



Neutral Citation Number: [2023] EWHC 1517 (Ch)

Case No: Claim No. IL-2020-000127

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

Rolls Building
Fetter Lane
London, EC4A 1NL

21/06/2023

Before :

MRS JUSTICE JOANNA SMITH DBE

Between :

(1) LIDL GREAT BRITAIN LIMITED
(2) LIDL STIFTUNG & CO KG

Claimants

- and -

(1) TESCO STORES LIMITED
(2) TESCO PLC

Defendants

Claim No. IL-2021-000041

IN THE HIGH COURT OF JUSTICE
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INTELLECTUAL PROPERTY LIST (CHD)

Between:

(1) TESCO STORES LIMITED
(2) TESCO PLC

Claimants

-and-

(1) LIDL GREAT BRITAIN LIMITED
(2) LIDL STIFTUNG & CO KG

Defendants

Mr Benet Brandreth KC and Mr Tristan Sherliker (instructed by **Bird & Bird LLP**) for the
Claimants/Defendants

Mr Hugo Cuddigan KC and Mr Daniel Selmi (instructed by **Haseltine Lake Kempner**) for
the **Defendants/Claimants**

Hearing date: 22 May 2023

APPROVED JUDGMENT

This judgment was handed down remotely at 10.30am on Wednesday 21 June 2023 by circulation to the parties or their representatives by email and release to the National Archives.

Mrs Justice Joanna Smith:

INTRODUCTION

1. Further to my judgment following the trial in this matter (“**the Main Judgment**”), handed down on 19 April 2023 (neutral citation number [2023] EWHC 873 (Ch)), I must now deal with arguments made by the parties at the consequential hearing. The order made at that hearing reflects agreement between the parties that Lidl is entitled to final injunctive relief in respect of the trade mark infringement and passing off claims¹. However, the parties remain in dispute over (i) whether a final injunction against copyright infringement is justified on the facts of this case; and (ii) what the time period for compliance with each injunction should be following final determination of the action, including any application for permission to appeal or any appeal. These issues were argued at the consequential hearing but, in circumstances where new authorities were referred to at the hearing and time was short, I reserved my judgment.
2. In this judgment I shall use the definitions adopted in the Main Judgment. I shall assume that anyone reading this judgment will also have read the Main Judgment and that there is no need for me to go into any further background detail.

A FINAL INJUNCTION FOR COPYRIGHT INFRINGEMENT

3. The parties are in agreement over the applicable law, but profoundly disagree as to its application to the circumstances of this case.

The Law

4. I can summarise the law to which my attention was drawn as follows:
 - i) Section 37(1) of the Senior Courts Act 1981 provides the power to grant a final injunction. Since Lord Cairns’ Act (the Chancery Amendment Act 1858 (21 & 22 Vict c 27)), the court has had power to award damages instead of an injunction. That power is now set out in section 50 of the Senior Courts Act 1981.
 - ii) The discretion to award damages in lieu of an injunction is a wide one to be exercised having regard to the particular facts of any individual case (see *Coventry v Lawrence* [2014] UKSC 13, per Lord Neuberger at [120]).

¹ For the purposes of this judgment, I must ignore the fact that an entitlement to injunctive relief has already been agreed in relation to trade mark infringement and passing off – I am effectively concerned with the potential for there to be a successful appeal in respect of those issues such that, absent an injunction in respect of the copyright infringement, Tesco could continue to use the CCP Signs.

- iii) Although the discretion is not fettered, the *prima facie* position is that an injunction should be granted. The legal burden is on the defendant to show why it should not (*Coventry* at [121]).
- iv) In *Shelfer v City of London Electric Lighting Company* [1895] 1 Ch 287 at 322-323, A.L. Smith LJ identified four factors as tending to indicate by way of a “good working rule” (when taken together) that damages in substitution for an injunction may be appropriate. These were:

“(1) If the injury to the plaintiff’s legal rights is small,
(2) And is one which is capable of being estimated in money,
(3) And is one which can be adequately compensated by a small money payment,
(4) And the case is one in which it would be oppressive to the defendant to grant an injunction...”.

A.L. Smith LJ went on to make it clear that what constituted a “small money payment” was a relative matter.

- v) The four factors identified in *Shelfer* ought not to be mechanically applied and must not fetter the exercise of the court’s discretion – they do not operate as a statute or a straightjacket (see *HTC Corporation v Nokia Corporation* [2013] EWHC 3778 (Pat) at [8]). In *Coventry*, Lord Sumption and Lord Clarke regarded the decision in *Shelfer* as out of date (albeit that they were not prepared to lay down principles to be followed in the future) and Lord Carnwath (at [239]) described the decision in *Coventry* as an opportunity to move away from the strict criteria derived from *Shelfer*, particularly in cases where an injunction would have serious consequences for third parties. Lord Neuberger (who gave the leading judgment) observed that “in the absence of additional relevant circumstances pointing the other way, [it would] normally be right to refuse an injunction if those four tests were satisfied” but “the fact that those tests are not all satisfied does not mean that an injunction should be granted” (see *Coventry* at [123]).
- vi) It is clear from *Shelfer* at page 323, that A.L. Smith LJ was of the view that even if his four tests were satisfied, “[a]dditional relevant circumstances pointing the other way” (to use Lord Neuberger’s language) might include the conduct of a defendant, including actions in reckless disregard of a claimant’s rights:

“[t]here may be cases in which, though the four above-mentioned requirements exist, the defendant by his conduct, as for instance, hurrying up his buildings so as if possible to avoid an injunction, or otherwise acting with reckless disregard to the plaintiff’s rights, has disintitiled himself from asking that damages may be assessed in substitution for an injunction.”

