

O-188-09

TRADE MARKS ACT 1994

IN THE MATTER OF APPLICATION NOS 2432800, 2463987 AND 2463989

BY PAVEL MASLYUKOV

TO REGISTER THE TRADE MARKS:

DALLAS DHU, CONVALMORE AND PITYVAICH

IN CLASS 33

AND

THE OPPOSITIONS THERETO

UNDER NOS 95314, 95606 AND 95607

BY DIAGEO DISTILLING LIMITED

AND

IN THE MATTER OF APPLICATION NO 2437240

BY DIAGEO SCOTLAND LIMITED

TO REGISTER THE TRADE MARK:

DALLAS DHU

IN CLASS 33

AND THE OPPOSITION THERETO

UNDER NO 95679

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in class 33
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by Diageo Distilling Limited
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in the matter of application no 2437240
by Diageo Scotland Limited
to register the trade mark:
DALLAS DHU
in class 33
and the opposition thereto under no 95679
by Pavel Maslyukov**

INTRODUCTION

1) Mr Pavel Maslyukov applied to register the trade mark DALLAS DHU on 18 September 2006 and the trade marks CONVALMORE and PITYVAICH on 13 August 2007. All three have the same specification:

alcoholic beverages, but in so far as whisky and whisky based liqueurs are concerned only Scotch whisky and Scotch whisky based liqueurs produced in Scotland; Scotch whisky.

Subsequent to the publication of the applications for opposition purposes limitations, pursuant to section 13 of the Trade Marks Act 1994 (the Act) were entered. The limitations read as follows:

Registration of this mark shall give no right to the exclusive use of the mark for the single malts distilled by the distillery at IV36 2RR, Forres, before its closure in 1983. *(This relates to the DALLAS DHU application.)*

Registration of this mark shall give no right to the exclusive use of the mark for the single malts distilled by the Convalmore Distillery, Dufftown, Banffshire before its closure in 1985.

Registration of this mark shall give no right to the exclusive use of the mark for the single malts distilled by the Pityvaich Distillery before its closure in 1993.

The applications have been opposed by Diageo Distilling Limited (Diageo).

2) On 1 November 2006 Diageo Scotland Limited (DSL) applied to register the trade mark DALLAS DHU. The application was published with the following specification:

Alcoholic beverages, but in so far as whisky and whisky based liqueurs are concerned, only Scotch whisky and Scotch whisky based liqueurs produced in Scotland.

This application has been opposed by Mr Maslyukov.

3) For the purposes of these cases there is no real difference between DSL and Diageo and I will just refer to the two as Diageo. The only ground of opposition against the DALLAS DHU application of Diageo is under section 5(1) of the Act, based upon the earlier application of the same trade mark by Mr Maslyukov. If the opposition against Mr Maslyukov's application for DALLAS DHU is successful then the sole ground of opposition falls and Diageo's application cannot be refused. If the opposition is unsuccessful, Diageo has requested an opportunity to enter a limitation to the rights of the trade mark; on the basis that this will avoid a finding under section 5(1) of the Act, Diageo relying upon the provisions of section 13 of the Act¹.

4) All four cases were heard together. Mr Maslyukov represented himself. Diageo was represented by Mr Paul Walsh of Bristows. Only the PITYVAICH and CONVALMORE applications had been consolidated. I do not intend to erect Chinese walls between the evidence and facts of the four cases; considered together the warp and weft of the dispute can be seen more clearly (a large part of the evidence is common to all of the applications opposed by Diageo).

5) Diageo claims that registration of DALLAS DHU would be contrary to sections 3(1)(c), 3(3)(b), 3(6) and 5(4)(a) of the Act. In relation to the CONVALMORE and PITYVAICH applications it claims, in addition, that registration would be contrary to section 3(3)(a) of the Act.

6) The section 3(1)(c) of the Act objections follow the same basis. The name of the trade mark is identified as being that of a distillery. Diageo states that :

“Specific regions are important in the production of Scotch whisky because the character and taste of the product is strongly influenced by local factors such as local water sources, local soil and peat, climate, temperature, atmosphere and microclimate. These factors operate to impart unique character to whiskies produced in particular localities.”

The trade marks applied for cover alcoholic beverages including Scotch whisky and Scotch whisky based liqueurs. The trade marks consist exclusively of the signs CONVALMORE/PITYVAICH/DALLAS DHU which serve in the trade to

¹ See the judgment of Collins J in *General Cigar Co Ltd v Partagas y Cia SA* [2005] FSR 45.

indicate Scotch whisky (to the exclusion of other alcoholic beverages), the quality of the product or its characteristics, namely those associated with the Speyside region of Scotland in general.

In the case of CONVALMORE and PITYVAICH this part of the grounds ends: and the locality of the CONVALMORE/PITYVAICH distillery in particular.

In the case of DALLAS DHU this part of the grounds ends “and the DALLAS DHU locality in particular and the geographical region of the product namely the DALLAS DHU locality.” Dallas is the hamlet in Morayshire where the Dallas Dhu distillery is situated.

7) In relation to the grounds of opposition under section 3(6) of the Act, the grounds of the oppositions are all expressed in a similar manner. Mr Maslyukov is in the business of producing and trading in alcoholic beverages. He is the managing director of a company, Hispaniola Brands Limited (which is the c/o address for service listed in the application). Mr Maslyukov is the proprietor of several other trade mark registrations for alcoholic beverages. The website of Hispaniola Brands limited describes the company in the following terms “We are a specialist international branding company” and lists two products that it currently sells, Banania and Panzer German vodka. In relation to all of the cases Diageo claims that as a professional in the alcoholic beverage industry, with a specialisation in relevant branding, Mr Maslyukov would have been aware of Diageo’s reputation in relation to each of the trade marks, the significance of the trade marks in denoting the characteristics of the products as claimed in relation to section 3(1)(c) of the Act, the significance of the trade marks in denoting the commercial origin of whisky, that the registration of the trade marks would prevent any future production of Scotch whisky from the respective distilleries, the registration of the trade marks would prevent further releases by independent bottlers of the whiskies or further dealings therein, in the case of CONVALMORE it would also prevent release by Diageo. In relation to CONVALMORE Mr Maslyukov would have been aware of Diageo’s continuous dealings in CONVALMORE by virtue of Diageo’s special release in 2003 and 2005 of CONVALMORE whisky. Diageo claims that it is inconceivable that Mr Maslyukov did not know of these matters.

8) In relation to the CONVALMORE and PITYVAICH applications Diageo claims that Mr Maslyukov has sought United Kingdom trade mark registrations for a number of Scotch whisky distilleries that have ceased production yet continue to enjoy a reputation: DALLAS DHU, COLEBURN and BANFF, in addition to the two applications referred to at the beginning of this sentence. The multiple trade mark applications for the names of non-active distilleries to which Mr Maslyukov has no legitimate interest illustrates a pattern of conduct emphasising that the applications were made in bad faith.

9) In relation to the CONVALMORE and PITYVAICH applications Diageo has raised objections under section 3(3)(a) of the Act. Diageo claims that Scotch whisky is an important part of Scotland's economy. It is one of Scotland's primary exports and is also a source of tourism revenue. The history and traditions of Scotch whisky also play a large part in the heritage and culture of Scotland. Scotland's closed distilleries are an important part of the heritage of the distillers. The names and reputations of the whisky of closed distilleries live on for many years and the distilleries' names even longer. Diageo claims that whisky not distilled by the CONVALMORE/ PITYVAICH distilleries would damage the reputation of CONVALMORE/ PITYVAICH whisky, the original distillery and the whole industry because the fame, integrity and authenticity of Scotch whisky results from the combined reputation of all of the industry's distilleries. Diageo claims that the undermining of one fine single malt brand will affect the standing of other distilleries and their products. Diageo claims that the erosion of consumer confidence and the public perception of Scotch whisky will damage Scotland's economy by virtue of a potential negative impact on sales of Scotch whisky because it will no longer be viewed as a special and unique product whose integrity can be trusted by consumers.

10) The grounds of opposition under section 3(3)(b) of the Act have, with one exception, a common form. Diageo relies upon what it has stated in relation to the objections under section 3(1)(c) and 5(4)(a) of the Act. Mr Maslyukov seeks registrations of the trade marks for a generality of alcoholic beverages and a generality of Scotch whisky and Scotch whisky based liqueurs. As a result the trade marks would deceive the public into believing that the goods emanate from the Convalmore/Pityvaich/Dallas Dhu distilleries. In relation to DALLAS DHU, Diageo also claims that the trade mark would deceive the public into believing that the goods are Scotch whisky from Dallas, Morayshire or Speyside, having the characteristics of goods produced in these areas.

11) The grounds of opposition under section 5(4)(a) follow a similar form. They are particularised in relation to each trade mark and the particular distillery, each trade mark being the name of a distillery that is no longer functioning. The particulars of the distilleries are dealt with in the evidence. Diageo claims that each of the names of the trade marks have generated huge goodwill in relation to a Scotch whisky product. Despite the cessation of production the names of the distilleries retain goodwill to the present day and are likely to retain the same for the foreseeable future. The whiskies are still sold to the public by virtue of old stock, various of the bottling of the whiskies have attracted favourable comments amongst whisky experts, which maintains the goodwill. Independent bottlings of the whiskies are available in the United Kingdom market in specialist retailers of Scotch whisky, at auctions and on websites. Diageo enjoys huge present goodwill or, in the alternative, residual goodwill. In relation to CONVALMORE Diageo is the successor company to Scottish Malt Distillers which was the owner of the Convalmore distillery from 1930. In relation to PITYVAICH, at the time that the Pityvaich distillery ceased distilling it was owned by Arthur Bell & Sons,

which was later incorporated into United Distillers. In 1997 United Distillers merged with International Distillers & Vintners to become United Distillers & Vintners and subsequently Diageo Distilling Ltd which is a subsidiary of Diageo Plc. The Dallas Dhu distillery was also owned by Scottish Malt Distillers Limited. Diageo claims that if alcoholic beverages were sold to the public under any of the three trade marks a significant part of the public would believe that the product was produced by an earlier owner or its successor in title and/or that the product was a new production from the particular distillery. In relation to DALLAS DHU Diageo also claims that the public would believe that the product originated from Dallas, Morayshire or Speyside and have the characteristics of those locations. Diageo claims that it would inevitably suffer damage. The signs would no longer guarantee the origin of the product, whether as to quality, character, commercial or geographic origin. This would damage Diageo's continuing and residual goodwill in the signs. Diageo claims that it would also damage its ability to resume whisky production at any of the distilleries.

12) Mr Maslyukov denies the grounds of opposition. He claims that the grounds of opposition would also apply to Diageo's application for the trade mark DALLAS DHU. Mr Maslyukov has only opposed Diageo's application on the basis of section 5(1) of the Act so there is no issue of estoppel by election², Diageo is not approbating and reprobating at the same time. (The issue of estoppel has not been pleaded.)

13) In relation to the CONVALMORE and PITYVAICH trade marks Mr Maslyukov states that they are not geographical locations and so are free from objection under section 3(1)(c) of the Act.

14) Mr Maslyukov states that he is a director and founder of the United Kingdom company Hispaniola Brands Limited. He states that he is directly involved in the Scotch whisky business and that it will be an honour for him to start production inside the "defunct mothballed" distilleries of Convalmore and Pittyvaich. He states, however, that nothing prevents wholesale contracting, private labelling and the global promotion from any Scottish producer selected by him. He comments on his plan: "for the Convalmore and Pittyvaich marks is to let such whisky be produced at the identical distilleries as single malts". He states that this project is feasible because Diageo sold the Convalmore distillery in 1990 to William Grant & Sons Ltd "so the commercial decision regarding the joint venture for deployment of distillery is to be taken by the Scottish expert Mr. Grant and not by the London directors". Mr Maslyukov states that he intends to use the Scottish courts to force Diageo to lease the Pittyvaich distillery to him in order to distil whisky.

