

Nestlé's two and four-finger Kit Kat shape marks held to be invalid Singapore - One Legal LLC

**Cancellation
National procedures
Infringement**

February 05 2015

In *Société des Produits Nestlé SA v Petra Foods Ltd* ([2014] SGHC 252), Nestlé brought an action against Petra Foods for trademark infringement and copyright infringement. This update deals only with the trademark infringement issue.

Nestlé owned the following trademark registrations (T0000002A and T0000003Z, collectively the 'registered shapes'):

T0000002A



("the Two Fingers
Shape")

T0000003Z



("the Four Fingers
Shape")

Nestlé also claimed that it was the owner of the following artistic work:



Nestlé argued that the shape and packaging of Petra Foods' Take-It products infringed Nestlé's IP rights:

Description	Take-It (Two fingers)	Take-It (Four fingers)
Unwrapped	 ("2-Fingers Take-It")	 ("4-Fingers Take-It")
Packaging (actual)		
Packaging (with all signs removed)	 ("Representation of the 2-Fingers Take-It")	 ("Representation of the 4-Fingers Take-It")

Chan Seng Onn J of the Singapore High Court declared that Nestlé's two-finger and four-finger shapes were unregistrable and ordered that they be invalidated. He also held that Nestlé was unable to prove ownership of copyright and, therefore, there was no copyright infringement.

Chan J first considered whether the registration of the two-finger and four-finger shapes were invalid under

Section 7(3), read with Section 23(1), of the [Trademarks Act \(Cap 332\)](#). Section 7(3) states:

"7. - (3) A sign shall not be registered as a trademark if it consists exclusively of -

- (a) the shape which results from the nature of the goods themselves;
- (b) the shape of goods which is necessary to obtain a technical result; or
- (c) the shape which gives substantial value to the goods."

With regard to Section 7(3)(b) (the 'technical result exception'), the following propositions of law were held to be well-founded and applicable:

1. There is public interest in preventing trademark law from granting a monopoly (potentially unlimited) on technical solutions or functional characteristics of a product; technical solutions are capable of protection only for a limited period so that they can subsequently be freely used by all (see [Lego Juris A/S v OHIM](#) (Case C-48/09 P), at 43 to 46);
2. No amount of acquired distinctiveness through use can cure a trademark that offends the technical result exception ([Lego Juris](#) at 47);
3. If all the essential characteristics of a three-dimensional (3D) sign are dictated by the technical solution to which that sign gives effect, the sign consists *exclusively* of the shape of goods which is necessary to obtain a technical result. Where a shape incorporates a major non-functional element, the sign is still registrable;
4. A shape may be considered necessary to obtain a technical result even if the same technical result may be achieved by various solutions, such as alternative shapes, especially in situations where the solution incorporated in the shape is the technically preferable solution.

Guidance was provided by [Lego Juris](#) for determining the essential characteristics of a shape mark and whether the shape is exclusively functional:

1. 'Essential characteristics' means the most important elements of a sign, and the identification of these characteristics must be carried out on a case-by-case basis, either based directly on the overall impression produced by the sign or by examining each of the components of the sign concerned ([Lego Juris](#) at 70);
2. After identifying the sign's essential characteristics, the court must ascertain whether they *all* perform the technical function of the goods at issue ([Lego Juris](#) at 72);
3. The presumed perception of the sign by the average customer is not decisive but is at most a relevant criterion of assessment for the court when it identifies the sign's essential characteristics ([Lego Juris](#) at 76).

The court also agreed that the test was an objective one and did not depend on the subjective intentions of the shape's designer.

The court thus needed to determine what the essential features of Nestlé's registered shapes were. It held that, considering the purposes underlying trademark law, in normal circumstances the presumed perception of the average consumer would be a relevant consideration (although the exact weight given to it will depend on the facts). In this case, as the mark was registered for chocolate confectionary products, Chan J held that the perception of the average consumer (who is unlikely to scrutinise the chocolate confectionary minutely) was important.

The court based its assessment of the essential characteristics of the registered shapes on the overall impression produced and agreed with the defendant's list of essential features, being:

1. a rectangular 'slab' shape of the registered shapes as they appear on the registration, including the relative proportions of width, length and depth – Chan J held that the overall shape was rectangular and that the visual impact of this element is especially pronounced when the registered shapes are viewed from above;
2. the presence, position and depth of the breaking grooves arranged along the length of the bar, which

effectively divides the bar into detachable “fingers” – Chan J held that the grooves are an essential feature as they catch the eye from every view except from the bottom and the long edge of the registered shapes; and

3. The number of breaking grooves, which determines the number of fingers.

The court disagreed with the plaintiff’s argument that the “plinth” was an essential feature and opined that it was a minor feature which the average consumer would not have paid any notice to.

