

BREAK FOR OR BLOW AGAINST THREE-DIMENSIONAL MARKS? FALLOUT FROM THE COURT OF JUSTICE'S JUDGMENT IN THE KIT KAT SHAPE MARK CASE

By Mark Schweizer

When a judge begins his opinion with the question “In what circumstances can a trader secure a perpetual monopoly in the shape of a product by registering it as a trademark?”¹ the trademark owner should know that he is facing an uphill battle. And indeed, two years after Justice Arnold of the England and Wales High Court posed this question, he finally dismissed Nestlé’s appeal against the U.K. Intellectual Property Office’s refusal to register the shape of its “Kit Kat” chocolate bar as a trademark.² On the way, he referred several questions on the interpretation of harmonized EU trademark law to the Court of Justice of the European Union (CJEU), which were answered—or not—in a September 2015 judgment.³ The fact that the CJEU’s decision was regarded as both a break for Nestlé⁴ and a blow against Nestlé⁵ should indicate that the law is more nuanced than a 140 character summary can convey. And indeed it is—while successfully protecting the shape of a product as a trademark in the European Union has not become easier, three-dimensional trademarks are certainly not “dead in the water.”⁶

Facts

Rowntree has been selling a four-finger chocolate bar in the same basic shape under the name “Kit Kat” in the United Kingdom since 1937. In 1988, Rowntree was acquired by Nestlé. The Kit Kat chocolate bar has always been sold in an opaque packaging.

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Importantly, each finger is embossed with the words “Kit Kat” together with segments of the oval that forms part of the logo.

Procedural History

In 2010, Nestlé applied to register the three-dimensional sign graphically represented in Figure 1 as a U.K. trademark for chocolate confectionery and related products. The sign to be registered differs from the actual product in that it omits the words “Kit Kat.” The U.K. Intellectual Property Office accepted the mark because, although the mark was devoid of inherent distinctive character, the applicant had shown that the mark had acquired a distinctive character as a result of its use prior to the application date.

Cadbury opposed the registration on various grounds, notably that the registration should be refused under Section 3(1)(b), 3(2)(a), and 3(2)(b) of the Trade Marks Act 1994, which implement Article 3(1)(b), 3(1)(e)(i) and (ii), and 3(3) of Directive 2008/95/EC to approximate the laws of the member states relating to trademarks (Trademark Directive) and

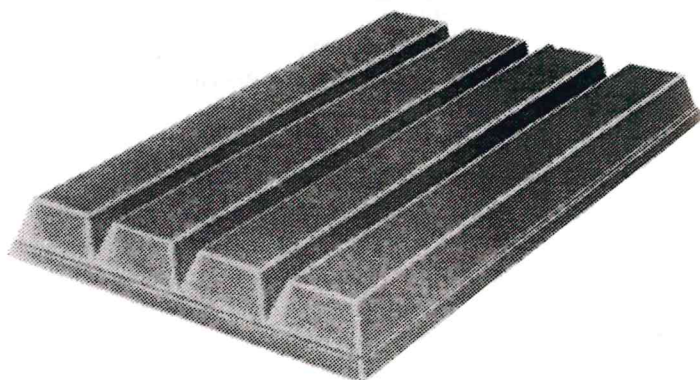


Figure 1 Shape for which Nestlé sought trademark protection.

correspond to Article 7(1)(b), 7(1)(e)(i) and (ii), and 7(3) of Regulation 207/2009/EC on the Community trademark.

Article 3: Grounds for refusal or invalidity

The following shall not be registered or, if registered, shall be liable to be declared invalid:

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- (b) trade marks which are devoid of any distinctive character;
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- (e) signs which consist exclusively of:
 - (i) the shape [or another characteristic]⁷ which results from the nature of the goods themselves;
 - (ii) the shape [or another characteristic] of goods which is necessary to obtain a technical result;
 - (iii) the shape [or another characteristic] which gives substantial value to the goods;
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A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character.

