FIRST DIVISION, INNER HOUSE, COURT OF SESSION

[2022] CSIH 28
A351/19

Lord President
Lord Woolman
Lord Pentland

OPINION OF THE COURT

delivered by LORD WOOLMAN

in the Intellectual Property cause

THE TOMATIN DISTILLERY COMPANY LIMITED

Pursuer and Reclaimer

against

THE TOMATIN TRADING COMPANY LIMITED

Defender and Respondent

Pursuer and Reclaimer: Lake QC, Mitchell (sol adv); Brodies LLP
Defender and Respondent: McBrearty QC, Tariq; MacRoberts LLP

14 June 2022

Introduction

[1] Tomatin lies between Aviemore and Inverness. Drivers reach the village by leaving the A9 and travelling along a B road. They first pass a site belonging to the defender ("TTC"). Next they pass the Tomatin distillery, which belongs to the pursuer. The two properties are several hundred yards apart.

Issue

[2] TTC proposes to develop its site under the name "Tomatin Trading Company". The distillery objects to that use. It claims trade mark infringement and passing off. It brought the present action to vindicate its rights.

Decision at first instance

[3] After a proof the intellectual property judge declined to grant interdict. She held that the distillery had failed to establish either branch of its case. She also declared that two of the distillery's trade marks were invalid. She indicated that, had it been necessary for her to do so, she would have upheld TTC's "honest dealing" defence. Finally, she stated that even if the distillery had established its case, she would have exercised her discretion to refuse to grant interdict on the ground that it was against the interests of justice.

Background

UK trade mark protection – the distillery's trade marks and TTC's sign

[4] In 1963 the distillery registered a word trade mark for "TOMATIN" in relation to Scotch whisky. In 2018, it applied for two further "TOMATIN" trade marks in relation to classes 33, 35, 41 and 43, which relate to alcoholic beverages, retail, education and bar and leisure services: (a) a figurative mark with heraldic features, and (b) a word mark. The applications were successful.

[5] In January 2019 TTC sought to register its own mark, a complex sign consisting of the words "TOMATIN TRADING COMPANY", together with figurative elements. The

application covered classes 16, 21, 25, 29, 30, 32, 33, 35, 41, 43 and 45. At the request of the distillery, TTC removed class 33 (Scotch whisky) from its application.

[6] The distillery's figurative mark and TTC's sign are as follows:

2018 Figurative Mark (per UK00003314854)	Figurative Sign (per UK00003367610)
ESTD 1897 TOMATIN	TOMATIN TRADING COMPANY

The village

[7] As well as housing, Tomatin has the Strathdearn Centre, which houses a sports complex, a shop and a café. The village used to have a post office and church. Over the years various local businesses have used it as part of their trading name. Examples include the Tomatin Country Inn and Tomatin Firewood. The name has also been used by the railway station, the golf club, the primary school, and the football club.

The Distillery

[8] The distillery began operating in 1897. It gradually increased production until after the Second World War it had the largest production capacity in Scotland. Throughout its history it has exported much of its product, which is mainly used in blended whiskies. Some of its own products fall into that category, including *The Antiquary*, the *Big T* and *Talisman*.

[9] The distillery also produces *Tomatin* single malt whisky. Originally it only sold in small quantities. Since 2012 sales have significantly increased. That mirrors the market.

The rise in single malt sales is a recent phenomenon. In 1981 they accounted for under one per cent of whisky production. Today they make up about ten per cent.

[10] Mr Iain Russell gave expert evidence on behalf of TTC. The intellectual property judge accepted his evidence in its entirety. He aptly described *Tomatin* single malt as "a niche brand within a niche market". Both he and the expert led on behalf of the distillery, Mr Charles Maclean, agreed that it is best known to single malt aficionados and explorers.

[11] A number of factors support those comments. First, *Tomatin* has restricted availability. It cannot be purchased in UK supermarkets. Most sales are made at the distillery itself, as well as specialist and online retailers. Second, it occupies a low position in the sales rankings. Evidence was led about various figures covering the years 2018 and 2019. The precise details are of no moment. It is the overall picture that matters.