15) Mr Maslyukov states that the top Scottish whisky producer Mr Grant will be asked to be involved in the joint venture production of a young single malt whisky which will be exported. He states that this cannot be considered to be bad faith

² *Job Trade Mark* [1993] FSR 118.

and so the applications are free from objection under sections 3(3) and 3(6) of the Act.

16) Mr Maslyukov states that distilling has stopped at the Convalmore and Pittyvaich distilleries and so it is impossible for Diageo to claim passing-off in order to restrict independent bottling practices. He states that Diageo, in order to gain infringement rights (including against independent bottlers), has registered the names of several defunct distilleries as trade marks: Brora, Port Ellen, Rosebank. Mr Maslyukov states:

“The opponent is incapable to claim the passing-off which is linked with the active exclusive production (distilling) so our applications are free from the objections based on the Section 5(4) of the Trademark Act.”

17) In a letter attached to his counterstatement, Mr Maslyukov stated that he was willing to limit the rights for his three applications in the following manner. In relation to DALLAS DHU he offered the following limitations:

“Registration of this mark shall give no right to the exclusive use of the mark for correspondent naming of single malts distilled at Dallas Dhu distillery (IV36 2RR, Forres, Moray) before its closure in 1983.”

“It is a condition of the registration of the mark that it will used for the designation of the products being Scotch whisky from Moray.”

In relation to the other two applications he requested the following limitations should be entered:

“Registration of this mark shall gave no right to the exclusive use of the mark for the correspondent naming of single malts distilled at Convalmore Distillery before its closure in 1985.”

“Registration of this mark shall give no right to the exclusive use of the mark for the correspondent naming of single malts distilled at Pittyvaich Distillery before its closure in 1993.”

(The disclaimers as entered differ from the wording above, they are as identified in paragraph 1.)

18) In relation to DALLAS DHU Mr Maslyukov states that since the foundation of his company he has experienced difficulties with Diageo as it does not want competition from him. He states that Diageo wants his Scotch whisky brand SKATER ROBBIE and the rum brand CORSAIR DRAKE never to be marketed owing to their competitive challenge to the JOHNNIE WALKER and CAPTAIN MORGAN brands. This pressure has been transformed into an attack on his innovative project made in good faith to re-launch and to promote a new young

single malt from the “ghost distillery” at IV36 2RR, Forres, Morayshire (the location of the Dallas Dhu distillery) which would be sold in the United States of America and Europe. Mr Maslyukov states that Diageo has also filed an application to register DALLAS DHU as a trade mark, showing its willingness to “denature” and to infringe by its blending practices, as it did with the blending of CARDHU whisky. He states that Diageo wishes to use the name DALLAS DHU for its multiple blends and to restrict competition in the United Kingdom and Europe. Mr Maslyukov states that the application for the trade mark DALLAS DHU was made in good faith as it is based on the bona fide intention to use the facilities of the Dallas Dhu distillery. He states that he intended to re-start production under the exclusive control of his company. Mr Maslyukov states that the distillery is not in use, having ceased production in 1983.

19) Mr Maslyukov states that he accepts that stocks of DALLAS DHU distilled prior to 1983 are still available in the United Kingdom through many independent bottlers, although the stocks are falling. He has no intention of trying to stop sales of this whisky and so proposes a restriction on the rights that the trade mark would engender, so that it would not have infringement rights against whiskies distilled before the closure of the distillery in 1983.

20) Attached to the counterstatement is a copy of pages from the BBC Scotland News Online website where an officer of William Grant & Sons comments on Diageo’s decision to change the composition of the Cardhu malt. This is dealt with in the summary of evidence for the CONVALMORE and PITYVAICH cases.

21) Mr Maslyukov has included a letter addressed to the Intellectual Property Office which, inter alia, states the Dallas Dhu distillery was sold to Historic Scotland in 1998.

EVIDENCE

Evidence of Aundrea Gail Hollington

22) Ms Hollington is “Head of Retail” of Historic Scotland. Historic Scotland is an agency of the Scottish Executive, the functions of the agency are “carried out on behalf of Scottish Ministers”. The aim of Historic Scotland is to “safeguard Scotland’s historic environment to promote its understanding and enjoyment”. Historic Scotland cares for 345 historic attractions across Scotland; one of these is the Dallas Dhu distillery in Morayshire, Speyside.

23) Production at the Dallas Dhu distillery ceased in 1983, the distillery lay dormant for a number of years before United Distillers “entrusted” the distillery into the guardianship of the Secretary of State for Scotland as a gift to the Scottish nation. As a result of various restructurings of the administrative departments, Historic Scotland became the guardian of Scotland’s historic

attractions. Exhibited at AH-1 is a copy of the deed of guardianship between United Malt and Grain Distillers Limited and the Secretary of State for Scotland, which was completed in December 1997. Included in the deed are various conditions, the fifth and sixth are as follows:

“In the event that the Secretary of State’s guardianship of the Monument is terminated at any time and for any reason the Secretary of State hereby undertakes to execute and deliver for no consideration in money or money’s worth to the Owner a valid Disposition in favour of the Owner of the Retained Subjects, and that within a period of two months from the date of such termination.

The Owner shall not carry out any distilling operations at or on the Subjects without the prior written consent of the Secretary of State which consent may be subject to such reasonable conditions as the Secretary of State may consider fit to impose.”

24) Ms Hollington states that the distillery was not entrusted as an active distillery but one, perfectly preserved, that could be used as a museum of Scotch whisky and as a visitor centre to contribute to both Scottish and whisky tourism. The public visiting the Dallas Dhu distillery can attend a presentation at the visitor centre and take an audio tour of the distillery; there is an entrance cost of £5. The Dallas Dhu distillery was opened as a public attraction in 1988 and has been preserved in working order. The total number of visitors from 1994 to 2006 was 186,306.

25) The Dallas Dhu Historic Distillery is part of the Malt Whisky Trail. A copy of a brochure promoting the trail is exhibited at AH-2, the Dallas Dhu Historic Distillery appears in the brochure. In the retail shop at the distillery visitors can purchase a range of merchandise, including Dallas Dhu branded merchandise such as stationery items. This last statement is not further particularised.

26) Historic Scotland has bought casks of Dallas Dhu whisky from independent bottlers, held the cask in bond and later arranged to bottle the whisky in limited editions. The special limited release usually includes special labels and packaging unique to each release. Historic Scotland generally arranges the bottling to be done by an independent bottler such as Signatory or Douglas Lang, who also bottle Dallas Dhu whisky that has been stored in casks since the closing of the distillery. Ms Hollington states:

“At present, Historic Scotland has recently bottled 5 casks, Two of the casks will be bottled and will shortly be released for sale. The remainder will be held until further notice. These casks have been in bond for about 9 years.”

The first and the second sentence appear to be contradictory.

27) Historic Scotland generally releases special limited edition bottles of Dallas Dhu to coincide with a public event or a “special year”. Previous special releases have been to mark the following occasions:

2002 Jubilee Malt.
2000 Millennium Dallas Dhu.
2003 Union of the Crowns.
1999 Centenary.

Ms Hollington states that the label always identifies the whisky as being Dallas Dhu. Exhibited at AH-3 are copies of labels for special limited releases of Dallas Dhu whisky by Historic Scotland. Copies of labels for the Jubilee, Millennium and Union of the Crowns releases constitute the exhibit.

28) Ms Hollington states there is no documented evidence of Mr Maslyukov having ever made contact with Historic Scotland. She states that if Mr Maslyukov approached Historic Scotland it would not agree to recommence production at the Dallas Dhu distillery under licence from Mr Maslyukov. She states that if, hypothetically, production at the distillery was to recommence it would be a matter between Historic Scotland and Diageo because it was Diageo (through its predecessors) that entrusted the distillery to Historic Scotland.

29) Ms Hollington comments on the likelihood of consumers being misled by use of DALLAS DHU not distilled at the Dallas Dhu distillery. I cannot see that she is in any position to comment upon this, this is a jury question.

30) Ms Hollington states that the authenticity and reputation of Historic Scotland's special limited release, and all other independent bottlings, would be undermined if another party used DALLAS DHU on whisky other than whisky distilled at Dallas Dhu.

Evidence of Mr Kenneth Robert Robertson

31) Mr Robertson is the Director of Corporate Relations, Diageo Whisk(e)y, for Diageo plc, the parent company of Diageo. Mr Robertson represents Diageo at the industry body, the Scotch Whisky Association. He has been employed by Diageo companies or Diageo predecessor companies for 20 years and throughout this time his responsibilities have centred on Scotch whisky.

32) Diageo is the largest producer of Scotch Whisky. It owns brands such as Johnnie Walker and J&B, which are blended whiskies. Diageo owns 29 Scottish distilleries which produce malt and grain whisky for Diageo's blended whiskies. Twenty seven of the distilleries produce fine single malt whisky, ie the product of one distillery which is sold under the distillery's name. Diageo owns the Lagavulin, Cardhu, Oban, Cragganmore, Talisker and Dalwhinnie distilleries. Mr Robertson states that whisky produced in the different regions of Scotland

displays different regional characteristics, which are highly prized by discerning whisky drinkers. The principal regions are the Lowlands, the Highlands and the Islands; there are sub-regions within these, for example, Speyside, Campbeltown and the Isle of Islay. The whisky of each distillery tends to have its own unique character.

33) From the 1950s to the 1980s there was significant growth in the Scotch whisky industry and during this period fine single malt Scotch whiskies became widely popular internationally. However, in the 1980s there was a serious downturn in the market and consequent over supply of Scotch whisky, including fine single malts. A number of distilling companies, including the Distillers Company Limited (DCL), either closed or mothballed a number of their distilleries. Among the distilleries closed by DCL were Dallas Dhu and Coleburn. Dallas Dhu closed as a working distillery in 1983, Coleburn closed in 1985.

34) Fine single malt Scotch whisky is a product of great longevity. The product improves and gains complexity as it matures and it is not uncommon for fine single malts to be matured over a period of decades. The majority of fine single malts are bottled at between 10 and 18 years of age. Mr Robertson states that these are widely available at quality off-licences, supermarkets and specialist whisky merchants. Distilleries also sell stock to whisky brokers and specialist independent bottlers. Mr Robertson states that the two most eminent independent bottlers are Gordon & MacPhail and Cadenhead. These bottlers store products in cask, often for many years, and periodically release bottlings of fine single malts to the market. Mr Robertson states that it is not uncommon for independent bottlers to store product for up to 50 years from the date of distillation; as the product becomes older it becomes more desirable as a result of its maturation and scarcity and, as a result, commands a significant price. Mr Robertson states that in addition to the retail market there is a significant auction market for fine single malts.

35) Dallas Dhu is a Highlands (Speyside) distillery. It was established in 1899 and closed by DCL in 1983.

36) Exhibited at KR-1 is a copy of an extract from *Malt Whisky Companion* by Michael Jackson relating to DALLAS DHU. The extract states:

“Latterly, its whisky appeared in the Benmore blends and vattings, and as Dallas Mhor single malt.”

The extract lists six bottlings of DALLAS DHU, by Gordon & MacPhail, Murray McDavid Mission Range, Signatory (2 bottlings), Rare Malts and Coopers Choice.

37) Mr Robertson states that DALLAS DHU whisky is also featured in *Miscellany of Whisky* by Charles MacLean. He states that in the appendix it gives a

classification of Scotch whisky and lists DALLAS DHU as a second class whisky. Mr Robertson states that in this context second class is truly fine. He states that the following appears in the book:

“The only Speyside malt to have disappeared since 1974 is Parkmore (distillery closed 1988); the make from the three other Speyside distilleries which have closed since 1974 (Dallas Dhu, Coleburn and Pittyvaich) is still available, although rare in the case of the first two.”

38) Mr Robertson goes on to deal with matters that have been covered by Ms Hollington.

39) Mr Robertson states that the names and reputations of the whisky of closed distilleries live on for many years and the distilleries' names even longer.