Nestlé adduced evidence to prove acquired distinctiveness of the Kit Kat shape. The most important piece of evidence was a street survey conducted in 18 locations around the United Kingdom in March and April 2012. Five hundred respondents making up a broadly representative sample of the public were shown a card with the representation of the trademark and asked the following questions:

1. "Please look at this picture. Please let me know when you are ready to continue. What, if anything, can you tell me about this?"
2. Those respondents who mentioned "sweet" or "chocolate" without mentioning a brand name were then asked: "And what else, if anything can you tell me about it?"
3. Those respondents who mentioned a brand name were asked: "You mentioned (brand name). Why was that?"
4. These respondents were then asked: "What else, if anything?"
5. Those respondents who had not mentioned shape up until this point were then asked: "What, if anything, can you tell me about the appearance of this?"
6. The last question was: "Finally, is there anything else that you would like to say about this?"

Ninety percent of the respondents mentioned Kit Kat in their answers, and only a few mentioned any other brand of

chocolate. The hearing officer concluded that the survey evidence showed that at least half the people surveyed thought that the picture shown to them depicted a Kit Kat product, and that they *associated* the shape with Kit Kat (Nestlé). However, according to the hearing officer, to show acquired distinctiveness, the applicant had to demonstrate that consumers *relied* on the shape mark in order to distinguish the trade source of the goods at issue. Nestlé had failed to do so, notably because the shape to be registered did not feature prominently in its promotions for the good and the good was sold in an opaque wrapper that obscured the shape.

With regard to the nature of the good/necessity to obtain a technical result, the hearing officer followed the approach of the CJEU established in *Philips v. Remington* and *Lego Juris A/S v. OHIM* which requires the identification of the essential features of the mark and the assessment whether they are attributable only to the technical result.⁸ The hearing officer identified three essential features of the mark (see tbl. 1). Two of these features were necessary to obtain a technical result, while one resulted from the nature of the goods themselves. Table 1

Formally, the hearing officer's ultimate conclusion was that registration of the trademark would be contrary to Article 3(1)(e)(ii) of the Trademark Directive, but his reasoning was that one of the three essential features he had identified was precluded from registration by Article 3(1)(e)(i) and the other two were precluded from registration by Article 3(1)(e)(ii).

Justice Arnold's First Decision

Nestlé appealed the decision to the England and Wales High Court.⁹ To resolve the case, Justice Arnold found it necessary to refer three questions to the CJEU.

Proof of Acquired Distinctiveness

With regard to acquired distinctiveness, he found that English courts had held that acquired distinctiveness cannot be established by showing that a significant proportion of the relevant class of persons *recognize* the mark and *associate* it with the applicant's goods, but rather it must be shown that a significant proportion of the relevant class of persons *rely* on the trade mark (as opposed to any other trademarks that may also be present) as indicating the origin of the goods.¹⁰ The issue was not clear, however, and previous referrals to the CJEU had not yielded an answer.

Technical Necessity of the Shape/Nature of the Good

With regard to the technical necessity of the shape/nature of the

Essential Feature	Ground for Refusal
Rectangular "slab" shape of the mark as it appears on the form of application including the relative proportions of length, width, and depth.	Results from the nature of molded chocolate bars (Article 3(1)(e)(i)).
Presence, position, and depth of the breaking grooves arranged along the length of the bar, which effectively divide the bar into detachable "fingers."	Feature that is necessary to achieve a technical result (Article 3(1)(e)(ii)).
Number of such grooves, which together with the width of the bar determine the number of "fingers."	Feature that is necessary to achieve a technical result (namely portion size) (Article 3(1)(e)(ii)).

Table 1

good, Nestlé argued that it was clear from the wording of Trademark Directive Article 3(1)(e)(ii), and confirmed by the CJEU's case law,¹¹ that a sign was only precluded from registration by that provision if *all* of its essential features were features of shape that were necessary to obtain a technical result. The hearing officer had not concluded that all three of the features he had identified were necessary to obtain a technical result; on the contrary, he had concluded that the first feature resulted from the nature of the goods themselves. Accordingly, he was wrong to conclude that registration was precluded by Article 3(1)(e)(ii).