[12] Within the UK, the sales figures of the leading malt whisky brands were as follows: *Glenfiddich* (95,000 cases) and *Laphroaig* (75,000 cases). By contrast, *Tomatin* ranked 39th (3,000 cases). Sales of blended Scotch whisky were much higher: *Famous Grouse* (1.62 million cases).

[13] As to the worldwide position, *Tomatin* was the 25th best-selling single malt (67,800 cases). The market leader was *Glenfiddich* (1.4 million cases). Again sales of blended Scotch were much higher. *Johnnie Walker* sold 19 million cases. Irish, American, Canadian and Japanese whiskies also outsold *Tomatin* by a clear margin.

[14] Third, as to reputation *Tomatin* is highly regarded. It won eleven awards at the 2019 San Francisco World Spirits Competition. But it has limited brand awareness. Both experts stated that it is not well-known among the UK whisky-drinking public. That is attributable in part to the distillery's very low spend on advertising and promotional campaigns.

Visitor Centre

[15] The distillery opened a visitor centre about 30 years ago. As well as being able to buy whisky, visitors can view a short instructional video about distilling and take a tour. Despite not having a café or restaurant, the centre generates about half of UK sales. That in turn represents about 10 per cent of total turnover. In 2018 the revenue from the centre exceeded £1 million for the first time. Most came from *Tomatin* sales. At one stage there were plans to expand the centre, but by 2018 these had been shelved in favour of releasing more office space.

Tomatin Trading Company

[16] TTC was incorporated in 2010. William Frame is its sole director and driving force. He instigated several planning applications to develop the site. He used other companies to do so. They were unsuccessful. Some designs borrowed typical distillery features, such as a pagoda-style chimney. These had been discarded by the time that TTC made its successful application in 2018. It aims to include the following businesses:

> Holiday Inn Express – Inverness South, Tomatin
> Findhorn River Café
> Total fuel filling station
> Four retail outlets (including a "Highland Larder" style food shop)

Planning permission was granted in late 2018.

Change of name

[17] Mr Frame originally labelled the development as "Juniper Village", because in Gaelic "Tomatin" means "hill of the juniper". In February 2018 he had a meeting with the distillery's then managing director, Mr Robert Anderson, and his soon to be successor,

Mr Stephen Bremner. The three men differ over whether Mr Frame mentioned changing the name of the development. It is unnecessary to resolve that conflict. Toward the end of the following month, there was a flare of publicity about the development. Articles appeared in *The Scotsman*, *The Times*, *Scottish Business News Network, Aberdeen Press and Journal,* and *The National*. The reports stated that TTC intended to construct a 100 bedroom hotel, a farm shop, a restaurant, a bakery, four retail units and a filling station.

United Kingdom Intellectual Property Office

[18] There are two sets of proceedings before the UKIPO. TTC challenges the validity of the 2018 marks. The distillery opposes TTC's trademark application. Neither action is currently "live". At the request of the distillery, the UKIPO has (a) remitted the invalidity challenge to this court, and (b) suspended TTC's application.

[19] There is a clear bridge between the proceedings before the UKIPO and those before this court. A decision by one may have a significant effect on the other. If, for example, the UKIPO upheld the validity of the 2018 marks, that would assist the distillery. Equally, if this court granted interdict, that will have an adverse bearing on TTC's 2019 application.

The present litigation

Pleadings

[20] The distillery pled that the use of "Tomatin" and "Tomatin Trading Company" amounted to trade mark infringement under sections 10(2) and 10(3) of the Trade Marks Act 1994, as well as passing off. TTC deployed five main lines of defence. First, the action was premature, because infringement could only be determined when the development is built (and perhaps also operational). Second, there was no risk of confusion because franchisees

would conduct their own business under their own names at the development. Third, the goods and services on offer would differ from those of the distillery. Fourth, TTC was entitled to rely on the "honest practices" defence set out in section 11(2) of the 1994 Act. Fifth, the 2018 marks were invalid because they had been registered in bad faith.