40) Mr Robertson states that the current Scotch Whisky Order is currently under revision. He exhibits a copy of draft legislation proposed by DEFRA in the form of *The Scotch Whisky Regulations 2008*. The draft proposes a code of uniform and accurate labelling. It proposes that a name which has been that of a licensed Scotch whisky distillery should not be used as a brand name or trade mark other than for identifying product wholly distilled in that distillery. He states that the purpose of the draft is to avoid consumer confusion. The proposals also include an exemption for some existing names. At the time of writing the regulations have not passed into law so I cannot see that they can have a bearing upon these cases.

41) Mr Robertson states that he has been informed that Mr Maslyukov is a professional in the alcoholic beverages industry and that he has a business, Hispaniola Brands. Mr Robertson states that when Mr Maslyukov chose a brand name for whisky he could not have been unaware of the fame of the Dallas Dhu distillery. Mr Robertson states that he understands that Mr Maslyukov does not contend otherwise.

42) Mr Robertson makes various submissions and comments upon the plans of Mr Maslyukov. He states:

“I believe that he would also be well aware that no further Scotch whisky bearing the mark Dallas Dhu could be sold without infringing his registration.”

Here Mr Robertson is giving an opinion as to the effects of trade mark law, I cannot see that he is qualified to do so.

43) Mr Robertson states that Mr Maslyukov has made four other applications for the registration of trade marks which are identical to the names of four other dormant Scotch whisky distilleries: Pittyvaich, Convalmore, Banff and Coleburn.

Pittyvaich was opened in 1973 by Arthur Bell & Sons (part of United Distillers, now part of Diageo). It was mothballed by United Distillers in 1993 as a working distillery. Convalmore distillery commenced production in 1894 and was acquired by DCL in 1925 and mothballed by Scottish Malt Distillers in 1985. Both companies are predecessors of Diageo.

44) The Convalmore distillery site was sold to William Grant & Son; Mr Robertson believes that the site is currently used for the storage of Scotch whisky. Only the physical distillery was sold to William Grant & Son. Mr Robertson exhibits the feu disposition of the distillery from United Malt and Grain Distillers Limited (UMD) (a predecessor of Diageo) in favour of William Grant & Son. The document shows that William Grant & Son is precluded from using the names CONVALMORE and Convalmore distillery and from using the site for the distillation of Scotch whisky. As far as Mr Robertson is aware William Grant & Son have honoured this agreement and he is not aware of the use of the name CONVALMORE by William Grant & Son or any other party apart from independent bottlers, where it refers to whisky from the Convalmore distillery produced by DCL and SMD, the predecessors of Diageo.

45) The Banff distillery was originally founded in 1824, in 1983 it was closed. The Banff distillery was destroyed by a bad fire and demolished. Coleburn was built in 1896 and was mothballed in 1985. The distillery is still intact. Exhibited at KR-4 are copies of extracts from *Malt Whisky Companion* which relate to these four distilleries. The following appears in relation to Convalmore:

“A RARE MALT OF Convalmore from Diageo in 2003 was something of a surprise – and a very pleasant one, given the quality of the whisky. The pagodas of Dufftown make an impressive congregation of landmarks, and Convalmore’s is one of the most strikingly visible. Sadly, the distillery no longer operates.

For much of its life, Convalmore contributed malt whisky to the Buchanan/Black & White blends. The distillery was built in the 1870s; seriously damaged by fire, and rebuilt in 1910; modernized in 1964-65, but mothballed a couple of decades later by its owners at the time, DCL. Their successors, Diageo, still have the right to issue bottling of Convalmore whisky from stock. In 1992, the premises were acquired by William Grant & Sons, owners of nearby Glenfiddich and Balvenie, but purely as warehousing.”

CONVALMORE is available at specialist retail outlets. He exhibits pages from the website of The Whisky Exchange which show six CONVALMORE whiskies being for sale. Diageo also issues a limited release of CONVALMORE whisky from its own reserves, in 2003 and 2005 it released bottlings of CONVALMORE as part of its Rare Malts range.

46) The reference in the publication to Pittyvaich is as follows:

“BULLDOZED IN 2002, after a short and unglamorous life, the industrial-looking distillery was built by Bell’s in 1975. In the late 1980s, enthusiasts for single malts began to wonder whether the product would become available to them. Then independent bottler James MacArthur released a 12-year-old, revealing a perfumy, soft-pear house character. The same bottler then added a 14-year old that more assertively pronounces its dry finish. A bottling of the same age from the Scotch Malt Whisky Society was similar, but seemed to have more spicy dryness on the nose. In 1991 there was finally an official bottling, at 12 years old, in United’s Flora and Fauna series. This has all the other characteristics, plus a hefty dose of sherry.”

PITTYVAICH is still available in specialist retailers. He exhibits pages from the website of The Whisky Exchange which show seven PITTYVAICH whiskies being for sale.

Evidence of Ian George Masson Urquhart

47) Mr Urquhart is a director of Speymalt Whisky Distributors Ltd, which trades as Gordon & MacPhail; he was previously the managing director. Mr Urquhart has worked for Gordon & MacPhail for over 40 years.

48) Gordon & MacPhail is a leading malt whisky specialist. It is an independent, family owned business which has been trading for over 110 years. The original business of Gordon & MacPhail was as a merchant of groceries, wines and spirits, with an emphasis on whisky. Gordon & MacPhail has increasingly concentrated on fine malt Scotch whisky and, Mr Urquhart states, is now the United Kingdom’s leading whisky specialist. In 1993 Gordon & MacPhail purchased the Benromach distillery and is now a distiller in its own right, as well as a wine and whisky merchant.

49) A major part of the Gordon & MacPhail business is the independent bottling and sale of fine single malt Scotch whisky. Gordon & MacPhail usually acquires the whisky directly from distilleries but also from whisky brokers. The whisky is stored in the warehouses of Gordon & MacPhail, frequently in its own casks. It currently has over 80 different whiskies in store for continuing maturation. Gordon & MacPhail bottle around 400 different “expressions” of single malt Scotch whiskies aged from between 5 and 60 years of age. Its bottled whiskies are sold to the trade in the United Kingdom and to over 40 export markets. Gordon & MacPhail sells whiskies bottled by other companies.

50) Mr Urquhart states that fine single malt Scotch whisky is an internationally famous product enjoyed by whisky connoisseurs throughout the world. He states that it is comparable to the most famous premier cru wines and historic cognacs

and armagnacs. It is not uncommon for whisky to be bottled some 50 years after the date of its original distillation, as is the practice of Gordon & MacPhail. Gordon & MacPhail has bottled a single malt at 60 years of age. The typical purchaser of a fine single malt Scotch whisky tends to be well informed and have a comparatively high level of knowledge of the product and awareness of Scotland's distilleries. Mr Urquhart states that in the last 40 years there has been a huge increase in the popularity of fine single malt Scotch whisky. Whisky up to 18 years of age is widely available in off licences and supermarkets as well as at specialist shops. Older whisky is available from specialist shops, bars and also for sale at auction.

51) Mr Urquhart gives information in relation to DALLAS DHU which has been given by Ms Hollington. He states that DALLAS DHU whisky is well-known in the industry and among whisky connoisseurs.

52) Gordon & MacPhail had sold DALLAS DHU Scotch whisky for many years. It holds significant stocks of DALLAS DHU whisky in cask which it will bottle and sell over the next 25 years or longer. Gordon & MacPhail has bottled and sold DALLAS DHU whisky from its own cask stock for at least 30 years. Exhibited at IU-1 are copies of Gordon & MacPhail wholesale wine and spirit lists for June 1982, May 1991 and April 1993 showing the offering for sale of DALLAS DHU whisky in the Connoisseur's Choice range. A picture of a label is exhibited at IU-2. The label prominently bears the name CONNOISSEURS CHOICE. The label describes the product as being a single Highland malt Scotch whisky which was distilled at the Dallas Dhu distillery in 1972. At the bottom of the label the customer is advised that the whisky has been specially selected, produced and bottled by Gordon & MacPhail. Towards the centre of the label a map of the Highlands appears; to the left and right of the map the following appears respectively:

"Connoisseurs Choice, a range of single malts from various districts of Scotland."

"In the Highlands are situated the greatest number of malt whisky distilleries."

About 25 years ago Gordon & MacPhail changed the label of its DALLAS DHU bottles, the Connoisseurs Choice reference was dropped. Exhibited at IU-3 is a copy of a label. At the top of the label are the words DALLAS DHU, beneath them appears a picture of a distillery. At the bottom of the label the purchaser is advised that the whisky was bottled by Gordon & MacPhail. DALLAS DHU is very much the prominent element upon the label. This label has been used by Gordon & MacPhail for 25 years.

53) Mr Urquhart estimates that over the previous 30 years Gordon & MacPhail has sold on average 1,500 bottles per year of DALLAS DHU which it has bottled.

Mr Urquhart anticipates that Gordon & MacPhail and other independent bottlers will continue to bottle and sell DALLAS DHU Scotch whisky for some 25 years to come, or possibly longer. He states that after the independent bottling companies' stock of DALLAS DHU is depleted it is likely that the whisky will be offered for sale on the international auction market. Gordon & MacPhail's bottlings of DALLAS DHU are sold throughout Europe and in outlets in Japan, the United States and Hong Kong. The bottlings are also sold at the shop at the Dallas Dhu distillery.

54) Mr Urquhart states that DALLAS DHU means only one thing to the Scotch whisky industry and consumers of fine single malt whiskies: DALLAS DHU whisky from the Dallas Dhu distillery. In the context of Scotch whisky the distillery of origin is hugely important, it identifies the characteristics which results from the local geographic conditions and from the way that the whisky is distilled. The reputation of the distillery is of importance to the purchaser. Mr Urquhart states that in this regard "genuine" DALLAS DHU exhibits the characteristics of a Speyside whisky.

55) Mr Urquhart believes that if a whisky product not distilled at the Dallas Dhu distillery was sold under the DALLAS DHU name that a significant proportion of consumers would be misled. He states that whisky branded DALLAS DHU would inevitably be perceived as the product of the Dallas Dhu distillery in one of two ways. If simply sold as DALLAS DHU a significant proportion of consumers would believe the product to be the original stock of DALLAS DHU, that is the pre 1983 stock. If the product were sold with a younger distillation date or maturation age claim, anything younger than 18 years, DALLAS DHU branded whisky would be perceived as a product from the Dallas Dhu distillery which had resumed production. Mr Urquhart states that it is unlikely that such a whisky, not emanating from the Dallas Dhu distillery, would exhibit the characteristics of "genuine" DALLAS DHU or those of a Speyside single malt.

56) Mr Urquhart states that whisky not distilled by the Dallas Dhu distillery (regardless of quality) would damage the reputation of DALLAS DHU whisky and its original distillery. He expresses concern that the reputational damage would be more widespread. The fame, integrity and authenticity of Scotch whisky, particularly fine single malts, results from the combined reputation of all of the industry's distilleries. The undermining of one fine single malt "brand" is likely to affect the standing of other distilleries and their products, which is likely to affect independent specialists, such as Gordon & MacPhail. Gordon & MacPhail sells DALLAS DHU as a fine single malt at an appropriate price. If consumers came to doubt the quality of DALLAS DHU as sold by Gordon & MacPhail it is likely that such distrust would spread to other malt whiskies, whether sold by the original distillery or an independent bottler.

57) Mr Urquhart believes that any new entrant to the Scotch whisky sector would not have chosen the brand name DALLAS DHU as a result of coincidence. He

believes that the only basis for adopting the name DALLAS DHU for whisky or other alcoholic beverages would be to try to trade on the reputation of the Dallas Dhu distillery. Mr Urquhart believes that anyone selling whisky or other alcoholic beverages under the adopted name DALLAS DHU would be well aware that a significant proportion of consumers would be misled by the name and that it could not have been adopted in good faith.

Evidence of Mr Malcolm George Mullin

58) Mr Mullin is a director of The Vintage House, a specialist retailer of whisky and other fine spirits and wines. He has worked in the whisky retail business for over 30 years and has been with The Vintage House for 30 years. The Vintage House has premises at 42, Old Compton Street, London and trades online using two domain names. The Vintage House has been in business since the 1940s. It stocks around 1,400 lines of Scotch malt whisky. Exhibited at MGM-1 is the October 2007 malt whisky price list.

