

Neutral Citation Number: [2017] EWCA Civ 358

Case No: A3/2016/0539

**IN THE COURT OF APPEAL (CIVIL DIVISION)**  
**ON APPEAL FROM THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION (INTELLECTUAL PROPERTY)**  
**THE HON MR JUSTICE ARNOLD**  
**[2016] EWHC 50 (Ch)**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 17/05/2017

**Before:**

**THE CHANCELLOR OF THE HIGH COURT**  
**LORD JUSTICE KITCHIN**  
and  
**LORD JUSTICE FLOYD**

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**Between:**

**Société des Produits Nestlé SA**  
**- and -**  
**Cadbury UK Ltd**

**Appellant**

**Respondent**

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Michael Bloch QC and Simon Malynicz QC (instructed by CMS Cameron McKenna LLP)  
for the Appellant  
Thomas Mitcheson QC (instructed by Bristows LLP) for the Respondent

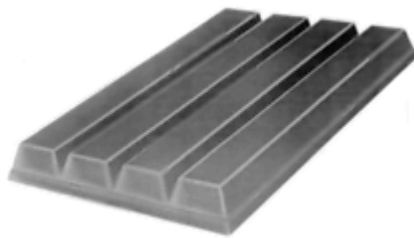
Hearing dates: 22/23 February 2017  
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**Judgment Approved**

## Lord Justice Kitchin:

### Introduction

1. This is an appeal by Société des Produits Nestlé S.A. (“Nestlé”) from the judgment of Arnold J given on 20 January 2016 ([2016] EWHC 50 (Ch)) and his consequential order dismissing its appeal against the decision of Mr Allan James, the hearing officer acting for the Registrar of Trade Marks, dated 20 June 2013 (O/257/13).
2. The appeal concerns an application made by Nestlé on 8 July 2010 to register as a UK trade mark the three-dimensional sign shown below (the “Trade Mark”) in respect of chocolate and various other goods in class 30:



3. The Trade Mark corresponds to the shape of the well-known four-finger product sold by Nestlé under the name Kit Kat in the United Kingdom save that it lacks the Kit Kat logo which is embossed onto each of the fingers of the actual product.
4. The design of the logo has not changed greatly over the years and in its current form looks like this:



5. Kit Kat has always been sold in packaging which bears the Kit Kat logo. For many years it was sold in two layers of packaging, an inner silver foil and an outer paper sleeve bearing the logo. More recently it has been sold in a single layer of packaging, again bearing the logo. In consequence, the product is not visible until the wrapping has been removed:



6. In addition to the four-finger Kit Kat, there is a two-finger version, but nothing turns on it for the purposes of this appeal.
7. The application was in due course opposed by the respondent, Cadbury UK Ltd (“Cadbury”), on various grounds including, so far as relevant to this appeal, that the Trade Mark lacked distinctive character and so registration was precluded by section 3(1)(b) of the Trade Marks Act 1994 (“the 1994 Act”), which gives effect to Article 3(1)(b) of European Parliament and Council Directive 2008/95/EC of 22 October 2008 (“the Directive”). In response, Nestlé relied upon the proviso to section 3(1) of the 1994 Act, which gives effect to Article 3(3) of the Directive, and contended that the Trade Mark had acquired a distinctive character as a result of the use which it had made of it prior to the application date.
8. The opposition was heard on 18 March 2013. In his decision given on 20 June 2013, the hearing officer held, so far as relevant, that the Trade Mark was devoid of inherent distinctive character save for cakes and pastries and that it had not acquired a distinctive character in relation to any of the other goods in respect of which registration was sought.
9. An appeal and cross-appeal against that decision came on for hearing before Arnold J in December 2013. In his judgment given on 17 January 2014 ([2014] EWHC 16 (Ch)) (the “first judgment”), he held, so far as relevant, that the hearing officer was wrong to find that the Trade Mark was inherently distinctive in relation to cakes and pastries, and that, in relation to acquired distinctiveness, it was necessary to seek a preliminary ruling from the Court of Justice of the European Union (“the CJEU” or “the Court”) in order to determine the appeals. He in fact referred three questions for a preliminary ruling, only the first of which related to acquired distinctiveness. The other two concerned another ground of objection which has no bearing on the issues before us.
10. The CJEU delivered judgment on 16 September 2015 (Case C-215/14). There was no dispute between the parties that, in light of that judgment, the registrability of the Trade Mark turned on the issue of its acquired distinctiveness. They were not agreed, however, as to the effect of the Court’s answer to the first question or the impact of that answer upon the outcome of Nestlé’s appeal.
11. The appeal was therefore restored for hearing before Arnold J on 13 January 2016. In his judgment given on 20 January 2016 (the “second judgment”), he held that the hearing officer had not erred as a matter of law in addressing the issue of acquired

distinctiveness and that the conclusion he reached was not only open to him on the evidence before him but was also correct. He therefore dismissed the appeal.

12. Upon this further appeal, Nestlé contends, in broad outline, that a substantial proportion of the relevant consumers, when presented with the three-dimensional shape the subject of the Trade Mark, identified it as a Kit Kat. Further, when those consumers identified the shape as a Kit Kat, they meant a specific product from a single source. This means that the Trade Mark is and was at the relevant date distinctive within the meaning of Article 3(3) of the Directive and the hearing officer ought so to have held. However, Nestlé continues, the hearing officer and the judge considered that something more was required, namely that consumers had come to rely on the Trade Mark, either when purchasing the goods or afterwards when checking their purchases. There was no basis in law for imposing this further requirement and it was inconsistent with the decision of the CJEU in this case.
13. Cadbury responds that the hearing officer and the judge asked themselves the correct question, namely whether consumers had come to perceive the Trade Mark as an indication of origin. Cadbury succeeded in the opposition because the evidence only established that consumers had come to associate the Trade Mark with Nestlé and this did not amount to acquired distinctiveness within the meaning of Article 3(3) of the Directive.
14. I will address these rival contentions and the further submissions advanced by the parties in due course but first must say a little about the legal framework, the decision of the hearing officer, the first judgment, the decision of the CJEU in this case and the second judgment.

### **The legal framework**

15. Article 3 of the Directive provides, so far as relevant:

“Article 3

#### **Grounds for refusal or invalidity**

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

...

(b) trade marks which are devoid of any distinctive character;

...

3. A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1(b), ... if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. ...”

16. The approach to be adopted in assessing whether a mark has acquired a distinctive character within the meaning of Article 3(3) of the Directive has been considered by

the CJEU in a number of cases over the years. For the purposes of this appeal, I can begin with the general guidance the Court gave in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber* [1999] ECR I-2779 at [51] to [54], all of which is relevant to this appeal:

“51 In assessing the distinctive character of a mark in respect of which registration has been applied for, the following may also be taken into account: the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.

52 If, on the basis of those factors, the competent authority finds that the relevant class of persons, or at least a significant proportion thereof, identify goods as originating from a particular undertaking because of the trade mark, it must hold that the requirement for registering the mark laid down in Article 3(3) of the Directive is satisfied. However, the circumstances in which that requirement may be regarded as satisfied cannot be shown to exist solely by reference to general, abstract data such as predetermined percentages.

53 As regards the method to be used to assess the distinctive character of a mark in respect of which registration is applied for, Community law does not preclude the competent authority, where it has particular difficulty in that connection, from having recourse, under the conditions laid down by its own national law, to an opinion poll as guidance for its judgment (see, to that effect, Case C-210/96 *Gut Springenheide and Tusky* [1998] ECR I-4657, paragraph 37).

54 In the light of the foregoing, the answer to the questions on the first sentence of Article 3(3) of the Directive must be that Article 3(3) is to be interpreted as meaning that:

- a trade mark acquires distinctive character following the use which has been made of it where the mark has come to identify the product in respect of which registration is applied for as originating from a particular undertaking and thus to distinguish that product from goods of other undertakings;
- ...
- in determining whether a trade mark has acquired distinctive character following the use which has been

made of it, the competent authority must make an overall assessment of the evidence that the mark has come to identify the product concerned as originating from a particular undertaking and thus to distinguish that product from goods of other undertakings;

- if the competent authority finds that a significant proportion of the relevant class of persons identify goods as originating from a particular undertaking because of the trade mark, it must hold the requirement for registering the mark to be satisfied;
- where the competent authority has particular difficulty in assessing the distinctive character of a mark in respect of which registration is applied for, Community law does not preclude it from having recourse, under the conditions laid down by its own national law, to an opinion poll as guidance for its judgment.”

17. The way in which an inherently non-distinctive mark may acquire a distinctive character was elaborated upon by the CJEU in Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2002] ECR I-5475 at [64]:

“64 ... the identification, by the relevant class of persons, of the product as originating from a given undertaking must be as a result of the *use of the mark as a trade mark* and thus as a result of the nature and effect of it, which make it capable of distinguishing the product concerned from those of other undertakings.” (Emphasis added)

18. This is readily understandable. An inherently non-distinctive mark can only acquire a distinctive character if the maker or supplier of the product concerned uses the mark in such a way that it comes to guarantee to consumers that the product originates from a particular undertaking.