At [121] in *Coventry*, Lord Neuberger cautiously approved the observations of Lord Macnaghten in *Colls* [1904] AC 179 at 193 to the effect that in cases where “a defendant has acted in a high handed manner” or where “he has endeavoured to steal a march upon the plaintiff or to evade the

jurisdiction of the court”, then an injunction may be necessary in order to do justice to the claimant and as a warning to others.

- vii) In cases concerning infringements of intellectual property rights, Article 3(2) of the Enforcement Directive (Directive 2004/48/EC) focuses on similar considerations to those raised by the *Shelfer* tests, but uses different language. In *Nokia*, Arnold J (as he then was) observed at [26] that

“in cases concerning infringements of intellectual property rights, the criteria to be applied when deciding whether or not to grant an injunction are those laid down by Article 3(2): efficacy, proportionality, dissuasiveness, the avoidance of creating barriers to legitimate trade and the provision of safeguards against abuse”

(see also the discussion of CJEU case law at [22] in *Nokia* and in *Sky v Skykick* [2020] EWHC 1735 (Ch) at [27]-[32] per Arnold LJ).

- viii) Article 3(2) of the Enforcement Directive permits and requires the court to refuse to grant an injunction “where it would be disproportionate to grant one even having regard to the requirements of efficacy and dissuasiveness” (see *Nokia* at [32] and *Evalve Inc v Edwards Lifesciences Ltd (No.2)* [2020] RPC 13 per Birss J (as he then was) at [56]-[57]).

5. In light of the factors that will be relevant to the exercise of the court’s discretion to grant damages in substitution for an injunction, it is important to be clear as to the approach the court will take to the availability of damages (or profits) in relation to a proven act of copyright infringement. The overriding principle is that damages are compensatory, but (as is clear from *USP Plc v London General Holdings Ltd* [2006] FSR 6 per Laws LJ at [29]) the basis upon which damages for infringement of copyright are awarded is necessarily to be determined by reference to the nature of the wrongdoing which infringement of copyright represents. Thus a claimant whose rights have been infringed is entitled to recover the damage caused by the reproduction of the protected work, but not the damage caused by the use of any ideas contained in the work (because, as Laws LJ pointed out in *USP v London* with reference to Halsbury’s Laws, “[i]deas as such are not the subject matter of copyright, but only the form in which ideas are expressed”. No damage had been suffered by reason of the unauthorised deployment of the actual text of the artistic work in that case).
6. In intellectual property cases the approach to the assessment of damages is well established. In *General Tire & Rubber Co v Firestone Tyre & Rubber Co* [1975] 1 WLR 819 Lord Wilberforce explained at 824-827 that there are three main types of cases:

“1. Many patents of inventions belong to manufacturers, who exploit the invention to make articles or products which they sell at a profit. The benefit of the invention in such cases is realised through the sale of the article or product. In these cases, if the invention is infringed, the effect of the infringement will be to divert sales from the owner of the patent to the infringer. The measure of damages will then

normally be the profit which would have been realised by the owner of the patent if the sales had been made by him...

2. Other patents of inventions are exploited through the granting of licences for royalty payments. In these cases, if an infringer uses the invention without a licence, the measure of the damages he must pay will be the sums which he would have paid by way of royalty if, instead of acting illegally, he had acted legally...

3. In some cases it is not possible to prove either (as in 1) that there is a normal rate of profit, or (as in 2) that there is a normal, or established, licence royalty. Yet clearly damages must be assessed. In such cases it is for the plaintiff to adduce evidence which will guide the court. This evidence may consist of the practice, as regards royalty, in the relevant trade or in analogous trades..."

7. The damages envisaged in the third category of case referred to by Lord Wilberforce are often described as "negotiating damages", or alternatively as an application of the "user principle" or the "royalty method". The primary basis for assessment involves consideration of the sum that would have been arrived at in negotiations between the parties "had each been making reasonable use of their respective bargaining positions, bearing in mind the information available to the parties and the commercial context at the time that notional negotiation should have taken place". The fact that one or both parties would not in practice have agreed to make a deal is irrelevant; the parties are taken to have been willing to make a deal even if one or both of them would not in reality have been prepared to do so and it is also assumed that they would have acted reasonably. The commercial context will include the price of alternative courses of action, in other words, the availability or otherwise of the subject matter of the notional negotiation from an alternative, lawful source. (See *Force India Formula One Team Ltd v Malaysia Racing Team SDN BHD & Ors* [2012] EWHC 616 (Ch) per Arnold J at [386] and [426] and *32Red Plc (A Gibraltar Company) v WHG International Limited (A Gibraltar Company)* [2013] EWHC 815 (Ch) per Newey J (as he then was) at [25], [29] and [41]. See also the *Force India* appeal [2013] EWCA Civ 780 per Lewison LJ at [107]).
8. The principles which apply to the assessment of damages in lieu of an injunction are essentially the same as those which are applicable to the assessment of damages for past acts of infringement where the claimant cannot, or does not, claim lost profits; they are to be assessed "once and for all" in respect of all future infringements. However, as Arnold J identified in *Nokia* at [13], there is a key difference:

"[d]amages for past acts of infringement will be assessed as the sum which would have been agreed between a willing licensor and a willing licensee in respect of the acts which have been actually committed by the defendant. Damages in lieu of an injunction will be assessed as the sum which would be agreed between a willing licensor and a willing licensee for any future acts of infringement which the defendant might commit".

