

## Vodka protected by extended passing off

In *Diageo v Intercontinental Brands*, the High Court has ruled on an unusual case of extended passing off.

### Background

Extended passing off is where suppliers of goods of a particular description bring a passing off claim to restrain rival traders from using that description, or a confusingly similar term, in relation to goods which do not correspond to that description. On this basis, the courts have prevented terms such as “Spanish champagne”, “sherry” and “Swiss chalet” from being applied to products which were not champagne, sherry from Jerez or Swiss chocolate respectively. The early cases concerned descriptions relating to the geographic origin of goods but the case of *Warnink v Townend* in 1979 (the ‘advocaat’ case) extended the law to cover descriptions with no geographic element.

### Facts

Diageo are the world’s leading supplier of alcoholic drinks. One of the most well known brands in its portfolio is SMIRNOFF vodka. Intercontinental Brands (IB) began selling a clear, virtually tasteless drink comprising of a mixture of vodka and neutral fermented alcohol with an overall ABV of 22%. The drink was sold under the sign VODKAT initially in a get up reminiscent of a vodka bottle comprising white letters on a red background in a style which was particularly common amongst vodka brands. VODKAT was placed alongside vodkas on supermarket shelves.

The European spirit market is regulated by European legislation. Regulation 110/2008/EC defines what constitutes vodka as “*a spirit drink produced from ethyl alcohol of agricultural origin following fermentation with yeast from either potatoes and/or cereals or other agricultural raw materials.... The minimum alcoholic strength by volume of vodka shall be 37.5%...*”

In the 5 years in which it had been on the market, 13 million bottles of VODKAT had been sold.

Diageo commenced passing off proceedings alleging that IB were selling VODKAT as vodka even though its ABV was only 22%.

### Decision

Mr Justice Arnold found that IB had passed off VODKAT as vodka. He found that all of the elements of extended passing off were satisfied. He found that the term ‘vodka’ denoted a clearly defined class of goods. That class was defined in the European Regulation. He also found that the alcohol-consuming public in the UK had come to regard the term ‘vodka’ as denoting a particular class of alcoholic drink and used the term ‘vodka’ to distinguish it from other spirits. Vodka had acquired a reputation as a “drink with recognisable qualities of appearance, taste, strength and satisfaction” which gave rise to a protectable goodwill.

Arnold J also found that IB’s marketing of VODKAT amounted to a misrepresentation that it was vodka. The product was not prominently described on the front as a mixture of fermented alcohol and vodka and had been presented in a get up which was reminiscent of vodka. IB had not instructed supermarkets to display VODKAT away from the vodkas and the product was advertised in a way which failed to educate the public as to what it was. He had “no hesitation” in finding that the marketing of VODKAT in this way was calculated to deceive a substantial number of members of the public into believing that the product was vodka.

Diageo adduced evidence of actual confusion amongst the public. Journalists had described the VODKAT as vodka in reviews, supermarkets had sold it as vodka, consumers had called it vodka on various consumer blogs and pubs and bars had served it when asked for vodka. Arnold J was satisfied that a substantial number of people had been confused into thinking that VODKAT was vodka. This confusion had been caused by IB's failure to take care to neutralise the risk that people would be confused into believing that a drink named VODKAT in the get up in which it was sold was vodka.

Diageo had suffered damage in the form of lost sales. There was other damage too in that IB's marketing of VODKAT was likely to erode the distinctiveness of the term 'vodka'. It would cease to be a term reserved for 37.5% ABV spirits and would come to be seen as a term applicable to lower strength products.

Arnold J concluded that IB had passed off VODKAT as vodka and stated that in his opinion this was "not a marginal case".

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