19. The decision in *Philips v Remington* did not, however, address the question whether an inherently non-distinctive mark may have acquired a distinctive character where it has been used as part of or in conjunction with a registered trade mark. This issue arose for consideration in Case C-353/03 *Société des Produits Nestlé SA v Mars UK Ltd* [2005] ECR I-6135. The CJEU held that distinctive character may indeed be acquired as a result of the use of a mark as part of or in conjunction with a registered trade mark. It is sufficient to show that, as a result of that use, the relevant class of persons perceive the product, designated exclusively by the mark applied for, as originating from a given undertaking. The key passages in the judgment of the Court merit citation in full:

“26 In regard to acquisition of distinctive character through use, the identification, by the relevant class of persons, of the product or service as originating from a given undertaking must be as a result of the use of the mark as a trade mark (judgment in *Philips*, paragraph 64).

27 In order for the latter condition, which is at issue in the dispute in the main proceedings, to be satisfied, the mark in respect of which registration is sought need not necessarily have been used independently.

28 In fact Article 3(3) of the directive contains no restriction in that regard, referring solely to the ‘use which has been made’ of the mark.

29 The expression ‘use of the mark as a trade mark’ must therefore be understood as referring solely to use of the mark for the purposes of the identification, by the relevant class of persons, of the product or service as originating from a given undertaking.

30 Yet, such identification, and thus acquisition of distinctive character, may be as a result both of the use, as part of a registered trade mark, of a component thereof and of the use of a separate mark in conjunction with a registered trade mark. In both cases it is sufficient that, in consequence of such use, the relevant class of persons actually perceive the product or service, designated exclusively by the mark applied for, as originating from a given undertaking.”

20. There are three other points I should mention at this stage. First, and while it is true to say that the criteria for assessing the distinctive character of all kinds of marks are the same, the CJEU has recognised that the relevant public’s perception is not necessarily the same in the case of a three-dimensional mark consisting of the shape of a product or its packaging as it is in the case of, for example, a word or figurative mark consisting of a sign which is independent from the appearance of the products it denotes. Specifically, average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element, and it may therefore prove more difficult to establish distinctiveness in relation to such a three-dimensional mark than in relation to a word or figurative mark: see, for example, Case C-136/02P *Mag Instrument v OHIM* [2004] ECR I-9165 at [30].
21. Secondly, it follows that the more closely the shape for which registration is sought resembles the shape most likely to be taken by the product in question, the greater the likelihood of the shape being devoid of distinctive character: see, for example, *Mag Instrument v OHIM* at [31].
22. Thirdly, in assessing whether a mark has acquired distinctive character through use, the tribunal must make an overall assessment having regard to all of the relevant evidence and all of the circumstances in which the relevant public may have seen the mark, including, for example, in advertising before a purchasing decision is made, on the product and associated materials at the point a purchasing decision is made, and afterwards, when the product is consumed. Nevertheless, it must also be recognised that the degree of attention of the average consumer may vary from time to time, and that, at least in some cases, it is when making a choice between different products in the category concerned that the average consumer pays the highest degree of

attention: see, for example, case C-24/05P *August Storck KG v Office for Harmonisation in the Internal Market* [2006] ECR I-5677 at [70] to [72].

### **The decision of the hearing officer**

23. Nestlé's evidence established that the four-finger Kit Kat was sold and advertised on a very substantial scale in the years leading up to the filing date of the Trade Mark. It was rated as the sixth, third and third bestselling chocolate in the UK in 2005, 2006 and 2007 and achieved sales of £25-33 million per year. In addition, Nestlé spent £3-11 million advertising and promoting Kit Kat in each of the years from 1996 to 2007, most of which was directed at the four-finger product. Samples of advertising and promotional materials from this period were in evidence but none of them showed the Trade Mark. In each of the three years that followed, 2008, 2009 and 2010, sales of over £40 million of the four-finger product were achieved and it had a market share of 1-2%. In addition, in each of these years, between £850,000 and £4.4 million was spent promoting Kit Kat, but no samples of promotional or advertising materials were provided.
24. I should also mention that Kit Kats were not the only four-finger and two-finger products on the market. Tesco sold a four-finger product, and there was also available a niche gluten free four-finger product called the Glutano Break Bar. Somerfield, Asda, Sainsbury's and Waitrose each sold two-finger products. Sales of these two-finger products were significant but considerably less than those of the two-finger Kit Kat.
25. Nestlé also relied upon two market surveys. The hearing officer found that the first was flawed because the questions it contained were leading and invited speculation. Indeed, he continued, Nestlé almost acknowledged as much. The second was not and the hearing officer summarised it in these terms. 500 respondents making up a broadly representative sample of the public were interviewed in 18 locations around the UK in March and April 2012. They were approached in the street and those that agreed to take part were asked a few screening questions to ensure that they were resident in the UK and that they (or close friends) were not employed in, inter alia, the legal profession, market research or the manufacture or sale of confectionery. They were then shown a card bearing a representation of the Trade Mark and asked:

“Please look at this picture. Please let me know when you are ready to continue.

(1) What, if anything, can you tell me about this?”

Those respondents who mentioned “sweet” or “chocolate” without mentioning a brand name were then asked:

“(2) And what else, if anything can you tell me about it?”

Those respondents who had mentioned a brand name were asked:

“(3) You mentioned (brand name). Why was that?”

These respondents were then asked:



“What else, if anything?”

Those respondents who had not mentioned shape up until this point were then asked:

“(4) What, if anything, can you tell me about the appearance of this?”

The last question was:

“(5) Finally, is there anything else that you would like to say about this?”

26. The survey yielded 473 completed questionnaires which the hearing officer considered for himself. He focused on the answers to the first three questions. This was his conclusion:

“38 Ultimately, it is not possible to tell from a series of short answers exactly how many of the respondents were sure that the shape shown to them was a KIT KAT, but going through the answers I think it is safe to conclude that at least half the respondents gave answers which probably meant that they thought that the shape shown to them was the product known as KIT KAT. That is not really surprising given that the product has been sold in the same shape in the UK in substantial volumes since the 1930s. Most people will therefore have eaten one at one time or another...”

27. Later in his decision, he said this:

“103 ... the survey evidence described above shows that at least half the people surveyed thought that the picture shown to them depicted a KIT KAT product. ...”

28. The hearing officer turned next to the grounds of objection. Although we are not concerned on this appeal with inherent distinctiveness, it is helpful to have in mind some of his findings and observations about it. He directed himself by reference to *Mag Instrument v OHIM* at [29] to [32] and then reasoned as follows (from [92] to [94]). Third party two-finger products were on the market in the UK in a significant way prior to the filing date, as were various other products consisting essentially of a number of joined chocolate fingers separated by breaking grooves; and further, absent extensive use, an average consumer would see the shape of the Trade Mark as representing no more than four conjoined chocolate fingers separated by grooves to make it easy to break the individual fingers apart for consumption. The shape was within the norms and customs of the sector or was a mere variant on common shapes for chocolate bars and biscuits, that is to say, rectangular bars with breaking grooves resulting in individual pieces or fingers. It was therefore not such as to permit average consumers to distinguish the product from those of other undertakings and was *prima facie* devoid of distinctive character.

29. That brought the hearing officer to acquired distinctiveness. He first drew together his relevant findings of fact. The four-finger Kit Kat was one of the most popular

chocolate products on the market; products in the shape of the Trade Mark had been on the market for 75 years prior to the date of the application; substantial sums had been invested in promoting Kit Kat; and, in the survey, at least half of the respondents thought that the picture shown to them depicted a Kit Kat.

30. There followed a detailed consideration by the hearing officer of the decisions of the CJEU in *Windsurfing Chiemsee v Huber* at [51] to [54], *Philips v Remington* at [64] and *Nestlé v Mars* at [26] to [30]. However, to his mind, it was still not entirely clear from these cases what an applicant needed to prove in order to establish that his mark had acquired a distinctive character as a result of the use which had been made of it.
31. The hearing officer therefore turned to other authority and, in particular, the decision of Mr Richard Arnold QC (as he then was) sitting as an Appointed Person in *Vibe Technologies Ltd's Application* [2009] ETMR 12. In that case Mr Arnold reviewed the decisions of the CJEU to which I have referred and a number of English decisions, including the judgments of Jacob J (as he then was) in *British Sugar Plc v James Robertson & Sons Ltd* [1996] R.P.C. 281 and *Société des Produits Nestlé SA v Unilever Plc* [2002] EWHC 2709 (Ch), [2003] RPC 35, the judgment of Jacob LJ (as he had by then become) in *Bongrain SA's Trade Mark Application* [2004] EWCA Civ 1690, [2005] RPC 14 and the judgment of Patten J (as he then was) in *Dyson Ltd v Registrar of Trade Marks* [2003] EWHC 1062 (Ch), [2003] RPC 47. Having done so, Mr Arnold expressed his conclusion in these terms:

“90 ... I consider that Jacob L.J.'s judgments in *Unilever* and *Bongrain* show that the hearing officer applied the correct test: 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. I do not think, however, that it is essential for the applicant to have explicitly promoted the sign as a trade mark. It is sufficient for the applicant to have used the sign in such a way that consumers have in fact come to rely on it as indicating the origin of the goods. On the other hand, if the applicant has explicitly promoted the sign as a trade mark, it is more likely that consumers will have come to rely upon it as indicating the origin of the goods.”