9. It was Tesco’s case at the hearing that this will be a “category 3 case”, a proposition with which Lidl did not agree in circumstances where (i) there is evidence that Lidl has licenced its brands internally, valuing them at a percentage of its turnover² - this gives rise, it is said, to the potential for the court to assess damages by reference to this comparator; and (ii) Lidl intends to advance a case for additional damages on grounds of the flagrancy of the infringement at the quantum hearing. Furthermore, Lidl contends that the exercise of quantification in this case will be very far from straightforward in any event. Indeed, in the context of advancing submissions on *Island v Tring* disclosure at the consequential hearing, Tesco made a similar point. I shall return to the significance of this in due course.

The Arguments

10. Both parties formulate their submissions by reference to the four *Shelfer* tests which, as Mr Brandreth KC for Lidl submits, provide a structured way of approaching the question of proportionality. However, because of their radically different approaches to the quantification of damage, including the correct application of the user principle, the parties arrive at completely different answers to those tests and thus to the question of whether it would be proportionate to grant injunctive relief.
11. Focusing for the moment on the potential application of the user principle, the battle lines between the parties are primarily drawn over the questions of whether, in carrying out the assessment of the non-infringing alternative:
- i) the court can (and should) take account of the purpose for which Tesco wanted access to Lidl’s sign – including having regard to specific findings made in the Main Judgment; and
 - ii) there is any scope to have regard to available alternatives.
12. In addition, the parties fundamentally disagree over the question of oppression, albeit that they both appear to accept that the court’s determination on the issue of oppression/proportionality will be significantly influenced by its findings on the initial three *Shelfer* questions³.
13. In summary Lidl contends that in the notional negotiation of any reasonable royalty “the starting point is that Tesco are negotiating to copy, specifically, Lidl’s brand Crown Jewels ‘with a view to enhancing the value perception of Tesco’s own Clubcard Prices offering by adopting a get up⁴’. In other words, negotiating copying to obtain the (unfair) advantage”. Lidl points out that Tesco would be negotiating with Lidl as a competitor supermarket for a licence to copy the Lidl sign to the detriment of its brand value and the benefit of Tesco.

² Tesco did not appear to recognise the existence of this evidence in its submissions.

³ In an open letter dated 15 May 2023, Tesco proposed damages in lieu of an injunction for copyright infringement in the sum of £75,000, having regard to its case as to the existence of a non-infringing alternative. It made out the argument of disproportionality specifically by reference to this sum.

⁴ Main Judgment at [315].

Accordingly, Lidl submits that the damage to Lidl of the copying (both past and future) is significant because “it was the essential prerequisite of the damage to the brand” and was carried out on a huge scale. Lidl says that its signs were not fungible such that the notional negotiation would not be one of convenience of design effort; Tesco could not have achieved the same result elsewhere.

14. These submissions inform Lidl’s answers to the first three *Shelfer* tests: Lidl says that (i) the injury to its rights of ongoing infringement is substantial; (ii) that such injury is not easy to estimate in monetary terms owing to the inherent difficulty involved in assessing the full extent of the unfair advantage that will be achieved by Tesco; and (iii) it cannot be adequately compensated by a small money payment. As to the fourth *Shelfer* test, Lidl rejects any suggestion of oppression.
15. By contrast, Tesco submits that this case was, in substance, a trade mark dispute and that the copyright claim has very limited worth. To isolate the value of the copyright (and thus the likely level of ongoing damage) Tesco contends that the court must consider the position “where Lidl had no other rights in the Mark with Text: no reputation or goodwill...in particular it did not serve to indicate any association with Lidl in the minds of consumers”. Accordingly, Tesco says that in the notional negotiation, Lidl and Tesco would be competitors “in a market of strikingly low value”. Tesco points to the ready availability in the market at very low cost of similar images to the Mark with Text, submitting (i) that the commercial terms on which these images are made available for reproduction provide a yardstick which the court can use to estimate the financial value of the Mark with Text copyright work; and (ii) that they represent prima facie non-infringing alternative courses of action for the notional negotiator in Tesco’s position. Furthermore, Tesco relies on evidence to the effect that the identification of an alternative sign has cost in the region of £25,000.
16. Having regard to these submissions, Tesco answers the first three *Shelfer* tests in the affirmative: (i) the injury to Lidl’s rights of ongoing infringement is very small; (ii) such injury is readily capable of being assessed in monetary terms and (iii) it is readily capable of being compensated by a small payment. As for the fourth *Shelfer* test, Tesco relies upon evidence from Mr Hetherington, Head of Legal at Tesco, to the effect that the cost to Tesco of eradicating its CCP Signs from its stores, signs and products would exceed £7 million.