Cadbury argued that it would be bizarre if a shape—with one of the essential features resulting from the nature of the goods themselves within Article 3(1)(e)(i) and the other two necessary to achieve a technical result within Article 3(1)(e)(ii)—could be registered simply because neither objection applied to all three essential features, and that there was nothing in either the wording of Article 3(1)(e) or the policy underlying it to compel such a result.

While Justice Arnold made clear that he leaned toward Cadbury's view, he nonetheless thought it necessary to refer the following three questions to the CJEU:

1. In order to establish that a trade mark has acquired a distinctive character . . . , is it sufficient for the applicant for registration to prove that [consumers] recognise the mark and associate it with the applicant's goods . . . ; or must the applicant prove that a significant proportion of [consumers] rely upon the mark (as opposed to any other trade marks which may also be present) as indicating the origin of the goods?¹²
2. Where a shape consists of three essential features, one of which results from the nature of the goods themselves and two of which are necessary to obtain a technical result, is registration of that shape as a trade mark precluded by Article 3(1)(e)(i) and/or (ii) of [the Trademark Directive]?
3. Should Article 3(1)(e)(ii) of [the Trademark Directive] be interpreted as precluding registration of shapes which are necessary to obtain a technical result with regard to the manner in which the goods are manufactured as opposed to the manner in which the goods function?¹³

CJEU's (Non)Answer

To understand what happened next, a brief look at the language regime at the CJEU is necessary. The working language of the CJEU is French. In preliminary ruling proceedings before the CJEU, the language of the case is the language of the referring court or tribunal,¹⁴ in this case English. However, the president, chambers presidents, judges, and advocate generals of the court may also use another language, in which case the registrar must arrange for translation into the language of the case.¹⁵ Advocate General Wathelet, who delivered the opinion in this case in French, is a Belgian national; the French text was then translated into English. The French translation of Justice Arnold's first question was somewhat imprecise, in that the French word for "to regard" (*estimer*) was used to translate "to rely." Similarly, the German translation used the German word for "to perceive" (*wahrnehmen*). The translations into other languages seem to be correct.

Still, the language issue may partly explain the somewhat cryptic answer of the CJEU to Justice Arnold's first question. The Court held that in order to demonstrate acquired distinctiveness, "regardless of whether that use is as part of another registered trade mark or in conjunction with such a mark, the trade mark applicant must prove that the relevant class of persons *perceive* the goods or services designated exclusively by the mark applied for, as opposed to any other mark which might also be present, as originating from a particular company."¹⁶

With regard to the second question, the Court—in my opinion also somewhat cryptically—held that Article 3(1)(e) of the Trademark Directive must be interpreted as precluding registration of shape which "contains three essential features, one of which results from the nature of the goods themselves and two of which are necessary to obtain a technical result, *provided, however*, that at least one of the grounds for refusal of registration set out in that provision is *fully applicable* to the shape at issue."¹⁷

The answer to the third question was more straightforward: "shape of goods which is necessary to obtain a technical result" refers only to the manner in which the goods at issue function and does not apply to the manner in which the goods are manufactured.¹⁸

Justice Arnold's Second Decision

Technical Necessity of the Shape/Nature of the Good

In view of the CJEU's answers to the second and third questions, Cadbury accepted that registration of the trademark was not precluded by Article 3(1)(e)(ii) of the Trademark Directive, because not all of the essential features of the mark were necessary to obtain a technical result.