32. The hearing officer summarised this finding at [107] of his decision:

“107 In essence, Mr Arnold found that evidence showing reliance on the mark, by the public, in consequence of whatever use the proprietor may have made of it, for the purposes of identification of the origin of the goods, was, in principle, sufficient. Whether the mark is visible at the point of selection is plainly particularly relevant to whether the evidence shows that the public have come to rely on it.”

33. The hearing officer expressed his agreement with that analysis and then his own conclusions at [108] to [109] in these terms:

“108 I respectfully agree with that analysis. As the name indicates, trade marks are intended to permit consumers to make informed choices between the competing goods of different undertakings in the course of trade. Therefore showing that the public know who usually makes goods of a particular shape, without also showing that such recognition plays some part in the trade in such goods, does not show that the shape has become a trade mark for the goods. This conclusion can be validated by considering the position post registration. If the mark is registered the applicant will be entitled to an exclusive right in the registered shape mark. In the case of identical marks/goods, there would be no need to show a likelihood of confusion about the origin of a defendant’s goods because, subject to certain defences, confusion is normally presumed in cases of ‘double identity’. However, if consumers place no reliance on the shape of the goods at any stage of the selection process in order to identify the trade origin of the goods, no one will actually be confused by the defendant’s use of the shape. The protection provided by registration would therefore be unjustified because it would protect a function that the trade mark does not in fact have.

109 In my view, the applicant has shown recognition of the mark amongst a significant proportion of the relevant public for chocolate confectionery (only), but not that consumers have come to rely on the shape to identify the origin of the goods. This is because:

- i) there is no evidence that the shape of the product has featured in the applicant’s promotions for the goods for many years prior to the date of the application;
- ii) the product is sold in an opaque wrapper and (until a few months before the filing of the application – and then only for a subset of the goods placed on the market), the wrapper did not show the shape of the goods;
- iii) there is no evidence – and it does not seem likely – that consumers use the shape of the goods post purchase in order to check that they have chosen the product from their intended trade source.

In these circumstances it seems likely that consumers rely only on the word mark KIT KAT and the other word and the pictorial marks used in relation to the goods in order to identify the trade origin of the products. They associate the shape with KIT KAT (and therefore with Nestlé), but no more than that. Therefore, if it is necessary to show that consumers have come to rely on the shape mark in order to distinguish the trade source of the goods at issue, the claim of acquired distinctiveness fails.”

34. The heart of the hearing officer's reasoning lies in this last paragraph. It had been shown only that consumers recognised and associated the shape of the four-finger Kit Kat with Nestlé.

### **The first judgment of Arnold J**

35. At the hearing of the appeal, Nestlé challenged the decision of the hearing officer that the Trade Mark had not acquired a distinctive character by the date of the application. It contended first, that the findings of fact by the hearing officer in his decision at [38] and [103] showed that a significant portion of consumers did rely upon the Trade Mark as indicating the origin of the products.
36. The judge rejected this submission. In his view, the hearing officer had only found that a significant proportion of consumers recognised the Trade Mark and associated it with Nestlé's goods. Further, the hearing officer had rightly held that there was no evidence, and it was inherently unlikely, that consumers of four-finger Kit Kats relied upon the shape of the product to confirm its authenticity. Indeed, the judge continued, the fact that Nestlé ensured that each finger was embossed with the Kit Kat logo amounted to a clear recognition that consumers did not rely upon the shape in that way, and that they in fact relied upon the trade mark Kit Kat.
37. Nestlé's second contention was that the hearing officer had erred in law and that the correct interpretation of Article 3(3) of the Directive was that recognition and association in the sense I have explained immediately above were sufficient to demonstrate the acquisition of distinctive character.
38. The judge thought that the answer to this question was not clear and depended upon what was meant by "use of the mark as a trade mark". As he put it: does it require the applicant to show that, as a result of the use of the mark, consumers rely on the mark as a trade mark, or is it sufficient that consumers recognise the mark and associate it with the applicant's goods? In his view, it was necessary to seek guidance from the CJEU in order to decide the appeal.
39. The question the judge ultimately referred to the CJEU was in these terms:
- "In order to establish that a trade mark has acquired distinctive character following the use that had been made of it within the meaning of Article 3(3) of Directive 2008/95 ..., 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 consider 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?"
40. In case it might be of assistance to the CJEU, the judge offered his preliminary view that an applicant must show that a significant proportion of the relevant class of

persons rely upon the trade mark (as opposed to any other trade marks which may also be present) as indicating the origin of the goods.

### **The decision of the CJEU**

41. As I have said, the CJEU gave judgment on 16 September 2015 (Case C-215/14). It summarised the issue concerning acquired distinctiveness as follows:

“24 Secondly, as regards the question of whether the trade mark at issue had acquired distinctive character through the use made of it prior to the relevant date, the referring court, after reviewing the relevant case-law, seeks to ascertain whether, in order to establish that a trade mark has acquired distinctive character, it is sufficient that, at the relevant date, a significant proportion of the relevant class of persons recognise the trade mark and associate it with the trade mark applicant’s goods. The referring court takes the view that the trade mark applicant must prove that a significant proportion of the relevant class of persons regard the trade mark (as opposed to any other trade mark which may also be present) as indicating the origin of the goods.”

42. It can be seen that the Court here regarded the judge’s preliminary view as being that the applicant for the trade mark must establish that a significant proportion of the relevant class of persons regard the trade mark (as opposed to any other trade mark which may also be present) as indicating the origin of the goods.

43. The Court began its substantive consideration of the referred question a little later at [58], and did so by recasting it:

“58 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.”

44. In this formulation the Court has drawn a distinction between, on the one hand, an applicant proving that as a result of the use he has made of the mark, the relevant class of persons perceive the goods designated exclusively by that mark, as opposed to any other mark which might also be present, as originating from a particular source and, on the other hand, an applicant proving only that a significant proportion of the relevant class of persons recognise the mark and associate it with the applicant’s goods.

45. In answering the question, the Court began by reiterating that the essential function of a trade mark is to guarantee the identity of the origin of the designated goods and to enable the consumer to distinguish the goods from those which have another origin without any possibility of confusion:

“59 It must be recalled at the outset in this connection that the essential function of a trade mark is to guarantee the identity of the origin of the designated goods or services to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the goods or services from those which have another origin (judgment in *Philips*, C-299/99, EU:C:2002:377, paragraph 30).

60 Through its distinctive character, a trade mark must serve to identify the goods or services covered by that mark as originating from a particular undertaking, and thus to distinguish the goods or services in question from those of other undertakings (see, to that effect, judgments in *Windsurfing Chiemsee*, C-108/97 and C-109/97, EU:C:1999:230, paragraph 46; *Philips*, C-299/99, EU:C:2002:377, paragraph 35, and *Oberbank*, C-217/13 and C-218/13, EU:C:2014:2012, paragraph 38).”

46. There followed a restatement of how distinctive character must be assessed and that it may be intrinsic or acquired:

“61 That distinctive character must be assessed in relation, on the one hand, to the goods or services covered by that mark and, on the other, to the presumed expectations of the relevant class of persons, that is to say, an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect (see, to that effect, judgments in *Koninklijke KPN Nederland*, C-363/99, EU:C:2004:86, paragraph 34 and the case-law cited therein; *Nestlé*, C-353/03, EU:C:2005:432, paragraph 25, and *Oberbank*, C-217/13 and C-218/13, EU:C:2014:2012, paragraph 39).

62 A sign’s distinctive character, which thus constitutes one of the general conditions to be met before that sign can be registered as a trade mark, may be intrinsic, as provided for in Article 3(1)(b) of Directive 2008/95, or may have been acquired by the use made of that sign, as provided for in Article 3(3) of that directive.”

47. Against this background, the Court turned to the acquisition of distinctive character and explained that it must be as a result of the use of the mark as a trade mark, that is to say for the purposes of the identification of the goods as originating from a particular undertaking:

“63 So far as, specifically, the acquisition of distinctive character in accordance with Article 3(3) of Directive 2008/95 is concerned, the expression ‘use of the mark as a trade mark’ must be understood as referring solely to use of the mark for the purposes of the identification, by the relevant class of persons, of the goods or services as originating from a given undertaking (judgment in *Nestlé*, C-353/03, EU:C:2005:432, paragraph 29).