59) Mr Mullin states that Scotch whisky can be described as a mass market product with fine single malts attracting a loyal and enthusiastic connoisseur market. There is much literature available about fine single malts including periodical publications, such as *Whisky Magazine*.

60) Fine single malt Scotch whisky is a product of great longevity. The product of a distillery may be sold for decades after the whisky was distilled; the oldest Scotch malt whisky recently offered by The Vintage House is a Macallan distilled in 1926.

61) Fine single malt Scotch whisky reaches the market in one of two ways. Firstly, it is sold by the original distiller. Secondly, independent bottlers buy the product from the distillery (or sometimes from whisky brokers), store it and then release the product to the market periodically. Usually such products bear the name of the independent bottler and the description of the origin of the whisky by reference to the name of the distillery and the year of distillation. There are many independent bottlers; the price list of The Vintage House records 39 of them.

62) During the 1980s and 1990s a number of distilleries were closed or mothballed. Even though such distilleries are no longer currently producing Scotch whisky their products are still widely sold in the specialist connoisseur market and they command premium prices, which increase with age and scarcity.

63) Mr Mullin has been informed that Mr Maslyukov has applied to register as trade marks the names of five defunct or mothballed distilleries:

Dallas Dhu;
Pittyvaich;

Banff;
Convalmore;
Coleburn.

The products of these distilleries are sold by The Vintage House and other specialist retailers. Products of the above distilleries, bottled by a number of bottlers, all appear in the price list of The Vintage House.

64) It is the practice of independent bottlers to release to market, from time to time, bottlings of whisky which they store in casks. Mr Mullin expects to see the periodic release to market of whiskies from the above distilleries for a number of years to come. The Vintage House and other specialist retailers present fine single malt whisky products to customers by reference to the distillery of origin. The Vintage House has an international customer base.

65) In Mr Mullin's experience a customer enquiring about the product of a specific distillery, even one which is no longer in current production, will expect the product to come from the distillery of origin. Customers will expect whiskies bearing the name of a distillery to emanate from that distillery, even if the distillery is dormant or defunct. If the product were not from that distillery the customer would be misled.

66) Mr Mullin believes that if Scotch whisky were sold by reference to any of the above distilleries he or she would be deceived in one of two ways. The customer would believe that he or she was getting "original" product from the distillery or he or she would believe that the distillery had resumed production. In either case the expectation would be that the product emanated from the distillery.

67) Mr Mullin states that in adopting the name of a historic and famous distillery there is great scope for fraudulent trading. Historic fine single malt whiskies command premium prices. It would be possible to produce young whisky, of indifferent quality, not exhibiting regional character and sell it for a price similar to the genuine product. If that happened it would be damaging not only to the continuing goodwill of the distilleries but also to the integrity of Scotch whisky generally and fine single malt Scotch whisky in particular.

Evidence of Mr Paul Anthony Walsh

68) Mr Walsh is a solicitor of the Supreme Court who is acting for Diageo in these proceedings.

69) He exhibits at PAW-1 a copy of an extract from *Michael Jackson's Malt Whisky Companion Fifth Edition*. The extract explains the rôle of independent bottlers:

“Newcomers to the world of single malts are often puzzled by the way in which whisky from the same distillery may appear under several different labels. Equally, whiskies from 20 or 30 different distilleries may all appear under labels which are almost identical. This is because, with three exceptions, distilleries do not carry out their own bottling.”

The extract goes on to list various of the bottlers. Gordon & MacPhail and Cadenhead have special mentions. Exhibited at PAW-2 are pages from the website of Cadenhead. On 17 September 2007 Mr Walsh visited the London retail branch of Cadenhead. The shop had a blackboard list inside of various fine single malt Scotch whiskies available for sale, including DALLAS DHU. Mr Walsh purchased a bottle of DALLAS DHU; exhibited at PAW-3 is a copy of the receipt for the purchase, the bottle cost £140. Exhibited at PAW-4 is a copy of a photograph of the bottle. At the top of the label CADENHEAD'S CHAIRMAN'S STOCK appears. The label advises that the whisky was distilled at the Dallas Dhu distillery and this it is 27 years old. At the bottom of the label the following appears:

“This whisky is selected and bottled under the sole responsibility of Wm. Cadenhead Limited, Campbletown, Argyll, Scotland an independent bottler not connected with the distiller.”

Mr Walsh states that on 10 October 2007 he visited The Whisky House in Soho W1D. The receipt that he exhibits at PAW-5 shows that he actually visited The Vintage House. The receipt is for single bottles of PITTIVAICH, BA BANFF and CC CONVALMORE whiskies, the total cost of the three bottles was £140.20. Exhibited at PAW-6 are copies of photographs of the labels of the three bottles. At the top of the first label THE MCGIBBON'S PROVENANCE appears; in the middle of the label the purchaser is advised that the whisky was distilled in 1994 at the Pittyvaich distillery and that the whisky is a Speyside malt. At the top of the second label BLACKADDER appears prominently. The purchaser is advised that the whisky is one of 256 bottles from cask number 2247 distilled at the Banff distillery. The whisky was distilled on 25 August 1976 and bottled in August 2001. Towards the bottom of the label the following appears:

“Closed in 1983 Banff's two stills produced a sweetish medium peated malt.”

The final label bears CONNOISSEURS CHOICE prominently at the top of the label. In get-up it is very similar to the copy of the label exhibited at IU-2. However, in this case the label advises that the whisky was distilled at Convalmore distillery in 1981 and that the whisky comes from Speyside.

Evidence of Mr Martin Scott Green

70) Mr Green is a consultant for McTears Auction Galleries. He had been retained by McTears since 2000 and has primary responsibility for auction sales of fine Scotch whisky. He was previously a specialist with Christie's in Glasgow, whom he joined in 1986.

71) McTears has been trading as an auction house for about 150 years. It specialises in all sorts of merchandise, including collectable whisky, wine and port. One of the specialist areas of McTears is the auctioning of rare Scotch whisky. Every year McTears conducts four specialist Scotch whisky auctions.

72) Mr Green comments on the nature of Scotch whisky and single malt whiskies, (ground that has been covered by other witnesses). The record price paid for a bottle of single malt Scotch whisky at a McTears auction is £29,400 for a bottle of Bowmore distilled c 1850. The purchaser intended to store the bottle and not drink the contents.

73) The rarity of a Scotch whisky determines its price; owing to the longevity of the product people can invest in it over a significant period of time. An older Scottish whisky is generally rarer than a newer one and commands a higher price. The majority of vendors who approach McTears to sell their Scotch whisky are investors who made a long term investment. The vendor would have stored the whisky for a number of years and after a set date or when there was particular demand for that whisky, the vendor would realise the investment for a premium price.

74) Mr Green is the author of a book entitled *Collecting Malt Whisky* that compiles that last 6 years of McTears' auction results for Scotch whisky; it is designed as a price guide for collectors and investors of Scotch whisky.

75) Mr Green has been informed that Mr Maslyukov has applied to register as trade marks the names of five defunct or mothballed distilleries:

Dallas Dhu;
Pittyvaich;
Banff;
Convalmore;
Coleburn.

The products from these distilleries have been and still are available for auction by McTears and specialist retailers. All of them are catalogued in Mr Green's book as whiskies that McTears has sold at auction, exhibited at MG-1 are copies of the pages relating to these whiskies.

76) Mr Green states that a purchaser wishing to buy a single malt Scotch whisky identifies that whisky by the name of the distillery. He states that it would be misleading if the purchaser was sold product under a distillery name if that product did not originate from the identified distillery.

77) Mr Green states that the Scottish distilleries play a large part in the traditions of Scotch whisky and indeed of Scotland and its heritage. If a trader uses a distillery name on a product that does not come from a distillery that trader not only misleads purchasers of Scotch whisky but also undermines the tradition of Scotch whisky. Mr Green states that if Mr Maslyukov sells products by using the names of the above distilleries that the purchaser may consider that the product originated from them prior to the closing of the distillery or that the distillery has recommenced production.

Evidence of Mr Pavel Maslyukov in relation to CONVALMORE and PITYVAICH

78) Mr Maslyukov is an international business man and founder of the United Kingdom company Hispaniola Brands Limited.

79) Mr Maslyukov states that Diageo Distilling Ltd is a daughter company for Diageo Scotland Ltd which is a daughter company of Diageo plc. He states that Diageo is a powerful company which could damage the business of anyone who filed evidence in support of him. Consequently, his evidence is filed by himself alone.

80) Mr Maslyukov states that he invests his own cash in his projects. He states that he dreams of owning a distillery in Scotland but he cannot afford this. Consequently, he conducts confidential negotiations with Scottish producers searching for the best distiller for his "private labels". Mr Maslyukov applied to join the Scotch Whisky Association (SWA). His application was refused. He states that Diageo "initiated" the refusal. Mr Maslyukov points out that Mr Paul Walsh is the CEO of Diageo plc and chairman of the SWA. He accuses the SWA of being a satellite of Diageo.

81) Mr Maslyukov states that Diageo is a dishonest player in the Scotch whisky market; he states that it marketed blended whisky under the label of a popular single malt whisky, Cardhu. He exhibits pages from the BBC Scotland News Online website where an officer of William Grant & Sons comments on Diageo's decision to change the composition of the Cardhu malt. He states that Diageo has run out of stocks of Cardhu single malt and so have decided to fill the bottles with a mixture of malt whiskies. The product will be sold under the same name and in the same bottle with change blurred by the use of the word pure malt instead of single malt. He expresses concern that the decision of Diageo will damage the reputation of single malt Scotch whisky.

82) Mr Maslyukov states that he applied for the Convalmore and Pittyvaich trade marks in order to let the historic brands survive.

83) Mr Maslyukov states that Diageo has applied to register the names GLEN MHOR and BRORA as Community trade marks. He exhibits evidence to show that the trade marks have been applied for by Diageo Scotland Limited and also that the Glen Mhor distillery has been demolished and replaced by a shopping centre and that the Brora distillery closed for good in 1983. The specifications encompass whiskies. He speculates that the intention of Diageo is probably to invest in the reconstruction of the Glen Mhor distillery and to market vodka under the name BRORA. The application for the registration of BRORA as a Community trade mark was made on 20 July 2001. It is registered in the name of Diageo Scotland Limited. Whisky from the Brora distillery appears in The Vintage House catalogue.

Evidence of Mr Pavel Maslyukov in relation to DALLAS DHU

84) Mr Maslyukov states that he is, inter alia, a professional in the alcoholic drinks industry. He states that he has his own distilling laboratory where he develops recipes but he does not own a means of production and so he needs to source production from third parties. This, he states, is very common in the industry, eg PLYMOUTH GIN is produced in Essex. Mr Maslyukov states that it was never his intention to produce the whisky himself but to approach a Scottish distiller to distil and age the whisky for him. He states that he intended to contact the Dallas Dhu distillery but was advised that it was no longer capable of distilling whisky. However, he still hopes to make use of this distillery. If this is not possible, another option would be to use another distiller in Speyside.

85) Mr Maslyukov states that Longrow was a famous distillery which was closed. J & A Mitchell & Co Limited applied to register this name in 1999 as a United Kingdom and Community trade mark. The trade mark is registered. Material relating to this is exhibited at PM-2. This shows that the original distillery was closed in 1896. The whisky is now distilled in Springbank distillery.

86) Mr Maslyukov states that Diageo cannot succeed in a passing-off action as:

- It does not own the Dallas Dhu distillery.
- It has lost goodwill in the whisky industry because of the scandal with Cardhu.
- It has never promoted, bottled or sold directly whisky from the distillery.
- Mr Maslyukov is not importing whisky from abroad into the United Kingdom under the DALLAS DHU name but intends to use a Scottish distiller.

Mr Maslyukov ends by stating that he has not requested any third party evidence to support his case as he is concerned that Diageo would damage the business of any third party supporting him.

