

Still No Break for KitKat - CJEU Dismisses Nestlé's Appeal on Acquired Distinctiveness of the KitKat Bar

The ongoing struggle of Nestlé to register a three-dimensional trade mark for the shape of its KitKat bar has been dealt a yet further blow by the CJEU's dismissal of its appeal on 25 July 2018. The Court has re-affirmed the principle that, for a mark to be registered on the basis of acquired distinctiveness through use, the acquisition of distinctive character needs to be shown in every Member State of the European Union in which it did not, *ab initio*, have such character. In the present case, the EUIPO had decided that the shape had acquired distinctiveness through use in a majority of the 15 Member States in question, but in relation to a minority of Member States had not expressly ruled whether such distinctiveness had been proved, or not. The EUIPO will now have to reconsider whether, on the basis of the evidence Nestlé previously filed, its registration of the shape as a trade mark is justified.

Advocate General Wathelet's Opinion of 20 April 2018 had supported the conclusion of the General Court that proof of acquired distinctiveness in 10 of the relevant 15 EU Member States¹ was not enough to establish acquired distinctive character in the relevant territory as a whole. The CJEU followed the Advocate General's recommendation and dismissed Nestlé's appeal.

For those unfamiliar with the lengthy saga, in 2002 Nestlé applied to register the shape of its four-finger KitKat bar as an EU trade mark. The application was accepted, but in 2007 Cadbury (now Mondelez) applied to invalidate Nestlé's registration. Cadbury's invalidity action was initially rejected by the EUIPO on the basis that Nestlé's mark had acquired distinctiveness through use, but that decision was overturned in 2016 by the General Court.

Although the General Court found (in an approach to the nature of the evidence completely contrary to that of the English Court of Appeal) that Nestlé's evidence was good enough to establish acquired distinctiveness in a majority (both by number of countries and population) of the relevant 15 Member States, it went on to hold that this was not enough to establish acquired distinctive character through use in the EU, given that such acquisition had been proven for only a part (albeit a substantial part) of the relevant territory. The States in which the General Court had found acquired distinctiveness to be established on the evidence were Denmark, Germany, Spain, France, Italy, Netherlands, Austria, Finland, Sweden and the United Kingdom. This left Belgium, Ireland, Greece, Luxembourg and Portugal.

In an appeal to the CJEU, Nestlé and the EUIPO, supported by Marques (as Intervenor), argued that the General Court had infringed Article 7(3) EUTMR in relation to acquired distinctiveness, and the interpretation given to it in the Lindt case

(where the CJEU had held that "it would be unreasonable to require proof of such acquisition for each individual member state"). By focusing on individual national markets, they argued, the General Court's interpretation was incompatible with the unitary character of an EUTM and the very existence of the single market. For its part, Cadbury argued that any other approach would lead to the paradox whereby a trade mark which would be refused registration for lack of distinctive character in one Member State, could nevertheless be registered as an EUTM and enforced in the courts of that Member State.

The CJEU rejected the arguments of Nestlé and the EUIPO. It recalled that for the purposes of Article 7(3), acquisition of distinctive character needed to be shown in the part of the European Union in which the trade mark did not, *ab initio*, have such character (*Storck v OHIM*, C²⁵/05 P, paragraph 83) and that such part could be comprised of a single Member State. It followed that a mark which was, *ab initio*, devoid of distinctive character across all Member States, could only be registered if it were proved that it has acquired distinctive character throughout the territory of the European Union (*Chocoladefabriken Lindt & Sprüngli v OHIM*, C⁹⁸/11 P, paragraphs 61 and 63). Whilst the Court acknowledged that in the Lindt case it had indicated that it would be unreasonable to require proof of such acquisition for each individual Member State, it did not follow that proof of acquired distinctive character in a significant part (only) of the EU was sufficient. In that respect, the Court drew a distinction between the facts to be proved, namely the acquisition of distinctive character through use, and the means of proving such facts. It explained that it was not inconceivable that evidence of use in some Member States could be used to prove acquired distinctiveness in other Member States too, or even in the whole of the European Union. The Court stated that this might be the case in particular:

1. Where providers of certain goods or services had grouped several Member States together in the same distribution network and treated them, especially for marketing strategy purposes, as if they were one and the same national market. In such circumstances, evidence of use within such a cross-border market was likely to be relevant for all Member States concerned.
2. The same would be true when, due to a geographic, cultural or linguistic proximity between two Member States, the relevant public of the first had a sufficient knowledge of the products and services that were present on the national market of the second.²

Accordingly, although there was no rule that evidence must be submitted in respect of each and every Member State, the

evidence submitted had to be capable of establishing the acquisition of distinctive character in all Member States in question.