48. The Court acknowledged that a mark may acquire distinctive character as a result of its use in conjunction with another mark but explained that the use must have been such that consumers actually perceive the goods, designated exclusively by the mark applied for, as originating from a particular undertaking:

64 Admittedly, the Court has acknowledged that such identification, and thus acquisition of distinctive character, may be as a result both of the use, as part of a registered trade mark, of a component thereof and of the use of a separate mark in conjunction with a registered trade mark. However, it has added that in both cases it is important that, in consequence of such use, the relevant class of persons actually perceive the goods or services, designated exclusively by the mark applied for, as originating from a given undertaking (judgment in *Nestlé*, C-353/03, EU:C:2005:432, paragraph 30, and, in connection with Regulation No 40/94, Article 7(3) of which corresponds, in essence, to Article 3(3) of Directive 2008/95, the judgment in *Colloseum Holding*, C-12/12, EU:C:2013:253, paragraph 27).

65 Therefore, regardless of whether the sign is used as part of a registered trade mark or in conjunction with the registered trade mark, the fundamental condition is that, as a consequence of that use, the sign for which registration as a trade mark is sought may serve to identify, in the minds of the relevant class of persons, the goods to which it relates as originating from a particular undertaking (see, to that effect, judgment in *Colloseum Holding*, C-12/12, EU:C:2013:253, paragraph 28).

66 It must therefore be concluded, as indicated in points 48 to 52 of the Advocate General’s Opinion, that although the trade mark for which registration is sought may have been used as part of a registered trade mark or in conjunction with such a mark, the fact remains that, for the purposes of the registration of the mark itself, the trade mark applicant must prove that that mark alone, as opposed to any other trade mark which may also be present, identifies the particular undertaking from which the goods originate.”

49. Finally, the Court answered the question:

“67 Having regard to those considerations, the answer to the first question is that, 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.”

### **The second judgment of Arnold J**

50. The judge began his consideration of the judgment of the CJEU in relation to acquired distinctiveness by expressing concern that the Court had reformulated the question he had referred. He then explained that it was necessary to try to apply the answer the Court had given as best he could.

51. To the judge’s mind, there was still a question as to what the answer entailed, however. After referring to various ‘pointers’, he said this at [57]:

“Accordingly, I conclude that, in order to demonstrate that a sign has acquired distinctive character, the applicant or trade mark proprietor must prove that, at the relevant date, a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking *because of* the sign in question (as opposed to any other trade mark which may also be present).”

52. I think the ruling of the CJEU at [67] is tolerably clear and consistent with its earlier judgments in *Philips v Remington* and *Nestlé v Mars*. The applicant must prove that, as a result of the use he has made of the mark, a significant proportion of the relevant class of persons perceive the goods designated by that mark, as opposed to any other mark which might also be present, as originating from a particular undertaking. Put another way, the mark must have come to identify the relevant goods as originating from a particular undertaking and so to distinguish those goods from those of other undertakings.

53. The judge continued that it could not be assumed that this test was the same as a test of reliance. I think he was right to express this concern, and particularly so where, as here, the mark in issue has been used in conjunction with (or as part of) a registered trade mark. This is a matter to which I must return later in this judgment. It seems to me, however, that there was, in the end, very little difference between the parties’ respective positions.

54. As the judge recorded, Cadbury submitted that there was no inconsistency between the two tests: if the relevant class of persons perceives the relevant goods as originating from a particular undertaking because of the mark in question (as opposed to any other trade mark which may also be present), then those persons will rely upon that mark to differentiate those goods from the goods of other undertakings.



55. Nestlé contended that there is no need for a mark to have been used on its own to have acquired a distinctive character, and that what matters is the perception of the relevant class of persons. Where the mark has been used with other marks then it is necessary to assess how those persons would perceive the mark if it were used on its own. Nestlé also made this submission concerning reliance which merits recitation in full (with emphasis added by the judge):

“[The court’s answer] ... imports the concept of reliance, because there is reliance by the average consumer where, as a result of the mark, they perceive the goods as originating from a particular undertaking. It is not reliance in the sense that they had in the past gone out and made purchasing decisions on that basis, but it is reliance in the sense that they perceive it as a trade mark. To perceive it as a trade mark is to perceive it as identifying the undertaking from which the goods originate. That of course is the critical reliance for trade mark purposes. ... [What is required is] something which people will perceive in a trade mark way. *Implicit in that is that they will rely upon it if presented with it in those circumstances where they may wish to buy the product or even avoid the product.*”

56. It was therefore largely if not entirely common ground that, as the judge said at [60]:

“60 .... it is legitimate for the competent authority, when assessing whether the applicant has proved that a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking because of the sign in question, to consider whether such persons would rely upon the sign as denoting the origin of the goods if it were used on its own. ”

57. The judge turned next to the application of the test propounded by the CJEU in the context of the present case. He began by reiterating the submissions made to him on behalf of Nestlé at the first hearing of the appeal and the conclusions he expressed about them in his first judgment which I have summarised at [35] to [38] above. The judge there held first, that the hearing officer had found only that a significant proportion of the relevant class of persons recognised the shape the subject of the Trade Mark and associated it with goods manufactured by Nestlé; and secondly, that, in order to deal with Nestlé’s submission to the effect that association was sufficient to demonstrate acquisition of distinctive character, it was necessary to seek the guidance of the CJEU.
58. The judge continued that it was now clear from the answer given by the CJEU that Nestlé’s second submission was wrong and that it was not sufficient to show that a significant proportion of the relevant class of persons recognise the mark and associate it with the applicant’s goods.
59. That was not the end of the appeal, however, for Nestlé then deployed two further arguments. It contended first, that the hearing officer had erred because he required evidence of past reliance by consumers on the Trade Mark as denoting the origin of

the goods, whereas all that was required was evidence that consumers perceived the goods designated by the Trade Mark as originating from a particular undertaking.

60. The judge rejected this argument in short order. In his view, it was clear from the reasoning of the hearing officer that he had evaluated the perception of consumers at the relevant date in a manner which was consistent with the legal test laid down by the CJEU.
61. Nestlé contended secondly, that the hearing officer's conclusion was untenable in light of the evidence, and in particular the second survey. This, said Nestlé, showed that a significant proportion of consumers did perceive the goods designated by the Trade Mark as originating from a particular company.
62. The judge had no difficulty rejecting this submission too. In his view, the hearing officer had interpreted the survey correctly. He observed that the exercise involved showing consumers the Trade Mark and asking them questions which were designed to prompt them into naming a source of products of the kind depicted. That a majority were able to name Kit Kat did not mean that they perceived the Trade Mark as exclusively designating the origin of such products.
63. The judge also referred to the following passage in the decision of the CJEU in Joined Cases C-217/13 and 218/13 *Oberbank AG v Deutscher Sparkassen- und Giroverband EV* [EU:C:2014:2012], [2014] ETMR 56 at [48]:

“...even if a consumer survey may be one of the factors to be taken into account when assessing whether such a mark has acquired distinctive character through use, the results of a consumer survey cannot be the only decisive criterion to support the conclusion that a distinctive character has been acquired through use”.
64. The judge recognised that this statement was made with reference to a contourless colour mark but considered there was no reason to think it was not equally applicable in the present context. Overall, the hearing officer took all relevant matters into account and was entitled to reach the conclusion he did. Indeed, the judge continued, he agreed with it.
65. Finally, the judge pointed to an additional factor which he thought supported the hearing officer's conclusion, namely his finding that it was likely that a number of similarly shaped products made by other undertakings were on the market in the years leading up to the application date; yet there was no evidence that consumers thought these products were Kit Kats. In the judge's view, this was inconsistent with the Trade Mark having acquired a distinctive character.

### **The appeal**

66. Upon this appeal, the parties have been represented as they were before the judge. Nestlé has been represented by Mr Michael Bloch QC and Mr Simon Malynicz QC, and Cadbury has been represented by Mr Thomas Mitcheson QC.

67. Mr Bloch's submissions may be summarised as follows. First, there can now be no doubt as to the correct approach to the assessment of acquired distinctiveness. What must be shown is that a significant proportion of the relevant class of consumers perceives the goods designated exclusively by the mark in issue, as opposed to any other trade mark which might also be present, as originating from the applicant. This does not require any finding that consumers have, in the past, placed any reliance upon the mark in their transactional behaviour.
68. Secondly, the hearing officer did not adopt the correct approach and the judge was wrong to hold otherwise. The hearing officer applied a reliance test which was drawn from the decision in *Vibe* which was itself based upon the decisions in the series of English cases to which I have referred at [31] above. He asked himself whether consumers had come to rely upon the Trade Mark as part of their past transactional behaviour. He ought instead to have asked himself whether a significant proportion of relevant consumers had come to perceive chocolate products designated exclusively by the Trade Mark as originating from Nestlé. Similarly, the judge had no basis and was wrong to hold that the hearing officer's approach and assessment were consistent with the answer given by the CJEU to the question he had referred.
69. Thirdly, if the hearing officer had applied the correct test to the findings of fact he had made then he would or ought to have found that the Trade Mark had become distinctive by the date of the application. Moreover, if the judge had applied the correct test to the findings made by the hearing officer then he too would or ought to have found that the Trade Mark had become distinctive by the date of the application, and that the hearing officer had fallen into error in finding otherwise.
70. Fourthly, the reasoning of the judge reveals a number of further errors. In particular, he criticised the methodology and probative value of the second survey without having any proper basis to do so; he wrongly took into account the presence on the market of similar products of third parties; his critical finding that the hearing officer properly evaluated the perception of consumers at the relevant date was unsupported and lacked any adequate reasoning or foundation; and his approach effectively renders three-dimensional shape marks unregistrable.
71. Finally, says Mr Bloch, on 15 December 2016 the General Court gave judgment in Case T-112/13 *Mondelez UK Holdings & Services Ltd (formerly Cadbury) v European Union Intellectual Property Office (EUIPO), Société des Produits Nestlé S.A. intervening* [2017] ETMR 13 which concerns the EU trade mark equivalent to the Trade Mark. The General Court made findings of EU law and fact which are directly contrary to those of the judge. So far as the General Court made findings of EU law, they are binding upon this court; and so far as it made findings of fact, there is no principled basis upon which they can be distinguished.
72. Mr Mitcheson joins issue with nearly all of these submissions and submits as follows. He agrees that the relevant test is that laid down by the CJEU in response to the question the judge referred but maintains that it is central to a finding of factual distinctiveness that consumers do or could use the mark in their transactional decisions because of the use that has been made of it, and that is so whether the mark has been used on its own, alongside another trade mark or as part of another trade mark. Without there being a connection in the mind of the average consumer between

the shape and the origin of the goods, the shape is incapable of fulfilling its function as a trade mark.