At issue was whether the technical result exception precludes registration of shapes which are necessary to obtain a technical result with regard to the *manner in which the goods are manufactured*, as opposed to the manner in which the goods function. The policy considerations underpinning the technical result exception was held to be directed at the potential misuse of shape marks to combat competition from rival goods which incorporate similar technical solutions and functional characteristics, and to prevent shape marks from creating and conserving monopolies in technical solutions for the goods in question.

The court found that there is nothing in Section 7(3)(b) to suggest that the technical result exception is restricted only to the manner in which the goods function, referencing the South African decision of *Triomed (Proprietary) Limited v Beecham Group Plc* ([2001] FSR 34), where the judge took into account the functionality of the shape from both a *manufacturing perspective* and a *user perspective*. Rather, taking into account public policy, the court held that a shape is unregistrable not only on the basis that a particular essential feature of the shape in issue is necessary to create a useful functional feature in the goods for the user, but also that it is necessary for the efficient manufacture of the goods in question.

Even if a feature is only necessary for one party’s particular way of manufacturing, such feature can still be caught under the technical result exception. This point is reinforced by *Lego Juris*, which held that the need to avoid unduly impairing the opportunity for competitors to place on the market goods which shapes incorporate the same technical solution applies all the more so where authorities have found that the solution incorporated in the shape of goods examined is the technically preferred solution.

The court then found that every one of the essential features fell foul of the technical result exception:

1. The rectangular “slab” shape, including the relative proportions of length, width and depth, is necessary for efficient and cost-effective mass production. The easiest and most effective way is to cut wafers (from a larger shape) to a rectangular box shape to prevent wastage, leading to a creation of a block that has a rectangular shape. Further, the base must be generally flat.
2. The presence, position and depth of the breaking grooves arranged along the length of the bar, which divide the bar into detachable “fingers”, constitute a more efficient and desirable method to obtain the technical result (breaking of chocolate) – making it easier for the chocolate to be broken apart, facilitating a cleaner and more aesthetically pleasing break, and allowing for a more precise apportionment of the chocolate product – and, therefore, were necessary to obtain that technical result.
3. The number of breaking grooves which, together with the width of the bar, determine the number of fingers, was held to be necessary to achieve the desired portion size for consumers.

The court next considered Section 7(3)(a) of the act (the ‘nature exception’). Reference was made to *Hauck GmbH & Co KG v Stokke A/S* (Case C-205/13), where the Court of Justice of the European Union (ECJ) considered whether this ground refers only to a shape which is *indispensable* to the function of the goods or whether it can refer to the presence of one or more substantial functional characteristics of goods which consumers may look out for in the goods of competitors. The ECJ held that, to apply the nature exception, it was necessary to identify the essential characteristics of the sign on a case-by-case basis. Further, this exception was not limited only to “natural products” and “regulated” products, but also includes shapes with essential characteristics which are *inherent* to the generic function(s) of the goods. It held that the nature exception may apply to a sign which consists exclusively of the shape of a product with one or more essential characteristics which are inherent to the generic functions of that product and which consumers may be looking for in the products of competitors.

The next question was how to define what “the goods” referred to. Chan J held that the goods must mean the goods in respect of which the trademark is registered and thus one must consider whether the shape results from any of the goods (for which the mark is registered); if the shape results from some of the goods (but not all), then the registration in respect of those goods would be invalid (but not the rest). The difficulty lies in characterising what “the goods” are. The court accepted Jacob J’s approach of considering how the

products represented “are viewed in practice as articles of commerce” in a practical and business-like manner: in *Philips* (Case C-299/99), the ECJ held that the goods were “electric shavers” because “electric shavers” were seen as a single type of commercial article.

In the present case, “the goods” were simply the goods for which the mark was registered (ie, “chocolate-coated bars and wafers”. To the question of whether the registered mark consists exclusively of the shape of chocolate-coated bars and wafers with one or more essential characteristics inherent to the generic function (s) of the product and which consumers may be looking for in the products of competitors, Chan J opined that, apart from the generic function of the product being that it must taste good and look appetising, he was hard-pressed to imagine a natural shape for a chocolate-coated bar or wafer and could not envisage how the particular configuration of grooves in the registered shapes were inherent to the generic function of the chocolate-coated products.