Proof of Acquired Distinctiveness

Justice Arnold's frustration with the CJEU's answer to his first question is palpable. Interpreting the CJEU's statements, taking into account the passages of Advocate General Wathelet's opinion, Justice Arnold concludes that the CJEU considers recognition and association of the trademark with its owner insufficient to prove acquired distinctiveness. Advocate General Wathelet stated in this regard:

It is clear from that case-law that it is not sufficient for the applicant for registration to prove that the average consumer . . . recognises the trade mark and associates it with his goods. He must prove that, for that average consumer . . . the trade mark in respect of which registration is sought (as opposed to any other trade marks which may also be present) indicates the exclusive origin of the goods concerned[.]¹⁹

The CJEU did not say, however, whether reliance was required. So, in the words of Justice Arnold, while the Court was asked to say whether the answer is A or B, it answered that it is not A, but C. While the Court is perfectly entitled to say that the answer is C, because it did not explicitly address B it is not clear whether C is different from B.

Justice Arnold concludes that the CJEU meant to say that in order to demonstrate that a sign has acquired distinctive character, the applicant or trademark proprietor must prove that the

consumers perceive the relevant goods as originating from a particular undertaking *because of* the sign in question. It was legitimate for the competent authority to consider whether consumers would rely on the sign as denoting the origin of the goods if it were used on its own;²⁰ in other words, C is not materially different from B. Applying these principles to the case at hand, Justice Arnold upheld the hearing officer's conclusion that Nestlé had failed to prove acquired distinctiveness of the shape of the Kit Kat chocolate bar.

Comment

Technical Necessity of the Shape/Nature of the Good

The CJEU could have been somewhat clearer in its answer to the second question, too. If it meant to say that the registration of a mark that contains three essential features, one of which results from the nature of the goods themselves and two of which are necessary to obtain a technical result, is not precluded by Article 3(1)(e) of the Trademark Directive, it could have simply said so. Instead, the Court framed its answer negatively with an additional proviso—registration *is* precluded, but only if at least one of the grounds for refusal of registration set out in that provision is *fully applicable* to the shape at issue. Still, in view of its previous statements in *Hauck v. Stokke*,²¹ the answer is reasonably clear, as conceded by Cadbury.

From a policy perspective, whether the CJEU's answer is the correct one is debatable. Justice Arnold thinks not. The wording of Article 3(1)(e) seems to have been the CJEU's driving consideration, and it requires that the sign exclusively consists of a shape that results from the nature of the goods, is necessary to obtain a technical result, or gives substantial value to the goods. In other words, one cannot “mix and match” the grounds for refusal according to Article 3(1)(e).

For trademark owners, this is an important victory. Because aesthetically pleasing shapes risk being considered as giving substantial value to the good in the sense of Article 3(1)(e)(iii),²² if the grounds for refusal of Article 3(1)(e) could be combined, only ugly and useless shapes could ever be registered as trademarks. This would be contrary to the legislator's intent, which clearly provides for shapes to be protected as trademarks if they are capable of distinguishing the products of one undertaking from those of another (see Trademark Directive Article 2).

Proof of Acquired Distinctiveness

The question then arises under what circumstances shapes are capable of distinguishing the products of one undertaking from those of another. While the same standards should apply to nontraditional and traditional trademarks, courts generally hold that consumers are not in the habit of making assumptions about the origin of goods based on their shape or color; and in order to get them on the register, the applicant must demonstrate that they have acquired distinctive character through prior use.²³ Here, Justice Arnold's interpretation of the CJEU's answer to his first question seems to be somewhat biased by his own view of the correct interpretation of the law.

In my opinion, the CJEU did not clearly reject the “recognize and associate” test (option A, so to speak). While Advocate General Wathelet's opinion is quite explicit on this

point, the point of his opinion where he rejects the “recognize and associate” test (paragraph 42) is not explicitly referred to by the CJEU in its judgment. The CJEU only refers to paragraphs 48 to 52 of the advocate general's opinion.²⁴ In those points, the advocate general discusses that while a mark that is only used in conjunction with another trademark may acquire, through such use, distinctive character, a trademark must, in order to be eligible for protection in its own right, be capable of fulfilling the function of identifying the origin of the goods by itself. In other words:

“[I]t is not sufficient for the purposes of demonstrating acquisition of distinctive character, as a result of use as a part of a composite mark, to provide documentary evidence of use of the overall mark. Rather it must also be demonstrated that the relevant class of persons understand the element in question, if used separately, to designate a product as originating from a specific undertaking, thus distinguishing it from products of other undertakings.”²⁵

It appears to me that this was the issue the CJEU addressed (again) in its answer to the first question. The Court states that the relevant class of persons must perceive the goods or services designated *exclusively by the mark applied for*, as opposed to any other mark that might also be present, as originating from a particular company. Admittedly, this would not have required a referral to the CJEU, as it is settled case law since at least *Nestlé v. Mars* (the “Have a break” case).²⁶ But the Court simply did not address the distinction between “reliance” and “association with” the referring judge wanted clarified, potentially because of the imprecise translation into French. Instead, the Court uses the English term “to perceive,” which is neither “to recognize and associate” nor “to rely,” and endorses or rejects neither of the two alternatives.

In my opinion, the survey evidence submitted by Nestlé in the United Kingdom is sufficient to prove that the relevant public perceives the shape to be registered—without the embossed logo on the actual product—as indicating the origin from a single source. More could not be demanded, and Justice Arnold's conclusion that the competent authority may require the demonstration that the relevant consumers *rely* on the sign as denoting the origin of the goods is not supported by the CJEU's judgment.

Given the ambiguity of the CJEU's response, it is doubtful that other member states will adopt the “reliance” test favored by English courts. On October 21, 2015—before the CJEU's decision in *Nestlé v. Cadbury*—the German Federal Court (Bundesgerichtshof) had no trouble enforcing Mars's three-dimensional German²⁷ “Bounty” trademark (registered for “nonmedical confectionary”) against a highly similar chocolate bar, and did not find it necessary to refer any questions to the CJEU.²⁸

According to a survey submitted by the trademark owner, 42.7 percent of the surveyed consumers identified an unpackaged chocolate bar in the shape of the trademark as “Bounty”; a further 6.7 percent as “Mars,” “Milky Way,” or “Snickers” (all owned by the plaintiff); and 3.8 percent could not name the source, but indicated that there was only one source for the product. The resulting identification rate (*kennzeichnungsgrad*) of 53.2 percent, together with the considerable market share of the “Bounty” chocolate bar, was

sufficient to prove acquired distinctive character. Given the high recognition of the “Bounty” shape as a trademark, more than 50 percent of the relevant public would also perceive the accused use of the defendant’s product as a mark (and not merely ornamental), falling within the exclusive domain of the trademark owner.

The German Federal Court indicated that 74.4 percent positive answers to the question “Do you *know* this shape in connection with chocolate bars?” were irrelevant, because mere recognition did not indicate that the relevant public perceived the shape as a trademark. However, recognition *and* association with a single source was enough for the German Federal Court, and I do not foresee that it will change its mind after the CJEU’s *Nestlé v. Cadbury* decision. ■