73. Secondly, it must be appreciated that the hearing officer did not have the benefit of the decision of the CJEU in this case. Nevertheless, he directed himself properly as to the relevant legal principles and in a manner entirely consistent with the guidance the Court subsequently gave, and there is no basis for concluding that he employed a test which required Nestlé to establish that consumers had come to rely upon the Trade Mark in the course of their transactional behaviour. Moreover, the judge also directed himself properly in law as to the test to be applied and correctly found that hearing officer had not fallen into error in this regard.
74. Thirdly, the hearing officer, having properly directed himself in law, was entitled and right to find that the Trade Mark had not become distinctive by the relevant date. His critical finding that Nestlé's evidence established only that consumers associated the Trade Mark with Kit Kat was fatal to the application.
75. Fourthly, the further criticisms of the reasoning of the judge are not justified. In particular, the judge approached the survey correctly; he was entitled to refer to the presence on the market of similar products of third parties; his finding that the hearing officer properly evaluated the perception of consumers at the relevant date was adequately reasoned; and it is simply not correct to say that the judge's approach effectively renders three-dimensional shape marks unregistrable.
76. Finally, the decision of the General Court in *Mondelez* is of no assistance because that court misunderstood the decision of the CJEU in this case in a critical respect and proceeded to adopt an incorrect approach which involved assessing whether a significant proportion of the relevant class of persons recognised the Trade Mark and associated it with Kit Kat. What is more, the surveys upon which the General Court relied were as flawed as the first survey in the present proceedings and had no probative value.
77. Before assessing these rival submissions, I think it may be helpful to say a little more about a concept which is woven into the decisions of the CJEU, including the decision of the CJEU in this case, concerning the acquisition of distinctive character by an inherently non-distinctive three-dimensional shape mark such as the Trade Mark. As we have seen, the CJEU has held that it is not sufficient for the applicant to show that a significant proportion of the relevant class of persons recognise and associate the mark with the applicant's goods. However, to a non-trade mark lawyer, the distinction between, on the one hand, such recognition and association and, on the other hand, a perception that the goods designated by the mark originate from a particular undertaking may be a rather elusive one. Nevertheless, there is a distinction between the two and, as I shall explain in a moment, it is an important one.
78. The distinction is this. We are concerned here with a mark, the three-dimensional shape of a chocolate product, that has no inherent distinctiveness. A shape of this kind is not inherently such that members of the public are likely to take it as a badge of origin in the way they would a newly coined word or a fancy name. Now assume that products in that shape have been sold on a very large scale under and by reference to a brand name which is inherently highly distinctive. Assume too that the shape has in that way become very well-known. That does not necessarily mean that the public

have come to perceive the shape as a badge of origin such that they would rely upon it alone to identify the product as coming from a particular source. They might simply regard the shape as a characteristic of products of that kind or they might find it brings to mind the product and brand name with which they have become familiar. These kinds of recognition and association do not amount to distinctiveness for trade mark purposes, as the CJEU has now confirmed in its decision in this case.

79. The significance of the distinction lies in the considerable value of a registration of a three-dimensional shape as a trade mark. As the hearing officer explained in his decision at [108], it confers upon the proprietor an exclusive right to use that shape in relation to the product concerned. If a third party were to use that same shape for the same product, the proprietor would not need to show a likelihood of confusion about the origin of the product for, subject to certain defences, a likelihood of confusion would be presumed. But if consumers do not perceive the shape as denoting the origin of the product, no one would actually be confused and the protection afforded by the registration would not be justified. I think Jacob J (as he then was) put these points very well in *Nestlé v Unilever* at [32] to [33]:

“32 There is a bit of sleight of hand going on here and in other cases of this sort. The trick works like this. The manufacturer sells and advertises his product widely and under a well-known trade mark. After some while the product appearance becomes well-known. He then says the appearance alone will serve as a trade mark, even though he himself never relied on the appearance alone to designate origin and would not dare to do so. He then gets registration of the shape alone. Now he is in a position to stop other parties, using their own word trade marks, from selling the product, even though no-one is deceived or misled.

33 I do not think that is what the European Trade Mark system is for. It is a system about trade marks, badges of trade origin. For that reason I think that in the case of marks consisting of product shapes it is not enough to prove the public recognises them as the product of a particular manufacturer. It must be proved that consumers regard the shape alone as a badge of trade origin in the sense that they would rely upon that shape alone as an indication of trade origin, particularly to buy the goods. If that cannot be proved, then the shape is not properly a trade mark, it does not have a “distinctive character” for the purposes of trade mark law.”

80. I now turn to the various issues to which the contentions of the parties give rise and begin with the test to be applied in assessing whether a mark which is inherently non-distinctive has acquired distinctive character. As I have said, this has been explained by the CJEU in its judgment in this case at [67] in a manner which is foreshadowed by and entirely consistent with the guidance given by the Court in *Nestlé v Mars* and there can be no dispute about it. The tribunal must consider whether the applicant has proved that a significant proportion of 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 undertaking. In short, the mark itself must be seen as a badge of origin.

81. Mr Bloch submits that, for the purpose of establishing the acquisition of distinctive character by an inherently non-distinctive mark, it is not necessary to show that consumers have in fact relied upon the mark in selecting or purchasing the goods or services or that they have used the mark at some point after purchase to verify that they have chosen the right goods or services. In other words, it is not necessary to show that the mark has played any part in consumers' purchasing or post-transactional behaviour. Nor is it necessary to show that the mark will play a part in consumer purchasing or post-transactional behaviour in the future. The notion of 'reliance' is, he says, different from 'perception' and is one which has developed through a series of English cases, culminating in *Vibe*, but it has played no part in the exposition by the CJEU of what is necessary to establish distinctive character under Article 3(3) of the Directive.
82. I cannot accept the generality of these submissions. I recognise that the CJEU has not used the term 'reliance' in giving the guidance to which I have referred. However, the essential function of a trade mark is to guarantee to consumers the origin of the goods or services in relation to which it is used by enabling them to distinguish those goods or services from others which have a different origin. Perception by consumers that goods or services designated by the mark originate from a particular undertaking means they can rely upon the mark in making or confirming their transactional decisions. In this context, reliance is a behavioural consequence of perception.
83. The mark performs this function through its distinctive character. That character may be inherent or it may be acquired, but it can only be acquired through the use of the mark as a trade mark, that is to say for the purposes of the identification by consumers of the relevant goods or services as originating from a particular undertaking. I recognise that the CJEU explained in *Nestlé v Mars* that the acquisition of distinctive character may be the result both of the use, as part of a registered mark, of a component of it and of the use of a separate mark in conjunction with a registered trade mark; and further that in both cases it is sufficient that, in consequence of that use, the relevant consumers perceive the goods or services, designated exclusively by the mark applied for, as originating from a given undertaking. But once again, in such a case and were the mark to be used alone, consumers would not only perceive the goods or services designated by the mark as originating from a particular undertaking but would also rely upon it for that purpose in making or confirming their transactional decisions.
84. Accordingly, I agree with the judge that it is legitimate for a tribunal, when assessing whether the applicant has proved that a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking because of the sign in question, to consider whether such person would rely upon the sign as denoting the origin of the goods or services if it were used on its own. Further, if in any case it is shown that consumers have come to rely upon the mark as an indication of origin then this will establish that the mark has acquired distinctiveness.
85. That brings me to Mr Bloch's criticisms of the approach adopted by the hearing officer and here I can take the second and third issues together. As I have explained,

Mr Bloch's fundamental criticism is that the hearing officer did not adopt a correct approach and instead applied a reliance test which he had derived from the English authorities, including *Vibe*. Further, had he applied the correct approach he would have found that the Trade Mark had become distinctive by the date of the application.