Decision

17. I start from the *prima facie* position that I have found copyright infringement and that an injunction should therefore be granted. Notwithstanding his skilful arguments, Mr Cuddigan KC for Tesco has not convinced me that this is nevertheless a case in which I should exercise my discretion to award damages in substitution for an injunction. In arriving at my conclusion, I have had regard to all of the submissions made by counsel, to the authorities to which I was referred and to the evidence filed by both parties. I set out my detailed reasoning below.
18. As Mr Brandreth points out, copyright is a monopoly right in the sense that parliament has already decided that the proprietor alone should be permitted to use the work, save in very specific circumstances which do not apply here. Tesco asks me to permit a continued violation of that right, or put another way,

effectively to grant a compulsory licence to use the sign. In my judgment, the burden on the party seeking to show that the injunction would be disproportionate in such a case must be a heavy one. I consider that is particularly so if there is uncertainty over the true value of the claimant's future loss in the event that the court were to authorise the continuance of an (otherwise) unlawful state of affairs.

19. I shall now consider each of the *Shelfer* tests in turn, as the parties invited me to do.

Is the injury to Lidl's legal rights small?

20. It is in the context of this question that the first issue between the parties as to the approach of the court in considering the notional negotiating position of the parties becomes relevant. To consider this question I need first to look in a little more detail at the relevant authorities.
21. Having set out the three categories of case to which I have already referred, Lord Wilberforce in *General Tire* went on to consider the specific facts of the case before him. At page 833, he expressly rejected the proposition that the user principle required the assumption of hypothetical negotiations between parties bargaining on equal terms, saying that it was unsupportable in law or in fact:

“In law it rests upon the hypothesis that what has to be considered in measuring the loss a patentee sustains through infringement is some bargain struck between some abstract licensor and some abstract licensee uncontaminated by the qualities of the actual actors. But this is not so. The ‘willing licensor’ and ‘willing licensee’ to which reference is often made...is always the actual licensor and the actual licensee who, one assumes, are each willing to negotiate with the other – they bargain as they are, **with their strengths and weaknesses, in the market as it exists**. It is one thing (and legitimate) to say of a particular bargain that it was not comparable or made in comparable circumstances with the bargain which the court is endeavouring to assume, so as, for example, to reject as comparable a bargain made in settlement of litigation. **It is quite another thing to reject matters (other than any doubt over the validity of the patent itself) of which either side, or both sides, would necessarily and relevantly take account when seeking agreement**” (emphasis added).

22. The question of the significance of the parties' characteristics and circumstances in the context of the assessment of user principle damages was considered by Newey J in *32Red*. At [30] and [31] he noted that neither a defendant's financial circumstances, nor the particular character traits of the parties, is material, explaining at [32] that this is because such matters:

“are evidently not considered to provide any guidance as to what a right is worth. In contrast, the Courts do, as it seems to me, have regard to the circumstances in which the individual parties were placed at the time of the hypothetical negotiation. It is implicit in the passage from Vos J's judgment in the *Stadium Capital Holdings* case

that he considered that “the objective factors with which [the parties] were faced” are relevant. Earlier cases point in the same direction. For example, in *Wrotham Park Estate Co Ltd v Parkside Homes Ltd* [1974] 1 WLR 798, where houses had been built in breach of a restrictive covenant, damages were calculated, not in the abstract, but by reference to the profit that the defendant would have expected to make from its development. In *Sinclair v Gavaghan* [2007] EWHC 2256 (Ch), where the defendants had trespassed on a piece of land referred to as “the Red Triangle” when gaining access to a plot beyond (“the Yellow Land”) which they were developing, Patten J similarly took account of circumstances particular to the defendants: he had regard both (a) to the significance of the trespass in the context of the defendants’ development of the Yellow Land and (b) to the fact that they owned neighbouring land (“No. 21”). In *Field Common Ltd v Elmbridge BC* [2009] 1 P&CR 1, Warren J said (in paragraph 78) that the hypothetical negotiation is “designed to establish the value of the wrongful use to the defendant and not some objective figure as between hypothetical persons negotiating for a hypothetical licence” and that the negotiation “would be one between the actual parties, albeit that they are to be treated as parties willing to deal with each other with a view to reaching a reasonable result”.

23. Against this background, I reject Mr Cuddigan’s submissions that (on a proper application of the user principle) the court must inevitably strip out any notion of reputation attaching to the sign and effectively treat the notional negotiations as if Tesco were seeking to purchase a licence to use an artistic work of little or no intrinsic value. In my judgment that would require the court to ignore the commercial realities and the “objective factors” with which the parties would be faced at the time of the notional negotiation. In particular, it would also require the court to ignore the value of the wrongful use of the copyright work to Tesco.
24. It seems to me that in the notional negotiation, Tesco would be seeking a licence to use Lidl’s copyright work, which the parties to the negotiation would have known was considered to be of significant value to Lidl owing to the value messaging it conveyed to consumers. The only conceivable purpose for seeking such a licence would have been, as I found at [313] of the Main Judgment “the strong desire on the part of Tesco...to stop the switching away of financially squeezed customers looking for EDLPs and to convey the message of ‘value’, a message which Lidl’s Logo already conveyed so effectively”. It is difficult to see that the price of the licence (given to a competitor supermarket) would not have reflected this. Whilst it is to be assumed that in the hypothetical negotiation Lidl would be prepared to grant such a licence, to ignore the purpose for which Tesco intended to use it, the value of that use to Tesco, together with the unfair advantage which Lidl would perceive Tesco to achieve through its use would, to my mind, divorce the notional negotiation from its commercial context and, indeed, from all reality⁵.

