

Review of UK and European Trade Mark Cases 2017

Index

Introduction	4
Distinctiveness – Shape Marks	4
Unwrapping acquired distinctiveness	4
Recognition or Reliance?	4
The UK Court of Appeal’s take on acquired distinctiveness	5
EU Parallel proceedings	5
Functional Characteristics	6
Distinctiveness – Figurative Marks	6
Distinctiveness – Colour Marks	6
Interpretation of Colour Marks	6
Distinctiveness – Word Marks	8
Inherent Distinctiveness	8
Acquired Distinctiveness	11
Confusion	12
Dominant and Distinctive Elements	12
Relevant Consumer	13
Overall comparison of signs and goods/services	14
Jurisdiction	15
Reputation	15
Protected Designations of Origin	16
Abuse of Process	17
Bad Faith	17
Genuine Use	19
Evidence of Use in Invalidation Proceedings	21
Infringement	21
Use considered informative or misleading	21
Google Advertising	23
Threats	25
Own name defence	26
Account of profits	28
Passing Off	29
Parallel Imports	31
EU Trade Mark Reforms	33
Changes to requirements for EUTM Applications	33
Introduction of EU certification trade marks	33
EUIPO Procedure	33
UK Unjustified Threats Provision	34
The test	34
Permitted Communication	34
Defences	34
UKIPO Procedure	34
WIPO country additions	35
Looking Ahead	35
The team	36

Introduction

This edition of a Review of UK and European Trade Mark Cases 2017 includes a number of interesting cases in relation to shapes, jurisdiction, abuse of process and Google advertising.

Further, the validity of non-traditional marks such as shapes and colour marks is now changing, with continuing debate about whether 3D marks will also suffer the same fate.

2017 has seen the introduction of the UK Unjustified Threats Act which will no doubt provide more comfort for practitioners when instructed by clients in relation to infringement proceedings.

Distinctiveness – Shape Marks

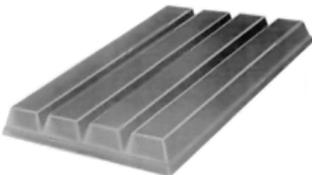
The past year saw a number of interesting decisions concerning shape marks. Some of these are arguably not so encouraging for those considering to register the shapes of their products.

Unwrapping Acquired Distinctiveness

Nestlé's appeal in *Société des Produits Nestlé v Cadbury UK Ltd*¹ was dismissed by the Court of Appeal which upheld the High Court's decision in finding that Nestlé is not permitted to register a UK mark for the shape of the Kit Kat as Nestlé has failed to demonstrate acquired distinctiveness in the shape

Last year the Court of Appeal (Kitchin LJ, Floyd LJ and Vos VC) handed down its decision in the long-running dispute concerning the registrability of Nestlé's four-finger Kit Kat chocolate shape. In short, Nestlé's attempt to register the shape of their Kit Kat chocolate bar was rejected by the Court of Appeal as recognition and association of a shape with a particular trade origin was insufficient to merit an all-time monopoly. Consumers have to perceive the shape as a trade mark, namely a badge of origin of one commercial entity.

By way of summary, Nestlé applied to register a three-dimensional sign representing the shape of their Kit Kat four-finger chocolate without the KIT KAT brand embossed on the fingers as a UK trade mark in respect of, inter alia, chocolate bars, biscuits, pastries and cakes.



Cadbury opposed the application on a number of grounds, including that the applied for mark lacked distinctive character. Nestlé, however, contended that the trade mark had acquired distinctive character as a result of its use.

In the UKIPO Hearing Officer's view, the applied for mark was not inherently distinctive for confectionery and biscuit products in class 30 as the shape was within the norms and customs of the sector (except for 'cakes and pastries' as the Hearing Officer had not seen any such products made to such a shape - although this was later overturned by the High Court) and it had not acquired distinctive character though use in relation to the other goods covered by the application.

Recognition or reliance?

One of the core questions that the Hearing Officer asked himself was what needs to be proven by the Applicant in order to establish that its mark had acquired a distinctive character as a result of the use which had been made of it. To this effect, the Hearing Officer turned to the *Vibe Technologies Ltd*'s² case which sets out that '... what must be shown is that a significant proportion of the relevant class of persons rely upon the sign in question on its own as indicating the origin of the goods' (emphasis added).

Following this test the Hearing Officer concluded that a significant proportion of consumers recognise the mark for chocolate confectionery and associate the shape with Kit Kat (and therefore the makers of Kit Kat) but no more than that. Crucially, consumers have not come to rely on the shape to identify the origin of the goods. Amongst other reasons, the Hearing Officer considered that the product is sold in an opaque wrapper so the shape of the chocolate was not shown at the point of sale which meant that consumers did not rely upon the shape in selecting or purchasing the goods.