86. I reject these submissions. The hearing officer directed himself by reference to *Windsurfing Chiemsee v Huber*, *Philips v Remington*, *Nestlé v Mars* and *Vibe* before agreeing (at [108]) with the analysis of Mr Arnold's judgment in *Vibe* that he had set out (at [107]), namely that evidence showing reliance on the mark by consumers, in consequence of whatever use the applicant has made of it, for the purposes of identification of the origin of the product, is, in principle, sufficient to establish distinctiveness. It can now be seen that this analysis was correct though not complete. If the mark has been used in such a way that a significant proportion of consumers have some to rely on it as a badge of origin then it will indeed be distinctive. However, in circumstances where a mark has been used in conjunction with a registered trade mark, it may be difficult to show that consumers have relied upon it in the course of their transactional behaviour, particularly where, as here, the mark is not visible at the point of sale. It is nevertheless sufficient to establish that consumers have come to perceive the product designated by the mark as originating from a particular undertaking. Be that as it may, I am satisfied that, in expressing his conclusion on the law, the hearing officer had two substantive points in mind. First, it was necessary for Nestlé to show that it had used the mark as a trade mark, that is to say for the purposes of identification by consumers of the product as originating from the makers of Kit Kat, and that they had, as a result, come to perceive it as a badge of origin. Secondly, it was not sufficient for Nestlé to show that the mark had merely come to be associated with Kit Kat. Certainly there is no suggestion that the distinction between 'perception' and 'reliance' received the attention from the parties that it has on this appeal.
87. Then, at [109], the hearing officer drew his conclusions together on the facts and the application of the law to the facts. He found that Nestlé had shown only that a significant proportion of the relevant public recognised the shape the subject of the Trade Mark and associated it with Kit Kat, and that it had not established that consumers relied upon the shape as an indication of origin. Now it must be acknowledged in light of the decision of CJEU in *Nestlé v Mars* that, in the circumstances of this case, where the shape had always been used in conjunction with the mark Kit Kat, it was not necessary for Nestlé to show that the public had actually come to rely upon it in the course of their transactional behaviour. However, it was fatal to the application that the public had only come to associate the shape with Kit Kat. It followed that the claim to acquired distinctiveness was bound to fail.
88. Are there nevertheless flaws in the approach adopted by the hearing officer to the evidence before him? I do not think that there are. It was made clear by the CJEU in *Windsurfing Chiemsee v Huber* that, in assessing whether a mark has acquired distinctive character, the tribunal must make an overall assessment of the evidence. Here the hearing officer properly took into account the following further matters, namely that there was no evidence that the shape of the product had featured in Nestlé's promotional and advertising material; the product had only ever been sold in an opaque wrapper; and the shape had not been shown on the packaging, save for a short time and a limited subset of goods. The hearing officer might properly have

added that the fingers of the product had always been embossed with the Kit Kat logo and that there were other finger-shaped chocolate products on the market before the application date, none of which was thought to be a Kit Kat.

89. The hearing officer therefore rightly paid particular attention to the second survey. He considered for himself the responses to it and, in light of the other evidence before him, came to a reasoned conclusion as to what it established. The high point for Nestlé is his finding that at least half the people surveyed thought that the picture shown to them was a Kit Kat. But in giving their responses they might have had in mind a product coming from the same source as Kit Kat or a product of the Kit Kat type or a product which looked like a Kit Kat. The hearing officer was therefore entitled and indeed bound to consider the results in light of all of the other evidence before him. I am also satisfied he was entitled to conclude as he did that Nestlé had shown recognition and association of the shape with Kit Kat but had failed to prove that the shape (and hence the Trade Mark) had acquired a distinctive character in light of the use which had been made of it.
90. In these circumstances I can deal with the criticisms made of the judge's reasoning quite shortly. For my part, I do not share the judge's rather critical view of the survey. I accept that the fourth and fifth questions invited speculation but I do not think the same can be said of the first three questions. I believe the hearing officer was right to say that these questions were not leading and did no more than necessary to give the survey a relevant context. Nevertheless, for the reasons I have given, I am satisfied that the hearing officer was entitled to find that the results of the survey did not establish distinctiveness. As the CJEU explained in *Windsurfing Chiemsee v Huber*, the court may, where it has particular difficulty in assessing distinctiveness, have recourse to a survey. But the observations of the Court in *Oberbank* are also pertinent and a reminder that the results of the survey must be considered along with all the other relevant factors. That is the course the hearing officer took, as the judge rightly held. I also reject the suggestion that the approach taken by the judge renders shape marks of the kind in issue effectively unregistrable as trade marks. There may, for example, be evidence of the kinds referred to by the hearing officer at [109] of his decision, none of which was produced in the present case.
91. It only remains to deal with the decision of the General Court in *Mondelez v EUIPO*. As I have said, this concerns the EU trade mark corresponding to the Trade Mark. In 2006 this mark was registered by EUIPO in respect of various goods in Class 30 including sweets. In 2007 Cadbury Schweppes, now Mondelez, applied for a declaration of invalidity on a number of grounds, including an allegation that the mark lacked distinctiveness and so registration was precluded by what was then Article 7.1(b) of Council Regulation 40/94 of 20 December 1993 on the Community trade mark (now Article 7.1(b) of Council Regulation 207/2009 of 26 February 2009 on the EU trade mark). Nestlé responded, inter alia, that the mark had become distinctive as a result of the use which had been made of it and so, by virtue of Article 7(3) and Article 52(2), no declaration of invalidity could be made in respect of it.
92. On 11 January 2011 the Cancellation Division of EUIPO declared the mark invalid. In March 2011 Nestlé intervened and filed a notice of appeal against the decision. On 11 December 2012 the Second Board of Appeal of EUIPO annulled the Cancellation Division's decision. It considered that the Cancellation Division had been entitled to conclude that the mark lacked inherent distinctive character but that Nestlé had shown



that it had been used in almost all of the relevant Member States and that, as a result, almost 50% of consumers in those countries identified it as indicating the commercial origin of a product having its shape, and so it had acquired a distinctive character.

93. On further appeal by Mondelez, the General Court annulled the decision of the Board of Appeal. It held, so far as relevant, that a mark which lacks any inherent distinctive character must be shown to have acquired a distinctive character in all relevant Member States. Here the Board of Appeal had been right to find that the mark had acquired a distinctive character in the majority of the relevant Member States, including the UK, but it had failed to make a finding as to how the mark was perceived in the remainder. We have been told by Mr Bloch that EUIPO is now required to take the necessary steps to comply with the decision and that this will likely involve a re-examination of the evidence of distinctiveness in those remaining Member States with which it had earlier failed to deal. We have also been told that Cadbury is appealing against the decision to the CJEU.
94. In an echo of his other arguments, Mr Bloch submits that it is clear from this decision that, where a mark has been used in conjunction with a registered trade mark such as Kit Kat, it is not necessary to show that the public have come to rely upon the mark as denoting the origin of the goods to which it has been applied in order to establish that it has acquired a distinctive character. Nor is it necessary to show that the shape has appeared on the packaging of the goods. It is only necessary to show that the public have come to perceive goods designated by the mark as originating from a particular undertaking. Mr Bloch focuses upon these paragraphs in the decision:

“98 EUIPO and the intervener indicated that the Court had simply confirmed the well-established principle resulting from the earlier case law stemming from, inter alia, the judgments of 12 February 2004, *Koninklijke KPN Nederland* (C-363/99, EU:C:2004:86); of 7 July 2005, *Nestlé* (C-353/03, EU:C:2005:432); and of 19 June 2014, *Oberbank and Others* (C-217/13 and C-218/13, EU:C:2014:2012), according to which it must be established that, as a result of the use of the mark in question, either as part of another registered trade mark or in conjunction with that trade mark, the relevant class of persons perceives the product or service, designated exclusively by the mark in question, irrespective of any other mark that may also be present, as originating from a particular undertaking.

99 In that regard, it must be emphasised that the fact that the relevant public has recognised the contested trade mark by referring to another mark which designates the same goods and is used in conjunction with the contested trade mark does not mean that the contested trade mark is not used as a means of identification in itself. The position would be different if the Court of Justice had found that, as suggested by the English referring court, the answer to the first question referred for a preliminary ruling in the judgment of 16 September 2015, *Société des Produits Nestlé* (C-215/14, EU:C:2015:604) , was that, in order to establish that distinctive character has been

acquired, it is necessary to demonstrate that the consumer concerned relies on a mark in order to identify the commercial origin of the goods designated by that mark. However, the Court merely confirmed that, to that end, it was necessary to show whether the mark representing the shape of the product, when used independently of its packaging or of any reference to the word mark KIT KAT, serves to identify the product in question as being, without any possibility of confusion, the product known as “Kit Kat 4 fingers”, as was observed in point 52 of Advocate General Wathelet’s Opinion in *Société des Produits Nestlé* (C-215/14, EU:C:2015:395).