⁵ See McGregor on Damages (21st Edition) at 14-043: “An essential matter for the assessment of the hypothetical negotiation is the terms of the hypothetical licence that are to be agreed. The

25. In his oral submissions, Mr Cuddigan referred to *Paterson Zochonis Limited v Merfarken Packaging Limited* [1983] FSR 273, a case in which the defendants innocently infringed the claimant's copyright by printing cartons and leaflets for competitors of the claimant. These competitors then used the infringing cartons and leaflets to pass off their goods as those of the claimants. The Court of Appeal refused to permit the recovery of loss suffered by the claimant because of the passing off committed by the competitor, a third party, holding that, as Fox LJ put it at page 187, the loss suffered by reason of the passing off "is something quite different from the loss which they suffered by the diminution in value of the copyright consequent upon infringement". Mr Cuddigan pointed out that at page 294, Robert Goff LJ endorsed Lord Wright MR's description in *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] Ch 323 (at page 336) of the measure of damages arising under section 6 of the Copyright Act 1911 as "the depreciation caused by the infringement to the value of the copyright as a chose in action", a description which he observed was consistent with the wrong being "the infringement of a proprietary right".
26. Mr Cuddigan submits that *Paterson Zochonis* supports the proposition that in a case of copyright infringement the court is concerned only with damage to the proprietary right. As he put it, "you are just looking at the damage to that right, nothing else".
27. Following the hearing, Tesco provided me with copies of additional authorities on this issue (referred to in passing at the hearing and in respect of which they made no further substantive submissions after the hearing) as follows:
- i) *Eaton Mansions (Westminster) Ltd v Stinger Compania De Inversion SA* [2014] H.L.R 4, a case in which the Court of Appeal considered the damages to be awarded for trespass to land specifically in the context of hypothetical negotiations for a licence fee (per Patten LJ at [21]): "[t]he valuation construct is that the parties must be treated as having negotiated for a licence which covered the acts of trespass that actually occurred. The defendant is not required to pay damages for anything else".
 - ii) *Jodie Aysha Henderson v All Around the World Recordings Limited* [2014] EWHC 3087 (IPEC), a decision of HHJ Hacon in an inquiry as to damages in which he considered the law in relation to negotiating damages with reference to both *Force India* and *32Red* at [18]-[19], including observing that the hypothetical licence relates solely to the right infringed.
 - iii) *Anan Kasei Co Limited v Neo Chemicals & Oxides (Europe) Limited* [2023] EWCA Civ 11, a case in which the Court of Appeal considered (amongst other things) whether, notwithstanding that patents are territorial and have no extraterritorial effect, losses suffered outside the territory (which are

licence should be tailored precisely to licence only the circumstances of the wrongful aspect of the defendant's conduct. If it is expressed too broadly then the defendant will be ordered to compensate for activity that was lawful. If it is expressed too narrowly then the defendant will not be required to compensate for the circumstances of the unlawful activity".

factually and legally caused by infringing acts within the territory) are recoverable. Counsel for Neo argued that such losses were not recoverable relying on *Paterson Zochonis* and *USP v London* (including in particular at [29], the paragraph to which I have already referred above).

28. To my mind, neither *Eaton Mansions* nor *Jodie Aysha Henderson* takes matters much further. Importantly however, in my judgment, the Court of Appeal in *Anan Kasei* upheld the decision of the Judge at first instance that losses suffered outside the territory were recoverable. In so doing, Arnold LJ rejected Neo's submission that *Paterson Zochonis* and *USP v London* "showed that damages were only recoverable if they fell within the scope of the duty not to infringe copyright", observing that the decisions in those cases were:

"better understood as being based on an absence of legal causation. In each case the making of the infringing copies by the defendants was the factual cause of the losses claimed, since the losses would not have been suffered but for the infringements, but it was not a proximate cause of these losses. In *Paterson Zochonis* the proximate cause was the entirely distinct tort of passing off committed by the claimants' competitors. In *USP v London* the proximate cause was a competitive bid by the defendants using ideas in which the claimants had no proprietary rights".

29. In light of this passage (on which neither party made any submissions), I am not persuaded that either *Paterson Zochonis* or *USP v London* requires me to arrive at the conclusion that the only recoverable loss available to Lidl for infringement of copyright in this case is the value of a licence based on the (to my mind, wholly unrealistic) assumption that Lidl and Tesco would be negotiating in a market of (as Tesco puts it) "strikingly low value". In my judgment, the nature of the market in which Tesco and Lidl are operating, the use to which Tesco wished to put the CCP Signs throughout its stores and in its advertising and the findings in the Main Judgment as to Tesco's purpose in infringing Lidl's copyright cannot be ignored in the context of considering the circumstances of the hypothetical negotiation.
30. Although neither party cited any authority to me which expressly considered the approach to the assessment of damages in cases where a logo that is the subject of a registered trade mark is also a copyright work, it seems to me that, on the facts of this case, the factors to which I have referred in the previous paragraph are inextricably linked with the act of copying and thus, as a matter of causation, must be brought into account in assessing the value of Tesco's wrongful use of Lidl's copyright work. In my judgment, this is not a case in which the proximate cause of the loss suffered by Lidl was an entirely separate and distinct tort or some intervening act of a third party and I reject Tesco's submission that by stripping away the trade mark infringement and passing off claims one is left with a copyright infringement claim with little or no inherent value.
31. In its skeleton argument, Tesco provided examples of images resembling the CCP Signs which are available for commercial use at little or no charge. Tesco submitted that these images are of a similar level of artistic complexity to the CCP Signs and that accordingly they are examples of the price of comparable licenses which provide "a yardstick" which the court can use to estimate the financial

value of the Mark with Text copyright work. Further, Tesco pointed to the evidence of Mr Hetherington to the effect that a “rudimentary design” of this sort could be conceived by a commercial design agency for in the region of £25,000.