First instance decision

[21] As well as finding in favour of TTC on all the key issues, the intellectual property judge also made credibility and reliability findings. She found that Mr Bremner was prone to overstate matters and was evasive about the distillery's proposals for the visitor centre. She found Mr Frame was not always able to provide credible answers.

Scope of the appeal

What is not in dispute

[22] The distillery does not quarrel with all aspects of the first instance decision. It does not challenge the primary findings of fact, nor the assessment of credibility and reliability. With regard to the law, it does not appeal against the findings in respect of (a) section 10(3) infringement, (b) passing off, and (c) invalidity of the 2018 word mark - although it does not concede that it was registered in bad faith.

[23] The distillery's argument is narrowly focused. It argues that the inferences to be drawn from the primary facts are amenable to review: *Woodhouse* v *Lochs & Glens (Transport) Ltd* 2020 SLT 1203, para [33]. There are four questions for determination. Is the 2018 figurative mark invalid by reason of bad faith? Does TTC's sign infringe the mark? If so, does its use accord with honest dealing? Does the court have a discretion to refuse interdict if infringement is established?

General observations

[24] Five points deserve notice at this stage. First, TTC acknowledges that the distillery has the exclusive right to sell Scotch whisky under the name "Tomatin". TTC does not challenge the reach or validity of the 1963 mark.

[25] Second, the distillery's challenge concerns the overlap between TTC's sign and the 2018 figurative mark in respect of retail, education and bar and leisure services, which are respectively classes 35, 41 and 43, as well as the overlap between the sign and the 1963 trade mark.

[26] Third, the distillery accepts the finding that the 2018 word mark was invalid on the "geographical origin" provision: section 3(1)(c). But it does not concede that it was registered in bad faith.

[27] Fourth, there is no challenge to the intellectual property judge's finding that TTC will always use its full name and not contract it to "Tomatin".

[28] Fifth, much litigation is characterised by uncertainty. But this case involves a higher degree than most. The development is unbuilt. It is unknown whether and which franchises TTC will attract. It is unknown what goods and services they will offer, and under what name. Covid has further complicated the picture.

Bad faith

[29] It is logical to begin with the counterclaim, because if the 2018 figurative mark is invalid, the distillery's case largely falls away. By virtue of section 3(6): "A trade mark shall not be registered if … [it] is made in bad faith."

[30] The intellectual property judge concluded that there was "cogent and compelling" evidence of bad faith. She held that the distillery did not act with a *bona fide* intention to use the 2018 marks. Instead, it had pursued:

> "a deliberate strategy of seeking very broad protection of the trademarks regardless of whether it was commercially justified; and that its motive in doing so was to use the 2018 Marks as a weapon to thwart [TTC]"

The factors which seem to have weighed with her most in reaching her decision were that the distillery had: (a) sought trade mark protection in respect of the very services announced by TTC to the media in March 2018; and (b) made its application shortly afterwards with no credible explanation for the timing, given that it only made limited use of the name "Tomatin" for non-whisky goods and services in the past and had no real plans to change in the future.

[31] We disagree. The onus was on TTC to establish bad faith. That is a high test. It was not met here. To seek and obtain trademark protection was to be expected. Intellectual property is the distillery's prime asset. It could be viewed as acting in accordance with commercial prudence. Its shareholders might have levelled legitimate criticism at its directors if they had not instructed a filing. In any event, the distillery did make use of the trade mark in relation to the non-whisky goods and services of the type against which it was registered, even if that use was limited. It did not amount to bad faith.

Infringement

[32] Section 10(2) provides:

> "A person infringes a registered trade mark if he uses in the course of trade a sign where because—
>
> (a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or

> (b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark."

We agree with the intellectual property judge that the sign and the marks are not identical. The design differences (visual, phonetic and conceptual) are patent. So the case centres on similarity and the likelihood of confusion.

[33] The matter is viewed through the eyes of the average consumer of the goods or services in question. Such persons are deemed to have a wide variety of attributes. They include (i) to be reasonably well informed, (ii) to perceive a mark as a whole, and (iii) to proceed on the basis of overall impression.

