

No Break for Nestle: The CJEU Verdict In Nestle v Cadbury on KitKat

Introduction

In 2010 Nestlé applied in the UK Intellectual Property Office (“IPO”) to register the shape of its famous four-fingered chocolate wafer bar (“Kit Kat”) as a trade mark for goods in class 30 including chocolate, confectionery and biscuits. The sign Nestlé sought to register consists only of the shape of the Kit Kat bar and does not include the words ‘Kit Kat’ which, in the case of the product itself, are embossed on each chocolate wafer finger.

Cadbury opposed Nestlé’s application on various grounds and the IPO hearing officer (Mr Allan James) upheld the opposition, rejecting Nestlé’s application. In the appeal to the High Court the Judge, Mr Justice Arnold (Arnold J), referred three questions of law to the Court of Justice of the European Union (CJEU). These questions all relate to the circumstances in which a perpetual monopoly can be secured in the shape of a product, by registering it as a trade mark.

On 11 June 2015, the Opinion of Advocate General Wathelet was delivered, with the decision of the CJEU handed down on 16 September 2015.

In its judgment the CJEU first addressed Arnold J’s questions concerning the application of certain provisions excluding the registration of shape trade marks and his first question, concerning acquired distinctiveness, last. This briefing will follow the same order.

Shape resulting from nature of goods/necessary to obtain a technical result

Arnold J posed two questions concerning Article 3(1)(e) of the Trade Marks Directive, which excludes from registration:

“(e) signs which consist exclusively of:

- the shape which results from the nature of the goods themselves, or
- the shape of goods which is necessary to obtain a technical result, or
- the shape which gives substantial value to the goods.”

The IPO had found that the shape for which registration was sought had 3 essential features, one of which (the rectangular ‘slab’ shape, including the relative proportions of length, width and depth) resulted from the nature of the goods themselves; whereas the other two essential features (namely, the presence, position and depth of the grooves; and the number thereof, which together with the bar width, determined the number of ‘fingers’) were necessary to obtain a technical result. On the basis of these findings, the second question posed by the English court concerned whether the indents of Article 3(1)(e) could be applied,

as it were, in combination, or whether all the essential features of a mark must fall within the scope of one indent in order for Article 3(1)(e) to bite. The question was:

“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 Trade Marks Directive]?”

The Advocate General had pointed out that this question had, in fact already been answered in the negative by the Court of Justice in an intervening decision: Case C-205/13, Hauck. The CJEU agreed, answering the second question as follows:

“... Article 3(1)(e) of Directive 2008/95 must be interpreted as precluding registration as a trade mark of a sign consisting of the shape of goods where that shape 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.”

Arnold J’s third question arose because the Hearing Officer had concluded that the “necessary to obtain a technical result” objection applied to features which related to the manner in which the goods were manufactured, such as the angle of the grooves in the chocolate bar, as opposed to the manner in which the good functioned. Did the bar to registrability apply in such a case? Arnold J thought the argument that it did, had much to commend it, but accepted that the position was unclear. Accordingly he put the third question, which was:

“Should Article 3(1)(e)(ii) of [the Trade Marks 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?”

The Advocate General had considered that Article 3(1)(e)(ii) should be interpreted to refer, not only to the manner in which the goods at issue function, but also to the manner in which they are manufactured, and accordingly would have answered this question in the negative.

The CJEU, however, disagreed. It considered that the Advocate General’s interpretation would run counter to the public interest objective underlying the application of the three grounds for refusal of registration set out in Article 3(1)(e). Accordingly, its answer was:

“... Article 3(1)(e)(ii) of Directive 2008/95, under which registration may be refused of signs consisting exclusively of the shape of goods which is necessary to obtain a technical result, must be interpreted as referring only to the manner in which the goods at issue function and it does not apply to the manner in which the goods are manufactured.”

Acquired Distinctiveness

Nestlé’s evidence had established that a significant proportion of the relevant class of persons had come to recognise the shape of the 4-finger Kit Kat bar and associate it with goods manufactured by Nestlé. However, on the traditional approach of the English courts, such evidence would not be enough: Nestlé would need to go further and show that a significant proportion of consumers relied upon the shape (as opposed to any other trade marks which might be present) as indicating the origin of the goods. Arnold J essentially asked the CJEU whether the traditional English approach was correct, as a matter of EU trade mark law:

“...is it sufficient for the applicant for registration to prove that at the relevant date a significant proportion of the relevant class of persons recognise the mark and associate it with the applicant’s goods in the sense that, if they were to be asked who marketed goods bearing that mark, they would identify the applicant; or must the applicant prove that a significant proportion of the relevant class of persons rely upon the mark (as opposed to any other trade marks which may also be present) as indicating the origin of the goods?” (emphasis added)

The CJEU first of all reformulated Arnold J’s first question as follows:

“By its first question the referring court asks, in essence, whether an applicant to register a trade mark which has acquired a distinctive character following the use which has been made of it within the meaning of Article 3(3) of Directive 2008/95 must prove that the relevant class of persons perceive the goods or services designated exclusively by that mark, as opposed to any other mark which might also be present, as originating from a particular company, or whether it is sufficient for that applicant to prove that a significant proportion of the relevant class of persons recognise that mark and associate it with the applicant’s goods.”

Having referred with approval to the Advocate General’s interpretation of the case law, the CJEU went on to answer its

reformulation of Arnold J’s question as follows:

“... in order to obtain registration of a trade mark which has acquired a distinctive character following the use which has been made of it within the meaning of Article 3(3) of Directive 2008/95, 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.”

(emphasis added)

Comment

The more noteworthy and possibly controversial part of the CJEU’s judgment is its answer to the question posed by the English court concerning acquired distinctiveness. Some will interpret the answer as setting a less onerous threshold (of perceiving goods as originating from a particular company) than the English court’s traditional (reliance upon the shape as indicating the origin of the goods) test. On that basis, they will argue that it will be easier to register shape trade marks than before. Others will no doubt argue that the CJEU has acknowledged a dichotomy between perception of a sign as a trade mark on the one hand, and mere recognition/association on the other; and has rejected the latter as being sufficient to achieve registration. On that approach, they will say, there should be little if any difference in practice between the English “reliance” test and the CJEU’s “perception” test.

Because it chose to reformulate Arnold J’s question rather than answer it directly, the CJEU may be accused by some of unnecessary ambiguity and it appears that commentators are already divided on the true significance and meaning of the judgment. How Arnold J interprets and applies the CJEU’s answer to his question will be seen before long when the case comes back before him for decision. As a practical matter, it is likely to remain important, for businesses wishing to register the shape of a product as a trade mark, to design product packaging, advertising materials and advertising campaigns in such a way as to educate consumers that it is not only the product name, but also the product shape itself, that is intended to operate as a trade mark and thus to guarantee the origin of the product.

For more information, please contact:

Tom Albertini – talbertini@jakemp.com

Ben Mooneapillay – bmooneapillay@jakemp.com

James Fish – jfish@jakemp.com

Charlotte Stirling – cstirling@jakemp.com