32. However, once again, it seems to me that this analysis ignores the reality that the purpose of the copyright infringement, as found in the Main Judgment, was the desire to convey the message of value already conveyed by Lidl’s Logo. I have found that Tesco considered its choice of the CCP Sign to be “non-negotiable”, even in the face of internal warnings and worrying test results (see the Main Judgment at [135]-[137] and [188]). I agree with Lidl that, in light of these findings, the design was not fungible and the alternative images on which Tesco now relies cannot be treated as comparables. Equally, the price of £25,000 for a rudimentary design does not appear to me adequately to reflect the true level of Lidl’s likely loss or the commercial context I have described above.
33. In all the circumstances, I reject Tesco’s case that the injury to Lidl’s rights of the future continuing use of the CCP Signs is small. Whether this is a category 3 case, or a case that falls to be assessed having regard to Lidl’s valuation of its internal licenses (said to be at a percentage of its turnover)⁶, it seems to me that the injury caused to Lidl by continuing infringement of its rights is very likely to be substantial: I have no evidence to suggest anything other than that Tesco wishes to make continuing and indefinite use of Lidl’s copyright work throughout its extremely sizeable business⁷. Given the factors in play in assessing the level of the notional licence fee, it is difficult to see how that fee could be anything other than substantial.

Is the injury to Lidl’s rights capable of being estimated in money?

34. This issue can be dealt with in short order. In circumstances where I have rejected Tesco’s case that (i) negotiating damages would likely be assessed on the assumption that Lidl and Tesco were competitors in a market of strikingly low value; and (ii) the value of Lidl’s claim may be assessed having regard to “comparable” images and/or the figure of £25,000, it must follow that there is no obvious or easy means of assessing the monetary value of Lidl’s claim to future loss in the event of the court refusing to grant injunctive relief.
35. Lidl’s case, which I accept, is that in assessing damages for past infringement the court is going to be asked to make a rough estimate of how effective the unfair advantage obtained by Tesco has been in (i) preventing switching of consumers to Lidl; (ii) encouraging switching of consumers away from Lidl; and (iii) how long that benefit has or will last. The question of how long the benefit will last is obviously of the utmost relevance in the context of damages in lieu of an

⁶ At first blush this appears to me to be unlikely – it is difficult to see why an agreed internal price for use of an artistic work would be in any way comparable to the price that would be agreed with an independent third party competitor. However, I need make no decision on the point.

⁷ I note, however, that I do not consider it to be appropriate for these purposes to have regard to the potential for flagrancy damages in circumstances where I am not concerned with damages for past acts and it was not explained how flagrancy damages could apply to the assessment of damage in relation to future acts of infringement.

injunction where the court is concerned with compensating for future acts of infringement.

36. The assessment of damages for past infringement is plainly not an easy task and the result will inevitably be an imperfect estimate – it is very unlikely that it will ever be possible to determine with absolute certainty the true extent of the damage done to Lidl’s legal rights by Tesco’s infringing acts. At least in the context of its submissions on *Island v Tring* disclosure, Tesco acknowledges that the valuation of the benefit to Tesco of its various breaches is “profoundly challenging”. If anything, the assessment of future losses in the event of the infringement continuing indefinitely is even more difficult. Permitting the infringement to continue would be to countenance a situation in which consumers are capable of being misled by the similarity between the CCP Signs and the copyright work in the form of the Mark with Text (see the Main Judgment at [123]) – the benefit to Tesco of that situation (and thus the value of any notional licence for ongoing use of the copyright work) is extremely difficult to assess.

Can the injury to Lidl’s rights be adequately compensated by a small money payment?

37. In light of the analysis set out above, it is impossible to answer this question in the affirmative. Mr Cuddigan accepted during oral submissions that the first three *Shelfer* tests “stand or fall together”.
38. As Lidl correctly points out, Tesco has made millions of copies of the Lidl Logo and used these for display prominently at its stores across the country and online. Mr Hetherington’s evidence is that the “extremely widespread use” made by Tesco of the CCP Signs includes well in excess of 8 million individual physical uses across Tesco’s stores at any one time and that is before one considers Tesco’s OOH, online, TV and print advertising. Tesco wishes to continue these uses into the future without restraint. I have no evidence as to how long Tesco may wish to continue but, given the recognised success of its Clubcard Prices promotion, it could be for some very considerable time. In the valuable, and highly competitive, market in which Tesco and Lidl operate (see the Main Judgment at [51]-[59]) it is unrealistic to think that this could be adequately compensated with a small “one off” payment.