[34] The intellectual property judge concluded that the average consumer of the distillery's goods and services was a whisky aficionado or explorer. Such a person is discerning about single malts and was unlikely to be confused. We agree. The intellectual property judge did not err in considering the average consumer of the distillery's goods and services, as opposed to the average consumer of TTC's goods and services. We were presented with no authority which suggests that she did so err. The test is merely the average consumer of the goods and services "in question": *Specsavers International Healthcare Ltd and others* v *Asda Stores Ltd* [2014] FSR 4 at 35. Here it is the consumer of single malt whisky and the distillery's other goods and services. In any event, even consumers who are less knowledgeable about single malts, such as those who may visit TTC's development, would readily distinguish between the parties' respective goods and services. They would understand "Tomatin" to be a geographical descriptor. The addition of "Trading Company" emphasises the bright line between the sign and the marks.

[35] We reiterate that this is an artificial discussion. It takes place under a cloud of uncertainty. At present TTC is only using the name for the development as a whole. That is common practice. An example is the Gyle shopping centre in Edinburgh. The important point is that TTC is not using its name in relation to goods or services. As yet it is unknown what will be offered, or by whom. No comparison exercise is therefore possible. It depends on speculation.

[36] In summary, we agree that the intellectual property judge was entitled to conclude that the distillery had not made out its infringement case.

The "honest practices" defence

[37] A registered trade mark is not infringed by the use of a sign which concerns geographical origin "provided the use is in accordance with honest practices in industrial or commercial matters": section 11(2). TTC would have been entitled to take advantage of this defence. Its sign indicated where the goods and services would be provided. That was not dishonest. It followed the pattern of other local businesses. Trade mark owners have a duty to act fairly: *Samuel Smith Old Brewery (Tadcaster)* v *Lee (t/a Cropton Brewery)* [2012] FSR 7. There is no warrant for the distillery to have a monopoly on the use of "Tomatin" for non-whisky classes.

[38] The court asked for submissions from parties regarding the implications of the decision of the Extra Division in *Discovery Communications Inc* v *Discovery FM Ltd* 2000 SC 69 on the availability of the honest practices defences in cases where the sign in question is used as a trade mark, as here. Counsel for TTC produced the European Court of Justice's decision in *Gerolsteiner Brunnen GmbH & Co* v *Putsch GmbH* (Case C–100/02) [2004] RPC 39,

which considered the applicability of the equivalent provision of an earlier version of the Trade Marks Directive , Article 6(1)(b) and reached the opposite conclusion to the Extra Division in *Discovery*. Where domestic legislation aligns with a European Directive, the ECJ has jurisdiction to make a preliminary ruling in a case which turns on the domestic legislation (*Kleinwort Benson Ltd* v *Glasgow City Council* (Case C-346/93) [1996] QB 57 at paras 21 and 22). This court accordingly is bound by what was said by the ECJ in *Gerolsteiner*, and remains so notwithstanding the Brexit (European Union (Withdrawal) Act 2018, ss 5(2) and 6(1) and (2)). Therefore, if the court had considered that TTC had infringed the distillery's trade marks under s.10(2), it would have declined to follow what was said in *Discovery*, and, following *Gerolsteiner*, would have held that TTC was entitled to avail itself of the honest practices defence under s.11(2).

Is there reasonable apprehension of infringement?

[39] The court approaches interdict by asking a straightforward question: *Hay's Trs* v *Young* (1877) 4 R 398. Is there a reasonable apprehension that a wrong will be committed? For the reasons we have given, the answer is "no". No infringement will occur.

[40] Counsel for the distillery invited the court to rule on whether the intellectual property judge would have been justified in refusing to grant interdict if the distillery had established its case. We decline that invitation. Such an exercise is entirely academic.

Conclusion

[41] We refuse the reclaiming motion. As we vary the bad faith finding, however, we shall recall the interlocutor of 8 October 2021 to a limited extent in respect of section 3(6). In

the counterclaim we shall repel TTC's 3rd and 4th pleas-in-law and sustain the distillery's 3rd and 4th pleas along with the necessary changes to paragraph 2 of the interlocutor. We shall also recall the interlocutor to the extent of deleting the reference to section 3(6) in paragraph 3 and by deleting paragraph 4.