Therefore, he held that the registration of Nestlé’s two-finger and four-finger shapes was not precluded by Section 7(3)(a).

The substantial value exception under Section 7(3)(c) prohibits the registration of trademarks that consists exclusively of the shape of goods which gives substantial value to the goods. Here, the court does not take into account the value added to the goods as a result of the shape functioning as a badge of origin (ie, the source-identification function of the shape must be disregarded).

The court agreed with Aldous LJ in *Philips Electronics NV v Remington Consumer Products* ([1998] RPC 283 (CA)) that this exception was to exclude “aesthetic-type shapes” which adds substantial value (as opposed to the technical result exception, which was intended to exclude functional shapes). Aldous LJ held that the court must compare the shape sought to be registered against shapes of equivalent articles and if the applied shape (as a shape) has substantial value then it will be excluded. Therefore, the court held that it was insufficient that the registered shapes adds to the eye appeal, but it must (as shapes) give the goods a higher value relative to competing products.

In *Hauck*, the ECJ held that the substantial value exception can also exist even if other values (apart from the shape) of the goods exist which are also to be considered substantial, and that the aim of preventing the conferring of exclusive and permanent trademark rights to elements which the EU legislature has sought to make subject to limited periods requires the substantial value exception to be applied, even when the product concerned also performs other essential functions apart from the aesthetic function. Therefore, the ECJ concluded that the substantial value exception would apply to signs that consist exclusively of the shape of a product with several characteristics, each of which may give that product substantial value. Therefore, there is some overlap between the technical result exception and the substantial value exception.

As to how to determine whether the value is “substantial”, *Hauck* held that the following criteria, none of which are decisive in and of itself, are relevant:

1. the target public’s perception of the shape of the product;
2. the nature of the category of goods;
3. the artistic value of the shape in question;
4. its dissimilarity from other shapes in common use on the market concerned;
5. a substantial price difference in relation to similar products; and
6. the development of a promotion strategy which focuses on accentuating the aesthetic characteristics of the product in question.

The above considerations are intended to answer the question of whether the aesthetic characteristics of the shape in question exert such a significant influence over the attractiveness of the goods that the act of reserving the benefit of this influence for a single company would distort the conditions of competition on the market in question.

In this case, Chan J held that evidence on the aesthetic appeal of the registered shapes was lacking. There was consumer research tendered in the 1930s, but he did not give it much weight due to the date of the research. Chan J therefore held that the evidence did not show that the registered shapes gave the product substantial value over the others on account of their aesthetic design and, therefore, the invalidation under Section 7(3)(c) failed.

The defendant further submitted that the registered shapes were incapable of distinguishing the goods for which they are registered under Section 7(1)(a), read with Section 2(1). The court held that the fact that shape marks comprise the shape of the goods themselves would not *per se* render the mark incapable of distinguishing. In some cases, the shape may be so commonplace or descriptive that it is indeed incapable of distinguishing but this was not true in the present case.

Section 7(1)(b) states that trademarks which are devoid of distinctive character shall not be registered. Chan J relied on the English case of *Bongrain SA's Trademark Application* ([2005] RPC 14) where the following principles were set out by Jacob J:

1. For a mark to have distinctive character, it must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, and thus distinguish that product from the products of other undertakings;
2. The trademark's distinctiveness must be assessed by reference to:
 1. the goods or services in respect of which registration is sought; and
 2. the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well informed and reasonably observant and circumspect.
3. The criteria used for assessing the distinctiveness of 3D shape marks is no stricter than those used for other categories of trademarks;
4. It may in practice be more difficult for a 3D mark to pass the test, as "average consumers" are not in the habit of making assumptions about the origins of products on the basis of their shape in the absence of any graphic or word element.
5. Only a trademark which departs significantly from the norm or customs of the sector is not devoid of any distinctive character.

What matters is the perception of the average consumer. Simply because the shape is fanciful or attractive does not render the mark registrable, but what must be shown is that the average consumer must regard the putative shape *alone* as a badge of origin.

In the present case, Chan J held that the registered shapes were devoid of inherent distinctiveness, and that the average consumer of chocolate products would not pay particular attention to the specific details of the registered shapes which did not depart significantly from the norms and customs of the sector. It was held that the average consumer would not assume that the registered shapes indicate trade origin without being educated that they are of trademark significance.

