

Nestlé loses latest trade mark battle in the UK with Cadbury over KitKat shape

Kluwer Trademark Blog

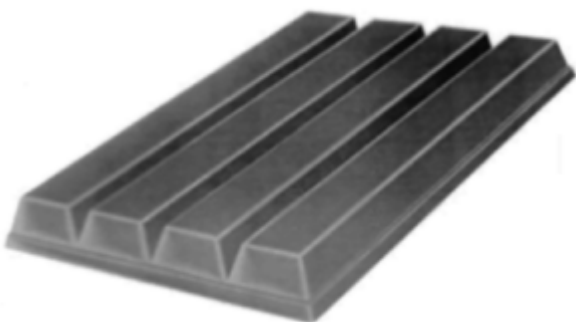
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On 20 January 2016, the Chancery Division of the High Court issued its judgment on the latest appeal concerning Nestlé's attempt to register the 3D shape of its four-fingered bar. Sadly for Nestlé, in a double blow, Mr Justice Arnold dismissed their appeal against an earlier decision to refuse the registration of their shape mark and upheld Cadbury's cross appeal also to refuse the mark protection for 'cakes' and 'pastries'.

Since the filing of Nestlé's trade mark application back in 2010, Cadbury has argued that the shape of the KitKat bar is not distinctive enough to be protected as a trade mark, hence Nestlé should not be granted a monopoly to manufacture confectionery goods to that shape. Nestlé has counter-argued that the shape is iconic and well known by consumers as indicating a KitKat bar.



The UK IPO held in 2013 that the mark consisted exclusively of a shape which results from the nature of the goods, and so fell foul of the shape objections, and also was devoid of distinctive character and had not acquired a distinctive character. It therefore refused to register the mark. This decision was appealed by both parties to the High Court, which prompted Arnold to refer three questions to the CJEU regarding the registrability of shapes and the requirements for recognising acquired distinctiveness for shapes. The CJEU ruled on 16 September 2014 in decision C215/14.

In his analysis of the CJEU's answers, Arnold expressed regret that one of his precisely worded questions on acquired distinctiveness had been reformulated by the CJEU, such that the answer provided to that question was unclear. The question related to whether the consumer had to rely on the sign for the owner of the sign to be able to rely on that recognition to support acquired distinctiveness. The ambiguity over the answer to this question (the CJEU did not really seem to address it as intended) resulted in disagreement between the parties as to the correct interpretation, leaving Arnold to apply the answer as best as he could in order to reach his final conclusion.

Ultimately, Arnold supported the original UK IPO contention that the evidence filed by Nestlé had demonstrated that consumers associate the shape with Nestlé's product, but no more than that. In order for a claim of acquired distinctiveness to succeed, he held that it is necessary to show that consumers rely upon the shape of the goods alone in order to identify the origin of the goods, without relying on any brand names, logos, or packaging, to assist them in making this connection.

As consumers are so influenced by these other visual elements, it is notoriously difficult to establish that consumers rely exclusively upon the shape to determine trade origin and understand that shape to be distinctive of one trader alone. In this case, it was noted that KitKat bars had been sold in opaque wrappers, such that the shape of the four-fingered bar inside was not even visible to consumers at the time of purchase.

With Arnold sticking firmly to his guns, there is little doubt that Nestlé will wish to challenge his interpretation. A further appeal from Nestlé will be expected.

The big difficulty here is that Arnold's key question relates to the concept of "reliance". Is it enough to show that consumers recognise a product as being a

specific product from a particular party based on the shape of the product (as Nestle's surveys seemed to show in this case) or does one have to go further and show that consumers rely on the shape in some way and understand that the shape is functioning in a trade mark sense. The CJEU did not seem to engage with this question and instead focussed on the fact that the consumer has to understand origin as a result of use of the sign in question and that sign alone. A literal application of the CJEU decision would surely confirm that Nestle did do enough? The surveys did show that a large proportion of people being shown the sign recognised the sign's origin, and they did so without the help of any other sign, so on the basis of the CJEU determination why not confirm registration on the basis of acquired distinctiveness?

The problem for Arnold is that the reason that he did not do this in the first place was the question of reliance, and it does not seem that this question has been answered. This commentator would imagine another reference will have to happen on this point (although not in this case!).

This is a very important case for anyone interested in trade mark protection for unusual marks such as shapes or colours. The concept of reliance, whilst intellectually understandable, creates huge issues from a practical point of view. How does one really show that a consumer not only recognises the sign but relies on it also? And without leading the consumer to a particular answer in the way that we are not allowed to do in surveys?

This commentator can only make sense of this position if the concept of reliance is really another way of expressing "trade mark use". If you study the development of the case law on this point, the difficulty in the cases is in showing that the party has used the mark in a trade mark sense rather than used it any old how, but to such an extent that consumers recognise it anyway. Naturally it is usually easier to do that for a traditional word or logo as against a shape or colour but not impossible. This surely fits with the statutory scheme - acquired distinctiveness must be based on use of the sign, and is reasonable to interpret this "use" as being use in a trade mark sense. Ultimately Nestle are penalised here for the fact that they rarely use their sign in a way that suggests that they think of it as a trade mark which is intended to indicate origin. If they don't use it this way why should they have the monopoly? Unfortunately that does not appear to be exactly what is being said, which, at least in this commentator's view, leaves a very unsatisfactory position.