The CJEU held that in the present case, the General Court had been right to hold that the Board of Appeal had erred in finding that the mark had acquired the necessary distinctive character for the purposes of Article 7(3), without adjudicating on whether the mark had acquired such a character in Belgium, Ireland, Greece and Portugal.

The CJEU has therefore re-affirmed the principle that, for a mark to be registered on the basis of acquired distinctiveness through use, the acquisition of distinctive character needs to be shown in every Member State of the European Union in which it did not, ab initio, have such character. At the same time, it has indicated a degree of flexibility in approach to the evidence, by acknowledging that acquired distinctiveness may be extrapolated from evidence of use in one country to another in certain, albeit limited, circumstances.

This decision should put to rest any lingering doubts that in the case of (at least most) shape marks, acquired distinctiveness needs to be shown throughout the EU, as opposed to showing it in a substantial part, territorially and/or by population. In practice, this will be an unsurmountable hurdle for many marks which have not been used in every Member State. Whilst extrapolation may help to reduce the evidence burden in some cases, where it can be shown that for the goods or services in question, countries are treated as part of the same market, or where there are sufficiently close geographic, cultural or cultural links between particular Member States, this is unlikely to achieve registration in most cases if sales cannot be shown across all 27 Member States.

Whether this is the end of the road for Nestlé's trade mark registration is not quite so clear. On the face of it, it does not look good for Nestlé: not only does it appear that the Board of Appeal was not previously persuaded, in the case of Belgium, Ireland, Greece and Portugal³, by Nestlé's evidence, but it also seemed that Nestlé itself accepted that acquired distinctiveness could not be extrapolated for those countries from evidence relating to other Member States: the Advocate General recorded, in paragraph 97 of his Opinion, that Nestlé's lawyer had so confirmed, in response to a question at the hearing. However, in a subsequent application to the CJEU⁴, Nestlé has taken the position that its lawyer's answer to the Advocate General's question was based on a misunderstanding of the question, and was incorrect. It may be, therefore that if the Board of Appeal, on reconsideration, should rule that Nestlé's evidence does not establish acquired distinctiveness in the case of Belgium, Ireland, Greece and

Portugal (or any of them), Nestlé will seek to challenge such finding on a further appeal to the General Court.⁵ In line with the CJEU's indications concerning the circumstances where extrapolation is possible, Nestlé might for example contend that the Irish public had a sufficient knowledge of the products and services present on the UK market to justify extrapolation of the finding of acquired distinctiveness in the UK, to Ireland; and similarly, from the positive finding in the case of Spain, to Portugal. It may or may not, on the evidence on file, be possible for Nestlé to argue that Belgium was treated as part of a larger cross-border market. And so far as Greece is concerned, given the apparent market share of the product in that country, as compared with others where acquired distinctiveness was found, it may well be possible to contend that positive survey results in the latter case can be extrapolated to Greece. After all, is there any reason to suppose that consumers in Greece would be less likely to recognise the product as KitKat than consumers in Sweden, in circumstances where the market share in Greece was larger than in Sweden and the product had been on the market longer?⁶

It therefore remains to be seen whether the CJEU decision signals the end for Nestlé's trade mark registration, or is merely one decision in a series of appeals set to continue for some years to come.

Footnotes

1. Acquired distinctiveness needed to be shown only in the territory of the EU as it was at the time of the trade mark application in 2002, namely across the then 15 Member States.
2. Paragraphs 81-82 of the Judgment.
3. The same is true of Luxembourg, but the CJEU decision seems to ignore the absence of a finding in that case, perhaps assuming that Luxembourg is for the goods in question part of a larger cross-border market, a possibility noted by the Advocate General in paragraph 81 of his Opinion.
4. The application was for the oral part of the procedure before the CJEU to be re-opened and is addressed in paragraphs 27-36 of the Judgment.
5. The fact that Nestlé's application to re-open the oral part of the procedure was rejected should not preclude Nestlé from taking this position. Nor is it clear why the (incorrect) answer given by its lawyer at the CJEU hearing should have that result.
6. The decision of the Board of Appeal indicates that the respective market shares were 4.8% compared with less than 1%, and that the product was launched in Greece in 1989 and Sweden in 1991.

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