87) In a second witness statement in relation to DALLAS DHU Mr Maslyukov states that he has successfully applied for the revocation of the United Kingdom registration no 661100 (of the trade mark Rumaica (stylised, in the ownership of Diageo North America, Inc).

88) Mr Maslyukov states that Diageo plc was ordered to pay costs but did not do so, in fact the costs order (which is exhibited) shows that Diageo North America, Inc. was ordered to pay the costs. Mr Maslyukov states that this revocation action shows that Diageo “prefers not to use their registrations for the purpose of restriction of competition”. He states that Diageo’s main consideration in closing the Dallas Dhu distillery was to restrict competition. Mr Maslyukov states that he did not approach Ms Hollington of Historic Scotland because she did not have the power to make a decision as to using the distillery for distilling again. Mr Maslyukov makes a variety of submissions, which I bear in mind, but as they are not evidence of fact I will say no more about them here. Evidence is exhibited to show that Diageo Scotland Limited has registered the trade marks ROSEBANK, PORT ELLEN and GLEN MHOR. The application for registration of ROSEBANK as a United Kingdom trade mark was made on 31 December 1986, notification of the renewal of the registration was published on 9 February 2007. The trade mark is registered for Scotch whisky. The unchallenged Wikipedia reference states that Rosebank was once considered one of the premiere lowland whiskies. The distillery was closed in 1993 and in 2006 parts of it were demolished to make way for a housing development. Portions of the warehouse were converted into a BEEFEATER restaurant. The application for the registration of PORT ELLEN as a United Kingdom trade mark was made on 20 February 2001. It is registered for Scotch whisky. The Port Ellen distillery was mothballed in 1983 or 1984 and the stillhouse was demolished in 2003 and in 2004 one of the pagoda roofs was removed. The application for the registration of GLEN MHOR as a Community trade mark was made on 20 July 2001. The registration includes whisky. The distillery was closed in 1983 and has been pulled down to make way for a supermarket. All of the registrations are currently in the name of Diageo Scotland. Whiskies from the Rosebank Glen Mhor and Port Ellen distilleries all appear in The Vintage House catalogue.

Evidence in reply of Mr Paul Anthony Walsh

89) Mr Walsh states that the SWA is the trade association for the Scotch whisky industry. The principal functions of the SWA are:

- To protect the integrity of Scotch whisky worldwide.
- To promoted responsible attitudes to alcohol consumption.
- To secure fair and equal access to international markets.

- To tackle tax discrimination and secure appropriate regulation of the industry.
- To promote Scotch whisky as a quality product made from natural raw materials.
- To represent the industry's interests at governmental level both at home and abroad.

These functions are found on the website of the SWA, the relevant page is exhibited. Mr Walsh exhibits a list of the members of the SWA, he states that the overwhelming majority of companies in the Scotch whisky industry are members of the SWA.

90) At the time of the refusal of Mr Maslyukov's application for membership Mr Walsh (of Diageo) was not chairman of the SWA; his appointment as chairman was announced on 10 January 2008, he succeeded Mr Richard Burrows of Pernod Ricard. Mr Maslyukov was advised that his application for membership should not be continued and he should re-apply in the future. Copies of e-mail correspondence between Mr Maslyukov and Mr Magnus Cormack, senior legal adviser of the SWA, are exhibited. In this correspondence Mr Maslyukov is advised of the criteria for membership. Mr Cormack states that applicants for membership are expected to have an established track record in the industry, which Mr Maslyukov does not have. Mr Cormack suggests that Mr Maslyukov should wait a few years and re-apply when he has a trading record. In this correspondence Mr Cormack notes that the SWA is aware that Mr Maslyukov has applied to register the names of several recently closed distilleries as trade marks (Banff, Convalmore, Coleburn and Pittyvaich). He is advised that this is not good industry practice as stocks of these malt whiskies are likely to be available for many years to come. Mr Maslyukov is advised that if the applications proceed to publication the SWA is likely to file oppositions to their registrations. The correspondence continues with comments made by Mr Maslyukov about the names of some distilleries being registered as trade marks and the response of Mr Cormack. Mr Walsh also states that Diageo, by means of a cheque issued by his firm, Bristows, did pay the costs in relation to the RUMAICA revocation.

91) Finally Mr Walsh exhibits a copy of the third party observations filed by the SWA under section 38 of the Act in relation to the applications of Mr Maslyukov for the trade marks DALLAS DHU, CONVALMORE, PITTYYVAICH, BANFF and COLEBURN.

FINDINGS OF FACT AND CONCLUSIONS DRAWN FROM THE EVIDENCE

92) Mr Maslyukov has made applications for the registration as trade marks, for alcoholic beverages, including Scotch whisky, of signs that are the names of distilleries that are no longer being used to distil whisky. At the time of making the applications he knew that the signs were the names of distilleries that no

longer distilled whisky. This decision deals with three of his applications. Mr Maslyukov has no link to the distilleries, as yet he has had no whisky produced for him by a third party in Scotland.

93) The Dallas Dhu distillery is in the guardianship of Historic Scotland, the guardianship was granted by Diageo's predecessors in title. It has not been used for the distillation of whisky since 1983. Mr Maslyukov states that it was his intention to use the distillery to produce whisky. However, he has never contacted Historic Scotland. Ms Hollington of Historic Scotland states that if Historic Scotland was approached to recommence distilling by anyone other than Diageo the request would be refused.

94) The Pittyvaich distillery ceased production of whisky in 1993, in 2002 it was bulldozed. Mr Maslyukov states that he intends to use the Scottish courts to force Diageo to lease the Pittyvaich distillery to him in order to distil whisky. As the distillery no longer exists this would be impossible. If the distillery still existed Mr Maslyukov does not explain what law of Scotland could compel the compulsory leasing of premises. Diageo's predecessors in title were the owners of the distillery.

95) The Convalmore distillery was sold to William Grant & Son by Diageo's predecessors in title. A condition of the feu disposition of the distillery shows that William Grant & Son is precluded from using the names CONVALMORE and Convalmore distillery and from using the site for the distillation of Scotch whisky. The distillery last produced whisky in 1993.

96) Diageo released whisky from the Convalmore distillery in 2003 and 2005. There is no indication that it, as opposed to third parties, has released whiskies from the Dallas Dhu and Pittyvaich distilleries since their closure.

97) Single malt Scotch whiskies are kept for a long time. They are held in cask by independent bottlers who then release them, the bottles are sold by reference to the bottler and the bottler's trade mark(s), by reference to their distillery and by reference to the age of the product. Consequently, the products of defunct distilleries can appear many years after the closure of the distillery. Whiskies from the Convalmore, Pittyvaich and Dallas Dhu distilleries are currently available through specialist outlets and are likely to be available for years to come.

98) Diageo has registered or has renewed the registrations of trade marks that bear the names of distilleries that no longer produce whisky. There is no evidence as to whether these trade marks are used or how Diageo intends to use them. There is nothing to suggest that there was anything improper in the applications for them. I only have to consider the application by Diageo for the DALLAS DHU trade mark and in relation to that Mr Maslyukov has only pleaded section 5(1) of the Act as a ground of opposition.

99) Mr Maslyukov has put in evidence, that has not been challenged, to show that Diageo has used the name CARDHU in relation to a mixture of malt whiskies, rather than a single malt. According to the exhibited evidence the only change on the bottle is the replacement of "single malt" with "pure malt". For 30 years Diageo had used CARDHU in relation to a single malt. Whisky from the Cardhu distillery is listed amongst the cask strength Speyside malts part of The Vintage House catalogue. This suggests that there is not necessarily anything immutable about the use of the name of a distillery. However, it is to be noted that Mr Hunt, of William Grant & Sons, was clearly incensed by this action and the effect that it might have on the Scotch whisky industry.

100) Mr Maslyukov has accused Diageo of conspiring against him, of trying to thwart competition. He submits that there is no third party support for his case because of the threat that Diageo represents to anyone in the industry who would come to his aid. A case cannot be based on what evidence there might have been. The issue in these cases is not about the right to produce whiskies, it is about the names that are to be attached to those whiskies; names in relation to which Diageo considers that it has rights.

101) In his evidence and submissions Mr Maslyukov seems to misunderstand the meaning of goodwill in relation to the law of passing-off. He seems to confuse it with having a good name or a good reputation. Goodwill is the attractive force that brings in custom³, it is morally neutral.

³ Lord Macnaghten in *IRC v Muller & Co's Margarine Ltd* [1901] AC 217 gave the accepted definition of goodwill:

"What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyse goodwill and split it up into its component parts, to pare it down as the Commissioners desire to do until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seem to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole, and in a case like this it must be dealt with as such. For my part, I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain which may perhaps be gathered up and be revived again."

The objections of Diageo under section 3(1)(c) of the Act

102) Section 3(1)(c) of the Act requires the refusal of:

“ trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services”.

Mr Maslyukov has made no use of the three trade marks and so he cannot be assisted by the proviso⁴.

103) In *MacLean-Fogg Co v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM) Case T-339/05* the Court of First Instance considered article 7(1)(c) of the Community trade mark regulation (the equivalent to section 3(1)(c) of the Act):

“26 Article 7(1)(c) of Regulation No 40/94 provides that ‘trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service’ are not to be registered. Furthermore, Article 7(2) of Regulation No 40/94 provides that Article 7(1) ‘shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community’.

27 According to case-law, Article 7(1)(c) of Regulation No 40/94 prevents the signs or indications referred to therein from being reserved to one undertaking alone because they have been registered as trade marks. That provision thus pursues an aim in the public interest, which requires that such signs or indications may be freely used by all (Case C-191/01 P *OHIM v Wrigley* [2003] ECR I-12447, paragraph 31; Case T-219/00 *Ellos v OHIM (ELLOS)* [2002] ECR II-753, paragraph 27; Case T-348/02 *Quick v OHIM (Quick)* [2003] ECR II-5071, paragraph 27; and Case T-316/03 *Münchener Rückversicherungs-Gesellschaft v OHIM (MunichFinancialServices)* [2005] ECR II-1951, paragraph 25; see also, by analogy, *Windsurfing Chiemsee*, cited in paragraph 13 above, paragraph 25; *Koninklijke KPN Nederland*, cited in paragraph 13 above, paragraphs 54 and 95; and *Campina Melkunie*, cited in paragraph 13 above, paragraph 35).

⁴ “Provided that, a trade mark shall not be refused registration by virtue of paragraph (b), (c) or (d) above if, before the date of application for registration, it has in fact acquired a distinctive character as a result of the use made of it.”

28 Furthermore, signs or indications which may serve, in trade, to designate characteristics of the goods or service in respect of which registration is sought are, by virtue of Article 7(1)(c) of Regulation No 40/94, regarded as incapable of performing the essential function of a trade mark, namely that of identifying the commercial origin of the goods or service, thus enabling the consumer who acquired the goods or service designated by the mark to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent acquisition (*OHIM v Wrigley*, cited in paragraph 27 above, paragraph 30, and *ELLOS*, cited in paragraph 27 above, paragraph 28).

29 Consequently, for a sign to fall within the scope of the prohibition in that provision, it must suggest a sufficiently direct and concrete link to the goods or services in question to enable the public concerned immediately, and without further thought, to perceive a description of the goods and services in question or of one of their characteristics (Case T-106/00 *Streamserve v OHIM (STREAMSERVE)* [2002] ECR II-723, paragraph 40, upheld on appeal by order of 5 February 2004 in Case C-150/02 P *Streamserve v OHIM* [2004] ECR I-1461; and *PAPERLAB*, cited in paragraph 25 above, paragraph 25).