Nestlé contested these findings and argued on appeal that a significant portion of consumers did rely upon the applied for mark as indicating the origin of the products. Arnold J, however, confirmed that the Hearing Officer was correct in concluding that there was no evidence suggesting that Kit Kat consumers rely on the shape of the chocolate to confirm its origin. In this respect, he noted that the fact that Nestlé ensured that each finger of the chocolate was embossed with the Kit Kat logo was a clear recognition that consumers relied upon the trade mark Kit Kat rather than its shape to ascertain the origin of the goods.

Nestlé also contested that the Hearing Officer had incorrectly interpreted Article 3(3) of Directive 2008/95 in concluding that *recognition* in addition to *association* were insufficient to show the acquisition of distinctive character.

¹ [2017] EWCA Civ 358, 17 May 2017

² O-166-08, 16 June 2008

As discussed in last year's review, Arnold J thought it was necessary to obtain guidance from the Court of Justice of the European Union ("CJEU") on what needs to be proved for establishing acquired distinctiveness of shape marks. The CJEU was asked whether it is sufficient for a shape mark to be recognised and associated with a particular product, or whether it is necessary for the shape mark to be relied upon by consumers to identify the origin of the product.

In its response, the CJEU reformulated the referred questions omitting the term *reliance* and, instead, took the view that the goods designated by the applied for shape mark only (as opposed to any other mark which might also be present) must be *perceived* as originating from a particular undertaking.

Arnold J's interpretation of the CJEU's decision was, that to establish that a mark has acquired distinctive character, it must be shown that a significant proportion of the relevant public *perceives* the designated goods as originating from a particular undertaking *because of the sign in question* (as opposed to any other trade mark which may also be present). In assessing this, it is legitimate to consider whether consumers *would rely* upon the sign as denoting the origin of the goods if it were used on its own.

Another important conclusion drawn by the High Court from the CJEU's decision was that establishing that a significant proportion of the relevant public *recognises* and *associates* the mark with the designated goods was not sufficient to show the acquisition of distinctive character.

On the facts Nestlé's appeal was dismissed by the High Court.

The UK Court of Appeal's take on acquired distinctiveness

As anticipated the IP Court of Appeal dismissed Nestlé's appeal and handed down a first-class decision which at its core touches on the very nature of trade marks. We mention below a few of the points not to be missed.

In Floyd LJ's view, for the shape to have acquired distinctiveness, a significant proportion of consumers, seeing the shape used in relation to chocolate bars, must conclude that the goods in question are from one undertaking. To illustrate this, he resorted to an imaginary basket of unwrapped and unmarked chocolate bars, some of which would be in the shape of the applied for mark. For there to be acquired distinctiveness the consumers must perceive these chocolate bars as being Kit Kat's (or originating from the Kit Kat makers), and not from other makers. A mere association with Kit Kat's is not enough as acquired

distinctiveness carries with it an indication of exclusive origin.

Given that the essential function of a trade mark is to guarantee the origin of the goods so as to enable consumers to distinguish these from others, if consumers perceive that certain designated goods originate from a particular undertaking this means they can rely upon the mark in making a transactional decision. As noted by Kitchin LJ, '*reliance is a behavioural consequence of perception*'.

Although reliance is not a precondition, if the mark has been used in such a way that a significant proportion of consumers have come to rely on it as a badge of origin the same will indeed be distinctive. What is crucial, however, is that the mark, used on its own, has acquired the ability to demonstrate exclusive origin.

Where a mark has been used in conjunction with a registered trade mark, it is harder to prove that consumers have relied upon it in making a transactional decision, particularly when the mark is not visible at the point of sale (in this case the product had been sold in an opaque wrapper).

It must not be understated that, while Nestlé had shown recognition and association of the shape with Kit Kat, this was clearly not sufficient to prove that the shape had acquired a distinctive character and to merit a monopoly for all time as a result.

The end result is that recognition and association is not enough and those seeking to register inherently non-distinctive shape marks will need to prove that consumers perceive the shape as a trade mark, that is to say a badge of origin of one commercial entity.

EU parallel proceedings

Meanwhile in the EU there are parallel proceedings concerning the identical trade mark at an EUTM level. As reported in last year's review, the General Court held Nestlé's registration to be invalid in *Mondelez UK Holdings & Services v EUIPO*³ on the grounds that the EUIPO had failed to require evidence of acquired distinctiveness in all of the relevant EU Member States instead of conducting an assessment of the level of recognition of the shape in relation to a substantial part of the EU.

It remains to be seen whether the CJEU will reach the same conclusions on the appeal that is due to be heard this year. Interestingly, this could lead to a post-Brexit scenario where Nestlé keeps its registration at an EU level but is prevented from registering the shape of its product in the UK with all the consequences which might flow from this.