100 Indeed, having emphasised that acquisition of distinctive character could be as a result of use both as part of a registered trade mark or a component thereof and of a separate mark in conjunction with a registered trade mark, the Court held that, in consequence of such use, the relevant class of persons had to actually perceive the product or service, designated exclusively by the mark applied for, as originating from a particular undertaking. It concluded that, regardless of whether the sign was used as part of a registered trade mark or in conjunction with the registered trade mark, the fundamental condition was that, as a consequence of that use, the sign for which registration as a trade mark was sought could serve to identify, in the minds of the relevant class of persons, the goods to which it related as originating from a particular undertaking (judgment of 16 September 2015, *Société des Produits Nestlé* (C-215/14) EU:C:2015:604, at [64] and [65]).”

95. Mr Bloch submits that a decision of the General Court on a point of EU law is binding on this court and that it is now clear that ‘reliance’ has no part to play in assessing whether a mark has acquired a distinctive character as a result of the use which has been made of it. Moreover, he continues, it is plain that the hearing officer and Arnold J fell into error in seeking to equate ‘reliance’ with ‘perception’.
96. Mr Bloch also submits it is notable that the General Court held that Nestlé had shown that the mark had acquired a distinctive character in a number of Member States, including the UK. He recognises, correctly, that the goods in issue are defined in a slightly different way but says this difference is not material for present purposes. Accordingly, he invites us to hold that the Trade Mark has acquired a distinctive character and that the hearing officer and the judge were wrong to find otherwise.
97. I accept for the purposes of this appeal that decisions of the General Court on points of EU law are binding upon this court. However, I am satisfied that the General Court has not made any such decision which is relevant to this appeal. To the contrary, it has simply reiterated the principle established by the CJEU in *Nestlé v Mars*, namely that, where a mark has been used as part of or in conjunction with a registered trade mark, it must be shown that the relevant class of persons perceive the product, designated exclusively by the mark in issue, as originating from a particular undertaking. That is a principle which neither of the parties to this appeal disputes.

98. Secondly, Mr Bloch's submission as to the relevance of 'reliance' goes too far. I accept that it is not necessary to show the public have relied upon the Trade Mark. Such is clear from the decision of the CJEU. But that does not mean to say that evidence of reliance has no part to play. If an applicant for registration of an inherently non-distinctive mark establishes that, as a result of the use which has been made of it, consumers have come to rely upon it as denoting the origin of the goods to which it has been applied, that will show it has become distinctive.
99. Thirdly, there can be no doubt in light of the decision of the CJEU in this case that it is not sufficient for an applicant for registration of an inherently non-distinctive mark to show that, as a result of the use which has been made of it, consumers merely recognise it and associate it with the applicant's goods.
100. I also recognise that the General Court held that the Board of Appeal was correct to find that Nestlé had established that the mark had acquired a distinctive character through use in the UK. This is a finding which Mr Bloch properly brought to our attention and it is one of which I take careful note. However, it is not binding on this court, as Mr Bloch rightly accepted. Furthermore, it has not caused me to doubt the correctness of the hearing officer's decision. I say that for two reasons. First, as Mr Mitcheson fairly points out, the General Court took into account the results of surveys having questions in the form of the first survey which the hearing officer found to be so seriously flawed as to render it wholly unreliable. Secondly, there are many passages in the decision of the General Court which suggest that, contrary to the decision of the CJEU, it regarded recognition and association of the mark with Kit Kat as being sufficient to establish distinctiveness.

## **Conclusion**

101. For all of the reasons I have given, I would dismiss this appeal.

## **Lord Justice Floyd:**

102. The test for whether a mark which has no inherent distinctiveness has nevertheless acquired a distinctive character must now be regarded as settled. It is that a significant proportion of the relevant class of consumers perceive goods designated by the mark applied for as originating from a particular undertaking. It is a requirement of Article 3(3) of the Directive that there has been use of the mark applied for before the date of application. But there is no requirement that the use should be of the mark on its own: the use may be in conjunction with another mark or marks.
103. How one goes about establishing the relevant perception in an individual case will depend upon how the mark has in fact been used. If there has been use of the mark on its own, then it may be possible to show that the public have in fact come to perceive goods bearing the mark as originating from a particular undertaking by reference to the consequences of that use. Where the mark has been used in combination with other marks, the task inevitably becomes more difficult, because it is the perception of the mark applied for, and not other marks used in combination with it, which it is necessary to isolate and establish. The question in such cases will inevitably be a more hypothetical one.

104. Hence no criticism can be made of the applicants in the present case for their resort to a survey, given that their actual use of the mark applied for was always in conjunction with their Kit Kat logo. The survey rightly singled out for consideration the trade mark applied for, on its own, even though there had in fact been no use of the mark on its own.
105. There is a danger, however, in regarding the results of a survey as dispositive of the ultimate question which the court has to decide, as I was at one stage of the argument tempted to do. For the shape in question here to have acquired distinctiveness, the court must be able to conclude that a significant proportion of consumers, seeing it used in relation to chocolate bars, would perceive it as designating the goods of a particular undertaking. That does not mean that he or she must be able to identify the undertaking. In essence, what he or she must be able to conclude is that the goods in question are the goods of one undertaking and no other. I have found it helpful to have in mind a basket of unwrapped and otherwise unmarked chocolate bars, in the shape of the mark applied for, available for selection in a shop or supermarket. For there to be acquired distinctiveness, the consumer must perceive these goods as being Kit Kats, or as originating from the people who make Kit Kats, and not from others. A perception that they looked like Kit Kats is not enough. Acquired distinctiveness carries with it an indication of exclusive trade origin.
106. The hearing officer concluded that the survey in the present case did not establish acquired distinctiveness on its own. He was entitled to do so. He observed at [38] that it was not possible to tell from it how many respondents were sure that the shape shown to them was a Kit Kat. He regarded the responses as unsurprising given that, as he put it, most people will have eaten one. Critically, however, he concluded at [109] that the survey evidence did not establish any more than recognition.
107. Much of the argument on this appeal has surrounded the question of whether the hearing officer was imposing a requirement or precondition that members of the public had “come to rely on the trade mark” as a matter of past, transactional behaviour. It is fair to say that in paragraph 109 the hearing officer did ask himself whether consumers had “come to rely” on the shape to identify the origin of the goods. He then went on to point out that (i) there was no evidence that the shape had appeared in promotions over many years; (ii) the product had, almost without exception, been sold in an opaque wrapper; and (iii) it did not seem likely that consumers used the shape to check what they had purchased was from the intended trade source.
108. If it is the case that consumers have in fact come to rely on the shape as an indicator or trade origin, that would certainly be sufficient for acquired distinctiveness. It is, however, not a necessary precondition that consumers should have in fact so relied, and regarding it as such a precondition could conceivably lead to error. The ultimate question is whether the mark, used on its own, has acquired the ability to demonstrate exclusive origin. It would be unwise to attempt a list of the ways in which this can be demonstrated.
109. I am satisfied, however, that in pointing to the matters identified in paragraph 109, the hearing officer was merely drawing attention to the fact that there was no evidence to fortify the survey, which on its own was inadequate evidence of acquired distinctiveness. He was not regarding these matters as essential prerequisites to a

finding of acquired distinctiveness: they were merely examples of the sort of evidence which might have been produced to show that the shape had not merely been used extensively, but that the extensive use had educated the public to understand that the shape was a badge of origin.

110. For those additional reasons, which are in accord with the reasons given by Kitchin LJ with which I entirely agree, the appeal must be dismissed.

**Sir Geoffrey Vos, the Chancellor of the High Court:**

111. I am grateful to Lord Justice Kitchin for his clear judgment with which I agree. I agree also with Lord Justice Floyd's judgment. I wanted, however, to express the conclusions that I have reached briefly in my own words.
112. The starting point of this debate must be the terms of Trade Marks Directive 2008/95/EC which provides by Article 3(1)(b) that "trade marks which are devoid of any distinctive character" shall not be registered. It is common ground that the KIT KAT shape mark in question (the "mark") did not have any original distinctive character, so that the issue in the case arose from Article 3(3). Article 3(3) provides that a "trade mark shall not be refused registration ... in accordance with paragraph 1(b) ... if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character".
113. In these circumstances, the statutory question for the Hearing Officer was simply whether the mark had "before the date of application for registration and following the use which has been made of it, ... acquired a distinctive character". It may seem surprising that these simple words have caused so much litigation and so many erudite authorities, but that has undoubtedly been the case. It seems to me that the key to the learning that has developed, which Kitchin LJ has so clearly explained, is in the words "following the use which has been made of the [mark]" in Article 3(3).
114. The Court of Justice of the European Union has laid down in this case in paragraph 67 of its decision C-215/14 (the "CJEU's decision") the correct test to apply when one is seeking to ascertain whether an undistinctive mark has acquired a distinctive character by use within article 3(3) of the Directive. Its ruling was to the effect that the 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". This paragraph of the CJEU's decision cannot, however, be read in isolation. It needs to be seen in the light of paragraphs 63 and 64.
115. Unfortunately, however, those paragraphs can only be understood by reference to 2 previous decisions of the CJEU in *Société des Produits Nestlé SA v. Mars UK Ltd.* (Case C-353/03) [2006] FSR 2 (the "*Mars case*"), and *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd.* (Case C-299/99) (the "*Philips case*"). At paragraph 64 of the judgment of the CJEU in the *Philips case*, the Court said, specifically in relation to acquired distinctiveness under Article 3(3), that "the identification, by the relevant class of persons, of the product as originating from a given undertaking must be **as a result of the use of the mark as a trade mark and thus as a result of the nature and effect of it**, which make it capable of distinguishing the product concerned from those of other undertakings" (emphasis

added). Paragraphs 26-29 of the *Mars* case then endorsed that holding by saying, in the context of a question as to whether the relevant trade mark needed to have been used independently of other trade marks (which it did not) that: “[i]n regard to acquisition of distinctive character through use, the identification by the relevant class of persons, of the product or service as originating from a given undertaking **must be the result of the use of the mark as a trade mark** (judgment in *Philips*, [64])” (emphasis added).