104) In relation to DALLAS DHU Diageo claims that the trade mark is, inter alia, an indicator of geographical origin. It refers to the Dallas Dhu locality. There is no evidence of there being such a locality. The exhibited evidence shows that the distillery is in the parish of Forres (see the deed of guardianship). The map that forms part of exhibit AH-2 shows the presence of a place with the name of Dallas, although the distillery does not appear to be located there. Dallas is also the name of a large city in Texas. In considering whether the trade mark is a geographical location it is necessary to consider it in its entirety. The DHU element does not form part of the name of a place, it is a distinctive element. Scottish Gaelic speakers will identify DHU as meaning black, however, they cannot be considered the average consumer for the goods and this will still leave an element that means that the trade mark as a whole is not the indicator of the geographical origin of the product. **The claim that DALLAS DHU is exclusively a sign that indicates that the product is from the geographical location of Dallas is dismissed.**

105) Diageo makes the claim under section 3(1)(c) of the Act that

“Specific regions are important in the production of Scotch whisky because the character and taste of the product is strongly influenced by local factors such as local water sources, local soil and peat, climate, temperature, atmosphere and microclimate. These factors operate to impart unique character to whiskies produced in particular localities.”

Diageo goes on to claim that the trade marks applied for cover alcoholic beverages including Scotch whisky and Scotch whisky based liqueurs. The trade marks consist exclusively of the signs CONVALMORE/PITTYVAICH/DALLAS DHU which serve in the trade to indicate Scotch whisky (to the exclusion of other alcoholic beverages), the quality of the product or its characteristics, namely those associated with the Speyside region of Scotland in general. In the case of CONVALMORE and PITTYVAICH this part of the grounds ends “and the locality of the CONVALMORE/PITTYVAICH distillery in particular”.

106) The trade marks consist of the names of distilleries, distilleries that are no longer in operation. The distilleries are factories that produce alcoholic beverages. The presumption of Diageo is that signs will be seen as indicating the names of the distilleries which will in turn indicate some specific and fixed quality. The argument as to the characteristics to which the trade marks relate are somewhat fugitive. The characteristics that are claimed lack specificity. As a large number of versions of the whiskies are sold it can be assumed that there is a variation in the distillations. The argument also ignores that the owner of the distillery could produce what it wanted from the distillery by reference to the distillery name. The evidence shows that Diageo used the CARDHU brand to produce whiskies that were not single malts. As the owner of the Cardhu distillery that is its right; the Cardhu distillery, like any other distillery, is an industrial plant that produces a product for profit. The product will vary according to the choice of the owner. There may be a presumption as to what the distillery will produce, a presumption that will be held by experts, whether in the trade or as drinkers of the product. However, it is not a presumption that the owner of the distillery has to satisfy or that the average consumer will have. If the word Speyside were included in the trade marks then there would be a particular general characteristic that would be laid down, goods emanating from the Speyside area. A matter that could be checked by reference to a map. All that one has is the name of a industrial plant producing alcohol, however it is dressed up.

107) In terms of the public interest behind the objection I cannot see that there is a need to leave free. Such a public interest would mean that the names of the distilleries should not be registered as trade marks by the owners of the distilleries. Diageo registers the names of its distilleries, it maintains the registrations of the names of defunct distilleries. It would strike me as odd if it could not do so; whether a party who has no relationship with the distilleries can register the names is another matter and is not a matter to be considered under section 3(1)(c) of the Act.

108) The grounds of opposition under section 3(1)(c) in relation to the three applications of Mr Maslyukov are dismissed.

The objections of Diageo under section 3(3)(a) of the Act

109) These objections only relate to the CONVALMORE and PITYVAICH applications.

110) Under section 3(3)(a) of the Act a trade mark shall not be registered if it is “contrary to public policy or to accepted principles of morality”. Diageo claims that whiskies not distilled by the Convalmore and Pittyvaich distilleries would damage the Scotch whisky industry and Scotland as a whole. In its evidence it tries to support this claim by reference to the proposed Scotch Whisky Regulations, which still have not come into force.

111) In *Philips Electronics BV v. Remington Consumer Products* [1998] RPC 283 Jacob J stated:

“Article 3(1)(f) is not concerned with this sort of matter - it is, as Mr Pumfrey submitted, confined to matters such as are covered by the French legal term *ordre publique*, a matter involving some sort of question of morality. It is not concerned with economic grounds of objection.”

(Article 3(1)(f) of Directive 2008/95/EC is the equivalent of section 3(3)(a) of the Act.)

112) In *Basic Trademark SA's Trade Mark Application* [2005] RPC 25 Geoffrey Hobbs QC, sitting as the appointed person, gave a more detailed exegesis of the provision:

“1 Article 6 quinquies, para.B3 of the Paris Convention of March 20, 1883 (as last revised at Stockholm on July 14, 1967) provides for refusal and invalidity of registration in relation to trade marks that are " *contrary to morality or public order*". The corresponding rule at the Community level under Art.7(1)(f) of the Community Trade Mark Regulation and at the national level in the United Kingdom under s.3(3)(a) of the Trade Marks Act 1994 (implementing Art.3(1)(f) of the Trade Marks Directive) is that trade marks shall not be registered if they are " *contrary to public policy or accepted principles of morality*".

2 The objection relates to the intrinsic qualities of the mark concerned, not the personal qualities of the applicant for registration: Case T-224/01 Durferrit GmbH v OHIM (April 9, 2003) [FN2] paras [67] to [71], [75] and [76]. It has been observed that the legislation uses the expression 'public policy' for the purpose of referring to matters of the kind covered by the French legal term "ordre public": *Philips Electronics NV v Remington Consumer Products Ltd* [1998] R.P.C. 283 at 310 *per* Jacob J. This is borne out by the use of the words " *contrary to ... public order*" in the English text of Art.6 quinquies of the Paris Convention and the words " *qui*

sont contraires à l'ordre public" in the French language versions of Art.7(1)(f) of the Community Trade Mark Regulation and Art.3(1)(f) of the Trade Marks Directive.....

6 Section 3(3)(a) seeks to prohibit registration in cases where it would be legitimate for the "*prevention of disorder*" or "*protection of ... morals*" to regard use of the trade mark in question as objectionable in accordance with the criteria identified in Art.10 ECHR. It does so in terms which disclose no intention to prohibit registration in cases where use of the relevant trade mark would not be objectionable under Art.10 on either or both of those bases. The problem of anti-social branding is, in part, addressed under s.3(3)(a) by accommodating the concept of "*ordre public*" within the ""*prevention of disorder*" (in the French text of the Convention "*à la defense de l'ordre*") under Art.10. That makes it legitimate, for example, to treat the display of "*any writing, sign or other visible representation which is threatening, abusive or insulting within the ... sight of a person likely to be caused harassment, alarm or distress thereby*" as objectionable: see s.5(1)(b) of the Public Order Act 1986. However, the right to freedom of expression must always be taken into account without discrimination under s.3(3)(a) and any real doubt as to the applicability of the objection must be resolved by upholding the right to freedom of expression, hence acceptability for registration.....

23 The fact that the determination which has to be made under s.3(3)(a) calls for the exercise of judgment in an area where there may well be room for more than one view does not, of itself, render the decision taking process arbitrary, nor does the fact that the determination depends on the decision taker's assessment of the effect that use of the trade mark in question is liable to have upon other people. The requirement for use of the trade mark to be seriously troubling in terms of the public interest in the "*prevention of disorder*" or "*protection of morals*" under Art.10 ECHR provides, in my view, a proper basis for objective determination of the legal rights of persons applying for registration. Lack of objectivity in the decision taking process is a ground for appeal, not a reason for depriving the relevant prohibition of content and effect."

Registration and use of these trade marks is not going to create disorder, there is no threat to morals. **The grounds of opposition under this head are misconceived, they have no basis whatsoever, and are dismissed.**

The objections of Diageo under section 3(3)(b) of the Act

113) In *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd* Case C-259/04 the European Court of Justice stated:

“47 Nevertheless, the circumstances for refusing registration referred to in Article 3(1)(g) of Directive 89/104 presuppose the existence of actual deceit or a sufficiently serious risk that the consumer will be deceived (Case C-87/97 *Consorzio per la tutela del formaggio Gorgonzola* [1999] ECR I-1301, paragraph 41).”

(Article 3(1)(g) of Directive 2008/95/EC is the equivalent of section 3(3)(b) of the Act.)

In *Fianna Fail and Fine Gael v Patrick Melly* BL O/043/08 Mr Geoffrey Hobbs QC, sitting as the appointed person, stated:

“43. The objection to registration under Section 3(3)(b) of the Act depended upon the existence of a serious risk that use of the denominations FIANNA FAIL and FINE GAEL in the manner envisaged by the opposed applications would deceive consumers as to the nature or the attributes of the goods or services presented to them under and by reference to those denominations. Section 3(3)(b) prevents registration on the basis of ‘absolute’ rather than ‘relative’ deception. That is to say, it strikes at misrepresentations as to what is being made available rather than misrepresentations as to who is responsible for making it available.”

114) To be deceived the relevant public would have to have an expectation as to the specific intrinsic characteristics of the product and be deceived if that expectation was not fulfilled. **Consequently, I consider that this ground is inextricably linked to the grounds of opposition under section 3(1)(c) and the corollary of the failure under section 3(1)(c) of the Act is that Diageo fails under this head also.**

115) In the grounds under section 3(1)(c) and 3(3)(b) Diageo is attempting to dress relative grounds in the clothes of absolute grounds. Diageo is relying upon a presumption of the consumer from use rather than the actual nature of the signs and the products. The distilleries can and are sold and the owners can use them to produce what they want, how they want. If one sees the trade mark LYCRA® upon an item of clothing, one may have a presumption that the product had properties that stretched and moulded to the body. However, Invista Technologies Sarl can use its trade mark on any product for which it is registered, it could be used for Harris tweed if Invista so wished. The customer may be disappointed, he or she cannot be considered to be deceived.

The objections of Diageo under section 3(6) of the Act

116) Section 3(6) of the Act states:

“A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

117) Bad faith includes dishonesty and “some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular field being examined⁵”. Certain behaviour might have become prevalent but this does not mean that it can be deemed to be acceptable⁶. It is necessary to apply what is referred to as the “combined test”. This requires me to decide what Mr Maslyukov knew at the time of making the application and then, in the light of that knowledge, whether his behaviour fell short of acceptable commercial behaviour⁷. Bad faith impugns the character of an individual or collective character of a business, as such it is a serious allegation⁸. The more serious the allegation the more cogent must be the evidence to support it⁹. However, the matter still has to be decided upon the balance of probabilities. The issue has to be considered as at the date of application for registration¹⁰. An act of bad faith cannot be cured by an action after the date of application¹¹.

118) In *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* Case C-529/07 the ECJ considered the concept of bad faith. There is a very different factual matrix in that case, as both parties had been using the signs in contention for a number of years. However, certain of the principles decided by the ECJ are relevant in the consideration of the facts of this case:

“40 However, the fact that the applicant knows or must know that a third party has long been using, in at least one Member State, an identical or similar sign for an identical or similar product capable of being confused

⁵ *Gromax Plasticulture Limited v. Don and Low Nonwovens Ltd* [1999] RPC 367.

⁶ *Harrison v Teton Valley Trading Co* [2005] FSR 10.

⁷ (1) *Barlow Clowes International Ltd. (in liquidation)* (2) *Nigel James Hamilton and (3) Michael Anthony Jordon v (1) Eurotrust International Limited (2) Peter Stephen William Henwood and (3) Andrew George Sebastian* Privy Council Appeal No. 38 of 2004 and *Ajit Weekly Trade Mark* [2006] RPC 25.

⁸ See *Royal Enfield Trade Marks* [2002] RPC 24.

⁹ *Re H (minors)* [1996] AC 563.

¹⁰ *Hotpicks Trade Mark* [2004] RPC 42 and *Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* Case C-529/07 paragraph 35.

¹¹ *Nonogram Trade Mark* [2001] RPC 21.

with the sign for which registration is sought is not sufficient, in itself, to permit the conclusion that the applicant was acting in bad faith.

46 Equally, the fact a third party has long used a sign for an identical or similar product capable of being confused with the mark applied for and that that sign enjoys some degree of legal protection is one of the factors relevant to the determination of whether the applicant was acting in bad faith.

47 In such a case, the applicant's sole aim in taking advantage of the rights conferred by the Community trade mark might be to compete unfairly with a competitor who is using a sign which, because of characteristics of its own, has by that time obtained some degree of legal protection.

