distinct entity liable. There was no evidence about any actual involvement of the

Third Defendant in any of the matters complained of, or in supporting or encouraging the First and Second Defendants. In my judgment, the First and Second Defendants are jointly and severally liable but the Third Defendant is not.

120. All three Defendants brought a counterclaim seeking to revoke the UK trade mark of the First Claimant for lack of genuine use, under s.46(1) of the Trade Marks Act 1994, and the EU trade mark of the First Claimant under art 58 of the Regulation, in so far as registered for goods other than bourbon. This counterclaim was compromised during the trial on the basis that the Claimants agree to revocation other than for “whiskey; bourbon whiskey”. The Court will so order.
121. The Claimants claimed relief also for the tort of passing off. The Defendants suggested in their written opening that there was no distinct case of passing off alleged, and the Claimants recognised before closing submissions that, on the facts, it added nothing to the case on trade mark infringement. The Claimants abandoned their passing off case during day 4 of the trial.
122. I will hear Counsel on the terms of the appropriate order and other consequential matters, including directions for the trial of quantum issues.