116. Paragraphs 63 and 64 of the CJEU decision need to be read in the context of these *dicta*. Paragraph 63 explains that the expression in Article 3(3) “use of the mark as a trade mark” must be “understood as referring solely to use of the mark for the purposes of the identification by the relevant class of persons, of the goods or services as originating from a given undertaking”. Paragraph 64 then emphasises, having noted that the use does not need to be of the relevant mark alone, that it is important that “**in consequence of such use [being the use of the mark as a trade mark]**, the relevant class of persons actually perceive the goods or services designated exclusively by the mark applied for, as originating from a given undertaking” (emphasis added).
117. Thus, the perception required by the simple test extracted from paragraph 67 of the CJEU’s decision is a qualified kind of perception. The test in paragraph 67 is that the applicant must prove that the relevant class of persons perceive the goods designated exclusively by the mark applied for as originating from a particular company. The perception that is required is **perception that arises in consequence of the use of the mark as a trade mark and thus as a result of the nature and effect of it, which make it capable of distinguishing the product concerned from those of other undertakings**. I have used the words transported from the *Philips* case, through the *Mars* case and into the CJEU’s decision.
118. The question for this court is then whether the Hearing Officer properly applied that test to the facts of this case. Obviously, the Hearing Officer did not have the benefit of the CJEU’s decision, but if it can be seen from what he did decide that applying the correct legal test to his factual findings would not have led to a different result, we should not interfere with his decision.
119. The Hearing Officer began his consideration of acquired distinctiveness under Article 3(3) at paragraph 99 with an appropriate reference to the decision in *Windsurfing Chiemsee Produktions v. Boots* (Joined cases C-108/97 and C-109/97). He then recorded Nestlé’s market share and investment in the promotion of KIT KAT over 75 years, even though there was no evidence that the mark itself had been used as a promotional tool since 1964. Interestingly, the Hearing Officer then recited at paragraphs 103-4 of his decision the passages that I have relied upon above from the *Philips* case and the *Mars* case. This demonstrates to me, at least, that he understood that the identification of the product that was required had to be as a result of the use of the mark as a trade mark in the sense I have already mentioned. The Hearing Officer then noted that the issue in the *Mars* case was as to the use of one trade mark as part of another (i.e. “Have a break” as part of “Have a break ... Have a Kit Kat”), so that there it was obvious that the mark in question had been used by the proprietor “as a trade mark”. He turned to paragraph 90 of Richard Arnold QC’s decision in *Vibe Technologies Limited’s Application No. 2390030* [2009] ETMR 12 to answer the question of whether the use of the mark had to be used by the proprietor as a trade

mark, or whether it was enough that public used the mark to identify the goods as the proprietor's goods. In that passage, Mr Arnold had said that he did not think it was essential for the applicant to have explicitly promoted the sign as a trade mark. It was sufficient for the applicant to have used the sign in such a way that consumers have come to rely on it as indicating the origin of the goods. Mr Arnold concluded, correctly I think, that "On the other hand, if the applicant has explicitly promoted the sign as a trade mark, it is more likely that consumers will have come to rely upon it as indicating the origin of the goods". The Hearing Officer then spoke in paragraph 107 about the evidence in *Vibe* of the public's "reliance" on the mark in consequence of the proprietor's use of it as being in principle sufficient. It was in that context that the Hearing Officer then went on at paragraph 108 to hold that "showing that the public know who usually makes goods of a particular shape, without also showing that such recognition plays some part in the trade in such goods does not show that the shape has become a trade mark for the goods". But he said that immediately following an undisputable proposition that "[a]s the name indicates, trade marks are intended to permit consumers to make informed choices between the competing goods of different undertakings in the course of trade". All he was, therefore, saying in remarking that the public's recognition had to "play some part in the trade in such goods" was to point out, as had already been said in the *Philips* case, that what was required was a perception (or recognition) that arose in consequence of the use of the mark as a trade mark and, therefore, as a result of the mark's capability of distinguishing the product concerned from those of other undertakings.

120. The Hearing Officer concluded at para 109 that it seemed "likely that consumers rely on the word mark KIT KAT and the other word and pictorial marks used in relation to the goods in order to identify the trade origin of the products" and that "they associate the shape with KIT KAT (and therefore with Nestlé) but no more than that" so that it was "necessary to show that consumers have come to rely on the shape mark in order to distinguish the trade source of the goods at issue". He held that consumers had not come to rely on the shape mark to identify the origin of the goods because the mark had not been used to promote KIT KAT for many years, the product was sold in an opaque wrapper and there was no evidence that consumers used the shape mark to check post-purchase that they had a Nestlé product.
121. Arnold J held in his first judgment at paragraph 50 that the Hearing Officer had been correct "to conclude that it had not been shown such persons have come to rely on the [mark] to identify the origin of the goods for the reasons he gave at [109]". In his second judgment, Arnold J concluded at para 60 that it was "legitimate for the competent authority, when assessing whether the applicant has proved that a significant proportion of the relevant class of persons perceives the relevant goods or services as originating from a particular undertaking because of the sign in question, to consider whether such persons would rely upon the sign as denoting the origin of the goods if it were used on its own". Mr Michael Bloch QC, leading counsel for Nestlé, accepted that there was no material distinction in this latter formulation between "reliance" and "perception". As regards the first formulation, I cannot see that the use of the word "rely" puts the proposition at odds with the CJEU's decision as I have explained it. The Hearing Officer was merely noting that the applicant had not shown that the consumers' perception or recognition of the shape mark as a KIT KAT arose, on his findings, in consequence of the use of the mark as a trade mark or as a result of the mark's capability of distinguishing the product concerned from those

of other undertakings. It is noteworthy in this connection that the Hearing Officer referred at paragraphs 6-17 of his judgment to the extensive evidence of other chocolate covered wafer bars sold in the shape of fingers by other traders.

122. In my judgment, therefore, the Hearing Officer did not go wrong, and I do not think that this court should interfere with his conclusion that Nestlé had failed to show that as at the date of the application the mark had acquired distinctiveness within the meaning of Article 3(3).
123. I should, in conclusion, deal with the one point that gave me pause for thought during the hearing of this appeal, namely how it can be said that the mark has not acquired distinctiveness, when a majority of the respondents to the second survey said, either before or immediately after being asked any question, words to the effect of “It’s a KIT KAT”. As Mr Bloch asked rhetorically “what better evidence could there be for a mark being distinctive of and perceived as Nestlé’s product?”. The problem, I think, lies in the technicalities of the law of trade marks. It is clearly acknowledged on both sides that survey evidence will not often be enough on its own, and that in many cases evidence of the efforts made to educate the public as to the mark being distinctive of the proprietor’s product will be needed. Those points are, as it seems to me, backed up by the need to show that the consumers’ perception of the mark, taken alone, as designating the proprietor’s product arose in consequence of the use of the mark as a trade mark and as a result of the mark’s capability of distinguishing the product concerned from those of other undertakings. The consumers here were, the Hearing Officer thought, associating the shape mark with KIT KAT, but were not doing so either as a result of the use of the mark as a trade mark, or as a result of the mark’s capability of distinguishing KIT KAT from other similar products. I gratefully endorse Floyd LJ’s illuminating example, in paragraph 105 above, of a supermarket basket of unwrapped and otherwise unmarked chocolate bars, in the shape of the mark applied for. The Hearing Officer obviously did not think that the evidence went as far as to show that the consumer would perceive the bars in the basket as originating from Nestle and not from others.
124. This distinction may be highly technical, but it is important, because of the nature of trade mark, which gives the trader a monopoly for all time. As the Hearing Officer said here, trade marks are intended to permit consumers to make informed choices between the competing goods of different undertakings in the course of trade. The shape of the KIT KAT bar has not been used to promote or market KIT KATs in recent times. It has nothing, therefore, to do with the informed choices that consumers make between similar products. The consumers’ responses had to be seen against the background of all the evidence the Hearing Officer considered. In my judgment, he undertook the exercise of evaluating the evidence, as the judge said, without error, and was right to reject Nestlé’s claim that the shape mark had itself acquired distinctiveness under Article 3(3). I too would dismiss this appeal.