48 That said, it cannot however be excluded that even in such circumstances, and in particular when several producers were using, on the market, identical or similar signs for identical or similar products capable of being confused with the sign for which registration is sought, the applicant's registration of the sign may be in pursuit of a legitimate objective.

49 That may in particular be the case, as stated by the Advocate General in point 67 of her Opinion, where the applicant knows, when filing the application for registration, that a third party, who is a newcomer in the market, is trying to take advantage of that sign by copying its presentation, and the applicant seeks to register the sign with a view to preventing use of that presentation.

50 Moreover, as the Advocate General states in point 66 of her Opinion, the nature of the mark applied for may also be relevant to determining whether the applicant is acting in bad faith. In a case where the sign for which registration is sought consists of the entire shape and presentation of a product, the fact that the applicant is acting in bad faith might more readily be established where the competitors' freedom to choose the shape of a product and its presentation is restricted by technical or commercial factors, so that the trade mark proprietor is able to prevent his competitors not merely from using an identical or similar sign, but also from marketing comparable products.

51 Furthermore, in order to determine whether the applicant is acting in bad faith, consideration may be given to the extent of the reputation enjoyed by a sign at the time when the application for its registration as a Community trade mark is filed."

119) In this case there is no dispute that Mr Maslyukov knew that the signs he had chosen to apply for as trade marks were the names of distilleries that were no longer functioning. Mr Maslyukov knew of the traditions of the whisky industry in relation to independent bottlers and the holding and release of whiskies. That is the state of knowledge of Mr Maslyukov.

120) Mr Maslyukov has had no relationship with the distilleries in question. Despite his comments about DALLAS DHU, he made no approach to Historic Scotland. He comments upon Diageo's attempts to prevent him from breaking into the Scotch whisky industry. These cases are not about the ability for newcomers to enter into the Scotch whisky industry; they are about the applications as trade marks for the names of distilleries that are no longer functioning. Mr Maslyukov had the whole lexicon of the world to choose from in deciding upon trade marks. He chose the names of distilleries, distilleries which are or had been owned by Diageo or Diageo's predecessors in business. He gives no persuasive reason as to why he chose these names. He states that he applied for the Convalmore and Pittyvaich trade marks in order to let the historic brands survive. I do not think that the conservation movement had extended into fighting for the survival of "historic brands". I cannot see that there can be any reason for the applications than to use them as a springboard for his proposed business. As a springboard there must be a hope that the products would be identified with the distilleries and take on board the reputation that they have or had. The number of persons who know of the distilleries will certainly be greater than the number of persons who have a detailed knowledge of the distilleries. In the case of Dallas Dhu the number will be increased owing to it now being a tourist destination. It will be known not only by those who visit the defunct distillery but some of those who see the publicity for the Malt Whisky Trail.

121) Those in the trade and the educated aficionados of single malt whisky will know of the practice of independent bottlers using the names of the distilleries on the whiskies that they release. Mr Maslyukov knows of this tradition.

122) As held by the ECJ above, the fact Mr Maslyukov knew of the use of the name of the distilleries for similar or identical products and applied for those names is not an act of bad faith per se. It will depend on the circumstances of the case, in the above case both Chocoladefabriken Lindt & Sprüngli AG and Franz Hauswirth GmbH had been trading in the goods for a number of years. In relation to the products of the Dallas Dhu and Pittyvaich distilleries there is no evidence of competition with Diageo, as it is no longer selling the products. In 2003 and 2005 Diageo released bottlings of Convalmore and so, especially taking into account the traditions of the trade, is still involved in the trade by reference to this sign.

123) In my view Mr Maslyukov is using the trade mark applications to appropriate the reputation of the distilleries; something very useful to a new business which has no history in the trade, especially when tradition and heritage are key parts of

the trade. Taking into account the knowledge of Mr Maslyukov, the reputations of the distilleries, the traditions of the trade, the absence of any link of Mr Maslyukov with the distilleries I have no doubt that reasonable and experienced men in the Scotch whisky trade would consider that filing the applications falls short of the standards of acceptable commercial behaviour. (There are experts in the trade who say as much.)

124) The limitation of the rights in the applications was after the date of application, and the question of bad faith has to be considered at the date of application. Even if I take into account the limitations I do not consider that this affects my deliberations as to the views of reasonable and experienced men in the Scotch whisky trade to the applications.

125) The applications cover alcoholic beverages at large, not just whisky. However, the issues must be judged on whether the general categories of goods encompass goods for which there can be objection as per the judgment of the CFI in *Duro Sweden AB v Office for Harmonization in the Internal Market (Trade Marks and Designs)* (OHIM) Case T- 346/07:

“63 It follows from the foregoing that the mark EASYCOVER, taken as a whole, presents, with regard to the target public, a sufficiently direct and concrete link with the goods covered by the application for registration, with the exception of those in the category of ‘monuments, not of metal’. In that regard, it should be added that, even if the mark EASYCOVER were not descriptive of all the goods within each of the categories in question, except for the category ‘monuments, not of metal’, the applicant applied for registration of the sign for all the goods within those categories without distinguishing between them, so that, accordingly, the Board of Appeal’s assessment must be upheld in so far as it relates to those categories of goods as a whole except for those goods in the category ‘monuments, not of metal’ (see, that effect, Case T-106/00 *Streamserve v OHIM (STREAMSERVE)* [2002] ECR II-723, paragraph 46, and *CARCARD*, paragraph 36).”

Mr Maslyukov had plenty of time to itemise any alcoholic beverages that were of interest to him and were not whiskies and he has not done so. It also appears from the case that Mr Maslyukov’s interest in the trade marks is in relation to whiskies.

126) Diageo succeeds in its three oppositions under section 3(6) of the Act and all three applications are to be refused in their entirety.

Section 5(4)(a) of the Act – the law of passing-off

127) The principles of the law of passing-off were summarised by Lord Oliver in *Reckitt & Colman Products Ltd v. Borden Inc* [1990] RPC 341 at page 406:

“The law of passing off can be summarised in one short, general proposition: no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number. First he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. ... Thirdly he must demonstrate that he suffers, or in a *quia timet* action that he is likely to suffer, damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.”

128) In *Sir Robert McAlpine Limited v Alfred McAlpine Plc* [2004] RPC 36 Mann J considered the nature of damage in a passing-off action:

“19) It is not necessary to go so far as to suggest that one business is that of another. It is sufficient, for purposes of passing off, if there is a misrepresentation that one business is associated with another. In *The Clock Ltd –v- The Clockhouse Hotel Limited* (1936) 53 RPC 269 at page 275 Romer L.J. said:

"The principle is this, that no man is entitled to carry on his business in such a way or by such a name as to lead to the belief that he is carrying on the business of another man or to lead to the belief the business which he is carrying on has any connection with the business carried on by the other man."

20 When it comes to considering damage, the law is not so naïve as to confine the damage to directly provable losses of sales, or "direct sale for sale substitution". The law recognises that damage from wrongful association can be wider than that. Thus in *Ewing –v- Buttercup Margarine Limited* (1917) 34 RPC 232 Warrington L.J. said:

"To induce the belief that my business is a branch of another man's business may do that other man damage in all kinds of ways. The quality of the goods I sell; the kind of business I do; the credit or otherwise which I might enjoy. All those things may immensely

injure the other man, who is assumed wrongly to be associated with me."

In so saying, he was not limiting the kinds of potential damage to those listed by him. Rather, he was indicating that the subtleties of the effect of passing off extend into effects that are more subtle than merely sales lost to a passing off competitor.

In *Associated Newspapers Limited –v- Express Newspapers* [2003] FSR 909 Page 929. Laddie J cited this passage, referred to other cases and went on to say:

"In all these cases [that is to say, the *Clock Limited* case referred to above and *Harrods –v- Harrodian School* [1996] RPC 679], direct sale for sale substitution is unlikely or impossible. Nevertheless the damage to the Claimant can be substantial and invidious since the Defendant's activities may remove from the Claimant his ability to control and develop as he wishes the reputation in his mark. Thus, for a long time, the common law has protected a trader from the risk of false association as it has against the risk of more conventional goods for goods confusion."

The same Judge expressed himself more picturesquely, but equally helpfully, in *Irvine –v- Talksport Limited* [2002] 1 WLR 2355 at page 2366. Having pointed out the more familiar, and easier, case of a Defendant selling inferior goods in substitution for the Claimant's and the consequential damage, he went on to say:

"But goodwill will be protected even if there is no immediate damage in the above sense. For example, it has long been recognised that a Defendant cannot avoid a finding of passing off by showing that his goods or services are of as good or better quality than the Claimant's. In such a case, although the Defendant may not damage the goodwill as such, what he does is damage the value of the goodwill to the Claimant because, instead of benefiting from exclusive rights to his property, the latter now finds that someone else is squatting on it. It is for the owner of goodwill to maintain, raise or lower the quality of his reputation or decide who, if anyone, can use it alongside him. The ability to do that is compromised if another can use the reputation or goodwill without his permission and as he likes. Thus Fortnum and Mason is no more entitled to use the name FW Woolworth than FW Woolworth is entitled to use the name Fortnum and Mason ...

"The law will vindicate the Claimant's exclusive right to the reputation or goodwill. It will not allow others so to use goodwill as to reduce, blur or diminish its exclusivity." (at p 2368)

In *Taittinger SA –v- Allbev Limited* [1994] 4 All ER 75 Page 88, Peter Gibson L.J. acknowledged that:

"Erosion of the distinctiveness of the name champagne in this country is a form of damage to the goodwill of the business of the champagne houses."

The same view was expressed by Sir Thomas Bingham M.R. at page 93.

21 The damage which results must be as a result of a misrepresentation to a relevant part or section of the public. In the *Jif Lemon* case the relevant people were described as "prospective customers or ultimate consumers of the goods or services in question" by Lord Diplock and as the "purchasing public" by Lord Oliver. Mr Thorley realistically accepted that in this case the relevant public was not confined to people who are at the moment actually customers of Robert and Alfred. In doing so he acknowledged the possibility, which in my view exists in this case, that the misrepresentation, if any, would or might be received by a wider class than that. However, for Robert to succeed there must be people whose dealings in respect of Robert would somehow be affected by the alleged misrepresentation. Such people must be assumed to be "reasonably well informed and reasonably observant and circumspect". Per Chadwick L.J. in *Bach –v- Bach Flour Remedies Trademarks* [2000] RPC 513 and 534."

129) In *Last Minute Network Ltd v Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM)* Joined Cases T-114/07 and T-115/07 the CFI stated:

"50 First, there was goodwill or reputation attached to the services offered by LMN in the mind of the relevant public by association with their get-up. In an action for passing off, that reputation must be established at the date on which the defendant began to offer his goods or services (*Cadbury Schweppes v Pub Squash* (1981) R.P.C. 429).

51 However, according to Article 8(4) of Regulation No 40/94 the relevant date is not that date, but the date on which the application for a Community trade mark was filed, since it requires that an applicant seeking a declaration of invalidity has acquired rights over its non-registered national mark before the date of filing, in this case 11 March 2000."

So the material date is the date of the applications for registration. However, if there had been use of the trade marks by Mr Maslyukov prior to the dates of application this would have to be taken into account. It could establish that he was the senior user, that there had been common law acquiescence or that the existing position should not be disturbed and so use would not be liable to be prevented by the law of passing-off¹². In this case there has been no use of the trade marks by Mr Maslyukov and so none of the aforesaid considerations come into play.

130) In this case there has been no production of the whiskies at the distilleries for many years. However, whiskies bearing the names of the distilleries continue to be sold and are likely to be continued to be sold for many years to come; this is by way of the nature of the single malt whisky trade. The bottlings continue well after the demise of the distillery. Many goods continue in circulation well after the producer has ceased business eg cars and motorcycles. However, these are second hand items which are being put back onto the market. In relation to the single malt whiskies there are new releases of the product. The very date of the release also makes a difference, as the older the product the more expensive that it is likely to be. So each release, because of the aging element of the product, puts a new product onto the market by reference to the distillery. So in terms of passing-off the single malt whisky market is very different to most other markets. However, I need to consider the specifics of the cases involved here and not the generality of the market. The products of the Convalmore, Dallas Dhu and Pittyvaich distilleries all continue to be released. These are signs that are used in trade in relation to single malt whiskies. However, with the exception of the products of the Convalmore distillery the trade is being conducted by the independent bottlers. Diageo has made two releases of whisky from the Convalmore distillery, in 2003 and 2005.