Would it be oppressive to Tesco to grant an injunction?

39. Although every case must turn on its own facts and a failure to meet the *Shelfer* tests does not necessarily mean that the court will grant an injunction, in my judgment, where the first three *Shelfer* questions are answered in the negative (and where the answers to those questions plainly inform the answer to the fourth question as to oppression), it will likely be an unusual case in which the court refuses to grant the injunction (to which the claimant is *prima facie* entitled) on grounds of oppression. The burden will rest heavy on the defendant to establish that the impact of an injunction would be oppressive. It seems to me that the position will be no different if couched in terms of proportionality. The court is not here concerned with a general balance of convenience test (see *Nokia* at [9]-[10]).

40. Tesco relies upon the evidence of Mr Hetherington as to the time it would take for Tesco to eradicate the CCP Signs from its stores, signs and products together with the costs involved in that exercise in support of its submissions on oppression. It submits that a balance must be struck between the value of the artistic work and its associated damages claim and the losses that Tesco would incur by reason of the grant of an injunction. Given my findings as to the answer to the first three *Shelfer* questions, however, this submission appears to me to be fatally undermined.
41. In summary, Mr Hetherington's evidence is that, with the exception of stickers on F&F clothing products which will take around 20 weeks to be replaced, all other existing uses of the CCP Sign can be removed and replaced within around 9 weeks of any court order requiring that this be done, at a cost of between £7.1-7.8 million (inclusive of write off costs of circa £1.5 million). Lidl points out that Mr Hetherington's evidence goes beyond the proposition that the CCP Signs must be removed at a cost to Tesco; instead it is focused on the time and cost involved in replacing the CCP Signs with a new sign, including the design work required, the timescale for procuring stocks of materials featuring the new sign and the timescale for replacing the existing sign in all of its varying iterations throughout Tesco's business. Whilst this is true, I am not in a position to determine what, if any, real difference this might make to the question of what it is likely to cost Tesco to comply with any final injunction. On the available evidence it seems to be common ground that, at least in relation to Shelf Edge Labels, it is necessary for Tesco to replace an existing label with a new label so as to ensure that its products are properly priced.
42. Assuming for present purposes that Mr Hetherington's evidence accurately reflects the likely timescales for, and costs to Tesco of, compliance with a final injunction (a point I shall return to in a moment but which seems to me to be a fair assumption in circumstances where I am concerned with the potential for oppression/disproportionality) and weighing it in the scales against the points I have already made in answering *Shelfer* tests 1-3, I cannot see that it shifts the dial in Tesco's favour. In my judgment it does not outweigh Lidl's *prima facie* right to an injunction. I bear in mind that, as Arnold J made clear in *Nokia*, Article 3(2) "does not merely require that remedies for infringement should be proportionate and avoid creating barriers to legitimate trade, it also requires that they should be effective and dissuasive". Where the court is concerned with a monopoly right, the grant of damages in lieu of an injunction is "inevitably less effective and dissuasive than the grant of an injunction". While the court may refuse to grant an injunction where it would be disproportionate to do so even having regard to the requirements of efficacy and dissuasiveness (see *Nokia* at [32]) that is not the position here. I am simply not in a position to determine that costs to Tesco of circa £7 million would be disproportionate to the level of Lidl's likely loss in the event of the infringing acts continuing indefinitely, or indeed that the need to engage in expenditure of circa £7 million would be oppressive.
43. Furthermore, I bear in mind that Lidl requested Tesco to cease using the CCP Signs in September 2020, a request which Tesco rejected, instead continuing to roll out use of the CCP Signs to all areas of its business. Early in the dispute, Lidl made a Part 36 Offer to Tesco providing it with the opportunity to change the

CCP Signs within 2 months of the date of acceptance of the offer without making any damages payments at all. Other, later, Part 36 Offers by Lidl provided for quantum to be assessed and included a grace period of 3 months in which Tesco would have had the chance to change its signage. Aside from the fact that these offers clearly indicate Lidl's anxiety to put a stop to the infringing activity⁸, I agree with Lidl that it is difficult to see that it would now be oppressive to grant injunctive relief in circumstances where Tesco refused to cease using the CCP Signs, ignored reasonable offers from Lidl and continued to roll out its CCP promotion using the disputed CCP Signs. It was aware of the risks attached to so doing and yet it chose to persist in the unlawful use.

Conclusion on the issue of a final injunction

44. Taking all the factors relied upon by the parties into account, and in particular those I have identified above, I am not persuaded that I should exercise my discretion in this case to award damages in lieu of an injunction. Lidl has a legitimate interest in seeking a final injunction to prevent use of its artistic work in the form of the Lidl Logo and it would be neither oppressive nor disproportionate to grant such an injunction. Although my discretion is not in any way fettered by the *Shelfer* tests, this is not a case in which the injury to Lidl is small, capable of being estimated in money and adequately compensated by a relatively small money payment. I agree with Lidl that the only certain way to put an end to the loss that Lidl is incurring by reason of the continuing use of the CCP Signs is to grant a final injunction.
45. In circumstances where I have decided against the award of damages in lieu of an injunction there is no need for me to consider further Lidl's separate submission that Tesco has disentitled itself by its conduct from seeking damages in lieu of an injunction (something that, as Tesco pointed out, the Enforcement Directive does not expressly provide for in any event).