Endnotes

1. Société des Produits Nestlé SA v. Cadbury UK Ltd, [2014] EWHC (Ch) 16 (Eng.).
2. Société des Produits Nestlé SA v. Cadbury UK Ltd, [2016] EWHC (Ch) 50 (Eng.).
3. Case C-215/14, Société des Produits Nestlé SA v. Cadbury UK Ltd (Sept. 16, 2015).
4. See Mark Holah, *European Union: CJEU Gives Nestlé a Break in Kit Kat Shape Ruling*, INTA BULL. (Oct. 15, 2015), http://www.inta.org/INTABulletin/Pages/European_Union_7018.aspx; Roland Mallinson, *CJEU Gives Kit Kat a 3D Break*, TAYLOR WESSING LLP (Sept. 30, 2015), <http://united-kingdom.taylorwessing.com/en/cjeu-gives-kit-kat-a-3d-break>.
5. Sara Spary, *Nestle Dealt Fresh “Blow” in Kit Kat Trademark Case*, CAMPAIGN (Sept. 16, 2015), <http://www.marketingmagazine.co.uk/article/1364223/nestle-dealt-fresh-blow-kit-kat-trademark-case>.
6. Catherine White, *Nestlé KitKat Not “Dead in the Water” following CJEU Decision*, INTELL. PROP. MAG. (Sept. 16, 2015), <http://www.intellectualpropertymagazine.com/trademark/nestle-kitkat-not-dead-in-the-water-following-cjeu-decision-111509.htm>.
7. Text in brackets according to the revised Trademark Directive (Directive (EU) 2015/2436), which came into force on January 13, 2016.
8. Case C-299/99, Philips Elecs. NV v. Remington Consumer Prods. Ltd. (June 18, 2002); Case C-48/09, Lego Juris A/S v. OHIM (Jan. 26, 2010).
9. Cadbury cross-appealed regarding the finding that the shape was inherently distinctive in relation to “cakes” and “pastries.”
- Justice Arnold allowed the cross-appeal. For the sake of brevity, I will not address this further.
10. Société des Produits Nestlé SA v. Cadbury UK Ltd, [2014] EWHC (Ch) 16, [47] (Eng.) (citing *British Sugar plc v. James Robertson & Sons Ltd*, [1996] R.P.C. 281 at 304 (Jacob J.); *Philips Elecs. NV v. Remington Consumer Prods. Ltd*, [1999] R.P.C. 809 at 819 (Aldous L.J.), *Unilever plc’s Trade Mark Application*, [2002] EWHC 2709, [2003] R.P.C. 35, [31]–[33], [37], [40], [42]–[43] (Jacob J.)).
11. *Id.* at [69] (citing *Philips* at [76], [84]; *Lego* at [48], [51]–[53], [72]).
12. *Id.* at [54] (emphasis added).
13. *Id.* at [75].
14. Rules of Procedure of the Court of Justice [RPCJ], art. 37(3), 2012 O.J. (L 265).
15. *Id.* at art. 38(8).
16. Case C-215/14, Société des Produits Nestlé SA v. Cadbury UK Ltd, [67] (Sept. 16, 2015) (emphasis added).
17. *Id.* at [68].
18. *Id.* at [57].
19. Case C-215/14, Opinion of Advocate General Wathelet, [42] (June 11, 2015).
20. Société des Produits Nestlé SA v. Cadbury UK Ltd, [2016] EWHC (Ch) 50, [60] (Eng.).
21. Case C-205/13, Hauck GmbH & Co. KG v. Stokke A/S, [39]–[41] (Sept. 18, 2014).
22. See Case T-508/08, Bang & Olufsen A/S v. OHIM (Oct. 6, 2011) (applying Article 7(1)(e)(iii) of the Trademark Regulation, which conforms to Article 3(1)(e)(iii) of the Trademark Directive).
23. Case C-104/01, Libertel Groep BV v. Benelux-Merkenbureau, [65] (May 6, 2003) (for colors).
24. Case C-215/14, Société des Produits Nestlé SA v. Cadbury UK Ltd, [66] (Sept. 16, 2015).
25. Case C-215/14, Opinion of Advocate General Wathelet, [49] (June 11, 2015) (quoting Advocate General Kokott’s opinion in Case C-353/03, *Nestlé SA v. Mars UK Ltd*, [43] (Jan. 27, 2005)).
26. Case C-353/03, *Nestlé SA v. Mars UK Ltd*, [30] (July 7, 2005).
27. The corresponding Community Trade Mark (now European Union Trade Mark) was cancelled by the General Court in 2009 for failure to prove acquired distinctiveness in the entire European Union. Case T-28/08, *Mars, Inc. v. OHIM* (July 8, 2009).
28. Bundesgerichtshof [BGH] [Federal Court of Justice] Oct. 21, 2015, I ZR 23/14 (Ger.).