131) The issues relating to residual goodwill were dealt with by Pennycuik VC in *Ad-Lib Club Limited v Granville* [1971] FSR1. As there is no evidence of Diageo, or its predecessors in title, having made use of the names of the Dallas Dhu and Pittyvaich distilleries since the closure of these distilleries in 1983 and 1993 respectively, any goodwill must be of a residual nature. Pennycuik VC stated:

“In support of that statement there is cited the case of *Norman Kark Publications Ltd. v. Odhams Press Ltd.*, [1962] 1 All E.R. 636; [1962] R.P.C. 163 in which the first paragraph of the headnote reads:

"In an action to restrain the use of a magazine or newspaper title on the ground of passing off the plaintiff must establish that, at the date of the user by the defendant of which the plaintiff complains, he has a proprietary right in the goodwill of the name, viz., that the name remains distinctive of some product of his, so that the use of the name by the defendant is

¹² See, for instance: *Croom's Trade Mark Application* [2005] RPC 2 and *Daimlerchrysler AG v Javid Alavi (T/A Merc)* [2001] RPC 42.

calculated to deceive; but a mere intention on the part of the plaintiff not to abandon a name is not enough".

Wilberforce, J. went at length into the principles underlying proprietary right in goodwill and annexation of a name to goodwill and the laws of the right to protection of a name and on the facts of that particular case he held that the plaintiff company had lost its right in respect of the name TODAY as part of the title of a magazine.

It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may nonetheless retain for at any rate some period of time the goodwill attached to that business. Indeed it is obvious. He may wish to reopen the business or he may wish to sell it. It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law.

In the present case, it is quite true that the plaintiff company has no longer carried on the business of a club, so far as I know, for five years. On the other hand, it is said that the plaintiff company on the evidence continues to be regarded as still possessing goodwill to which this name AD-LIB CLUB is attached. It does, indeed, appear firstly that the defendant must have chosen the name AD-LIB CLUB by reason of the reputation which the plaintiff company's AD-LIB acquired. He has not filed any evidence giving any other reason for the selection of that name and the inference is overwhelming that he has only selected that name because it has a reputation. In the second place, it appears from the newspaper cuttings which have been exhibited that members of the public are likely to regard the new club as a continuation of the plaintiff company's club. The two things are linked up. That is no doubt the reason why the defendant has selected this name."

Pennycuik VC refers to the period of time that might pass during which a trader may wish to reopen its business or sell it. In this case Diageo specifically claims that it, as a successor in title, owns the goodwill in relation to the three trade marks for which Mr Maslyukov has made an application. It also states that it might wish to resume production at the distilleries.

132) The Pittyvaich distillery has been destroyed, the Dallas Dhu distillery is a museum run by Historic Scotland, the Convalmore distillery is owned by William Grant & Son, and no longer used for distilling. I do not consider that the

argument that these distilleries could start producing whisky for Diageo has any legs. The signs as used are linked to the distilleries, the distilleries no longer distil, there is no realistic possibility that they will do so again. In *The Law of Passing-Off* (third edition) Christopher Wadlow at 3-178 states:

“The better view is that if a business is deliberately abandoned in circumstances which are inconsistent with its ever being recommenced then the goodwill in it is destroyed unless contemporaneously assigned to a new owner. Otherwise, the goodwill in a discontinued business may continue to exist and be capable of being protected, provided the claimant intended and still intends that his former business should resume active trading. It is not necessary that the prospect should be imminent, but the mere possibility of resumption if circumstances should ever change in the claimant’s favour is not enough. The claimant’s intention to resume business may the more readily be believed where the original cessation was forced on him by external circumstances, but this factor is not conclusive either way.”

As far as DALLAS DHU and PITYVAICH are concerned there has been no trade by Diageo or its predecessors in title for many years. There is no prospect of the distilleries recommencing production. **It is Diageo that claims the goodwill and I do not consider that it established that it has either a current or a residual goodwill in relation to these signs and so its claim under section 5(4)(a) in relation to them must fail.** Even if it had established a residual goodwill I cannot see what damage that it can claim as it is no longer selling the products. If inferior goods were sold under the trade marks there is nothing to establish that the purchaser would make a connection with Diageo, who have never produced the whisky at these distilleries. It would require a purchaser to follow the chain of ownership back from Diageo, an unlikely occurrence. The expert who might know of the chain of ownership would have the expertise not to link the goods to Diageo. Diageo claims that damage would also arise as the sign would no longer guarantee the quality, character, commercial or geographical origin of the product. This effectively rehearses the arguments that were made in relation to section 3(1)(c) and section 3(3)(b), and which I have rejected. **In relation to DALLAS DHU and PITYVAICH, I do not consider that Diageo would suffer any damage that falls within the parameters set out in *McAlpine*.**

133) The case of Diageo is that **Diageo** owns the goodwill and that **Diageo** will suffer the damage. Whether there is a case in respect of the independent bottlers, whether there is a case in relation to the Scotch whisky industry at large (cf the Champagne cases) has not been pleaded. It is also to be noted that as the oppositions in relation to PITYVAICH and CONVALMORE were made after the coming into force of The Trade Marks (Relative Grounds) Order 2007 on 1 October 2007, only the owner of the goodwill could file an opposition under section 5(4)(a).

134) The grounds of opposition under section 5(4)(a) of the Act against the applications for the trade marks DALLAS DHU and PITYVAICH are dismissed.

135) There is a tension between the claims of goodwill and the claims that the names of the distilleries describe a characteristic and quality of the goods. Characteristics and qualities of goods cannot normally give rise to a protectable goodwill, unless use has supplanted those meanings¹³. If one moment the names of the distilleries are indicative of characteristics or qualities of the goods, with no reference to ownership; the next they are indicative of one undertaking. I, of course, have dismissed the claims under section 3(1)(c) of the Act and so Diageo can, potentially, rely upon the law of passing-off.

136) In 2003 and 2005 Diageo made special releases of Convalmore whisky. It has, therefore, shown a continuing relationship with whisky sold by reference to this sign, even if the distillery is no longer producing the whisky. In his witness statement Mr Robertson states:

“Diageo also on occasion issues a limited release of Convalmore whisky from its own reserves”.

It is not clear if Mr Robertson is referring to Diageo’s reserves in particular or to reserves of Convalmore whisky in general. The distillery is now in the ownership of a third party.

137) It is necessary to decide if at the material date, 13 August 2007, Diageo had a goodwill, whether residual or not, by reference to the sign CONVALMORE. In the absence of a clear indication that Diageo continues to have whisky from the distillery in store for future release I can only base my consideration on the basis that there has been no release of the whisky after 2005 and that there is no probability of whisky being distilled at the distillery again. Diageo has specifically prevented the new owner of the distillery from using the name of the distillery in relation to whisky and from distilling. In these circumstances I do not consider that it has established that at the material date it had a goodwill or a residual goodwill. Consequently, Diageo cannot succeed in relation to its claim of passing-off.

138) The ground of opposition under section 5(4)(a) of the Act against the applications for the trade mark CONVALMORE is dismissed.

¹³ *Reddaway v Banham* [1896] 13 RPC 218 and *Cellular Clothing Co Ltd v Maxton & Murray* [1899] 16 RPC 397. In the latter case the Lord Chancellor stated: “It cannot be denied, therefore, under those circumstances, that it was for the Appellants to establish, if they could, that an ordinary word in the English language, properly applicable to the subject-matter of the sale, was one which had so acquired a technical and secondary meaning, differing from its natural means, that it could be excluded from the use of every one else. That is the proposition that the Pursuers had to make out.”

The application of Diageo

139) The opposition in relation to this application is based solely upon section 5(1) of the Act. As I have decided that Diageo succeeds under section 3(6) in relation to the application by Mr Maslyukov for the registration of the trade mark DALLAS DHU, the opposition against Diageo's application must fail.

Outcome

140) The three applications of Mr Maslyukov are refused. The opposition against the application of Diageo is dismissed.

Costs

141) Mr Walsh sought costs outwith the scale. He considered that these were justified by the scandalous allegations of complicity between the SWA, Diageo and the Scottish Government. He also considered that they were appropriate owing to the serial highjacking of Diageo's trade marks and because section 3(6) of the Act was a particularly serious ground. Mr Maslyukov expressed his anger that Diageo had applied for the DALLAS DHU trade mark; he considered that, taking into account Diageo's knowledge, that this was inappropriate.

142) Costs off the scale are primarily awarded in relation to unreasonable behaviour in the prosecution of a case. I do not consider that either party has behaved unreasonably in the prosecution of the case. There was no serial highjacking of trade marks as Diageo did not own any trade marks, its pleading of passing-off should not be confused with trade mark rights¹⁴.

¹⁴ Parker J in *Burberrys v J C Cording & Co Ltd* [1909] 26 RPC 693 stated:

"The principles of law applicable to a case of this sort are well known. On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other's injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but the property in the trade or good-will which will be injured by its use. If the use of a word or a name be restrained, it can only be on the ground that such use involves a misrepresentation, and that such misrepresentation has injured, or is calculated to injure another in his trade or business."

Millett LJ in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 stated:

"It is well settled that (unless registered as a trade mark) no one has a monopoly in his brand name or get up, however familiar these may be. Passing off is a wrongful invasion of a right of property vested in the plaintiff; but the property which is protected by an action for passing off is not the plaintiff's proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant's misrepresentation: see *Reddaway v. Banham*

143) I do not consider that there is a justification for awarding costs off the scale.

144) Diageo has failed on the majority of the grounds that it has raised. In relation to the failed section 3 grounds it appears to have been trying to dress relative grounds objections in the clothes of absolute grounds. To effect what it desires in relation these grounds, Diageo must wait for the Scotch Whisky Order to be amended as has been proposed. In relation to passing-off there appears to have been a conflation of reputation with goodwill. In most cases the two concepts do not diverge, however in the case of residual goodwill they do diverge. On many occasions these failures would have been taking into account when considering costs. However, in this case, the evidence would not have been greatly different if Diageo had only relied upon section 3(6) of the Act. Consequently, I will make no reduction in relation to the failed grounds.

145) Two of the cases were consolidated, the evidence was very similar in relation to the other opposition of Diageo. As the oppositions were filed by Diageo Distilling Limited and the application by Diageo Scotland Limited I will separate the costs awards. In relation to the oppositions of Diageo I award costs on the following basis

Opposition fees:	£600
Statements of case:	£500
Considering counterstatements:	£400
Evidence:	£1500
Considering evidence of Mr Maslyukov:	£750
Preparation and attendance at hearing:	£500
Total:	£4,250

In relation to the application of Diageo I award costs of the following basis:

Considering notice of opposition:	£200
Counterstatement:	£300
Evidence:	£50
Considering evidence of Mr Maslyukov:	£25
Total:	£575

I order Mr Maslyukov to pay Diageo Distilling Limited the sum of £4,250. This sum is to be paid within seven days of the expiry of the appeal period or within

[1896] A.C. 199 per Lord Herschell; *Spalding v. Gamage* (1915) 32 R.P.C. 273 at page 284 per Lord Parker; *H.P. Bulmer Ltd. and Showerings Ltd. v. J. Bollinger SA and Champagne Lanson Pere et Fils (the Bollinger case)* [1978] R.P.C. 79 at page 93-4 per Buckley L.J.”

seven days of the final determination of this case if any appeal against this decision is unsuccessful

I order Mr Maslyukov to pay Diageo Scotland Limited the sum of £575. This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful

Dated this 7th day of July 2009

**David Landau
For the Registrar
the Comptroller-General**