TIME FOR COMPLIANCE WITH THE FINAL INJUNCTIONS

46. I can deal with this point relatively briefly. The parties have agreed to stay each injunction (in respect of trade mark infringement, passing off and copyright infringement) pending any application for permission to appeal or any appeal findings that justify that relief. At the consequential hearing I refused applications for permission to appeal, but these will no doubt be renewed to the Court of Appeal in due course.
47. The parties remain in dispute, however, over the time period that Tesco will require in order to comply with the final injunctions following determination of the action. Lidl suggests that 14 days will be sufficient, whereas Tesco relies upon Mr Hetherington's evidence in support of the proposition that it will need 9

⁸ Lidl was not solely interested in the receipt of money (see *Nokia* at [11]). In its offer of 1 December 2021, Lidl made the point that Tesco "must change the current Clubcard logo to one which does not call to mind the Lidl logo as the basis for settlement". I reject Tesco's submission that Lidl's offers are necessarily indicative of an appreciation of the lack of monetary value in Lidl's claims – indeed I note that the later offers (following receipt of evidence) expressly provide for quantum to be assessed.

weeks to rebrand all usages of the CCP Signs, save for F&F clothing products where 20 weeks is required.

48. I am inclined to accept Tesco's submissions on this for the following main reasons:

- i) Although I accept that damage will continue to accrue, there does not appear to me to be any significant degree of urgency and Lidl has never suggested that this is a case which justifies expedition. The CCP Signs complained of have been in use for over 2.5 years. By the date of any decision that may be made on an appeal, they will have been in use for well in excess of 3 years.
- ii) Tesco make extremely widespread use of the CCP Signs, as I have already said. However, Mr Hetherington describes the "most time consuming and critical task" as being the replacement of the Shelf Edge Labels. These are "business critical" because without them, Mr Hetherington says that Tesco cannot indicate to its customers which products are on the Clubcard Prices promotion. Tesco requires 7-9 weeks to replace the Shelf Edge Labels with a new signifier. All other signs, with the exception of the stickers for F&F clothing products, can be replaced within 9 weeks. As things presently stand, F&F clothing products will require 20 weeks, albeit that Mr Hetherington acknowledges that owing to an instruction that has already been given to suppliers to stop applying the current CCP Sign to future batches of the products, costs and timescales in relation to these products will reduce over time.
- iii) On behalf of Lidl, Ms Farrant has provided a statement questioning the veracity of Mr Hetherington's evidence and saying that she is "as certain as [she] can be" that Tesco does not require 9 weeks. However, with respect to Ms Farrant, I agree with Tesco that her statement, obviously designed to cast doubt over Mr Hetherington's evidence, contains little more than assertion and speculation as to Ms Farrant's beliefs, expectations and estimates as to Tesco's operations. In so far as Ms Farrant questions Mr Hetherington's evidence about in store signage and advertising and marketing materials, her evidence is of no real relevance to the issue of timing in circumstances where it is the Shelf Edge Labels which will cause the "bottleneck". I do not consider that it would be just to prefer Ms Farrant's evidence to that of Mr Hetherington, a senior individual within Tesco's legal team who has provided a careful and comprehensive statement from his own knowledge and following extensive internal investigations.
- iv) In its written submissions, Lidl spent some time seeking to undermine Mr Hetherington's statement by reference to other evidence available at the trial. However, I do not consider it necessary to engage with this exercise. None of the evidence at trial was directly concerned with how long it would take to remove and replace all of the CCP Signs throughout Tesco's business and I can see no proper basis on which to reject Mr Hetherington's statement.

- v) Finally I bear in mind that there could be very significant prejudice in imposing an unworkable deadline on Tesco, including the potential that Tesco will be placed in a position in the lead up to any appeal where it would be forced to execute a re-brand without any protection under a cross undertaking in order to avoid the possibility of finding itself subsequently in contempt of court. If the appeal were to succeed this would have been wholly unnecessary and would have given Lidl what Mr Cuddigan described as a “windfall”.
- vi) It is not in the interests of the overriding objective to make an order imposing a deadline for compliance with a final injunction in circumstances where, at the very least, there is doubt around Tesco’s ability to comply with such deadline. Any order made by the court must be one with which a defendant “can and reasonably ought to comply” (*South Buckinghamshire DC v Porter* [2003] UKHL 26 [2003] 2 AC 558, per Lord Bingham at [32]).

Conclusion on the time for compliance

- 49. In my judgment, it would be consistent with the overriding objective and the requirement of justice to permit Tesco a period of 9 weeks to comply with any final injunction once the proceedings have come to an end. That is the time period that will be included in the definition of the “Effective Date” in paragraph 21 of the draft Order. It may be that by the time the proceedings have come to an end, the need for what Tesco describes as a “carve out” of 20 weeks in respect of F&F clothing products will have gone. However, for present purposes I will permit Tesco’s wording in respect of that carve out.
- 50. I invite the parties to liaise over additional provisions to the current draft Order which require Tesco to keep Lidl informed at regular intervals as to whether the 20 week carve out remains necessary. In my judgment, the interests of justice require the carve out to fall away in the event that (and as soon as) it is no longer necessary. I would be grateful if the parties could come up with an appropriate form of wording to capture this result and thereafter submit an agreed form of Order to the court.