Next, Chan J considered whether the registered shapes had acquired distinctive character through use, and held that it was insufficient to show that the average consumer *associates* the shape of a good with a particular manufacturer, but something more must be shown. In *Nestlé SA v Unilever* ([2003] RPC 35), Jacob J held that it must be proved that consumers regard the shape *alone* as a badge of origin in the sense that they would rely upon that shape alone as an indication of trade origin, particularly to buy the goods. This was cited with approval by Phang J in *Nation Fittings* ([2006] 1 SLR(R) 712) as well as Arnold J in *Vibe* ([2009] ETMR 12). In the present case, Chan J agreed that reliance of the shape as a badge of origin is necessary, although he accepted that it would be difficult for traders to show that the shape of their product which is not inherently distinctive has acquired distinctiveness through use.

The distinctive character of a mark must be assessed by reference to the goods and services in respect of which registration is applied for and from the perception of the average consumer, deemed to be reasonably well-informed and reasonably observant and circumspect, of those goods and services. In this case, the average consumer would be the general public. The factors that may be taken into account (following [Windsurfing Chiemsee](#) (Joined cases C-108/97 and C-109/97)) would be:

1. the market share held by the mark;
2. how intensive, geographically widespread and long-standing the use of the mark has been;
3. the amount invested in promotion;

4. the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; and
5. statements from chambers of commerce and industry and other trade or professional associations.

The plaintiff submitted that market research surveys demonstrated that the registered shapes had acquired distinctiveness. Chan J referred to an earlier decision where he summarised the guidelines set out in *Imperial Group v Philip Morris* ([1984] RPC 293) for determining the weight to be given for survey evidence:

1. the interviewees in the survey must be selected so as to represent the relevant cross-section of the public;
2. the size of the survey must be statistically significant;
3. the survey must be conducted fairly;
4. all the surveys carried out must be disclosed, including the number of surveys carried out, how they were conducted and the totality of the persons involved;
5. the totality of the answers given must be disclosed and made available to the defendant;
6. the questions must neither be leading, nor should they lead the person answering into a field of speculation he would never have embarked upon had the question not been put;
7. the exact answers and not some abbreviated form should be recorded;
8. the instructions to the interviewers as to how to carry out the survey must be disclosed; and
9. where the answers are coded for computer input, the coding instructions must be disclosed.

In the present case, Chan J accorded little weight to Nestlé's flawed market search surveys. The fatal problem was that the sample was not properly defined as the survey only polled persons who consumed chocolate-covered wafers at least on a weekly basis.

Further, Chan J held that the way the survey questions were phrased seriously offended guideline (f) in that they were leading; and that guidelines (d), (e) and (g) were breached as the underlying documents and responses of the survey respondents were not disclosed, leading to serious difficulties for the court to determine the veracity and usefulness of the survey results.

Chan J therefore placed little weight on the plaintiff's surveys as they, taken at face value, only showed a degree of association amongst the public which was not sufficient. Thus, the registered shapes were invalidated for being devoid of inherent and acquired distinctiveness.

With regard to the revocation of a trademark for non-use, Arnold J in *Stichting BDO v BDO Unibank Inc* ([2013] FSR 35) approved the following summary of ECJ jurisprudence on revocation for non-use:

1. Genuine use means actual use of the mark by the proprietor or a third party with authority to use the mark;
2. The use must be more than merely 'token'; it must not serve solely to preserve the rights conferred by the registration;
3. The use must be consistent with the essential function of a trademark - that is, to guarantee the identity of the origin of the goods or services to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin;
4. The use must be by way of real commercial exploitation of the mark on the market for the relevant goods or services - that is, exploitation that is aimed at maintaining or creating an outlet for the goods or services or a share in that market;
 1. Example that meets this criterion: preparations to put goods or services on the market such as advertising campaigns;

2. Examples that do not meet this criterion: (i) internal use by the proprietor; (ii) the distribution of promotional items as a reward for the purchase of other goods and to encourage the sale of the latter.
5. All the relevant facts and circumstances must be taken into account in determining whether there is real commercial exploitation of the mark, including in particular, the nature of the goods or services at issue, the characteristics of the market concerned, the scale and frequency of use of the mark, whether the mark is used for the purpose of marketing all the goods and services covered by the mark or just some of them, and the evidence that the proprietor is able to provide;
6. Use of the mark need not always be quantitatively significant for it to be deemed genuine, and even minimal use may qualify as genuine use if it is the sort of use that is appropriate in the economic sector concerned for preserving or creating market share for the relevant goods or services. For example, use of the mark by a single client which imports the relevant goods can be sufficient to demonstrate that such use is genuine, if it appears that the import operation has a genuine commercial justification for the proprietor.

The court held that Nestlé had not used the registered shapes in a manner consistent with the essential function of the trademark, since the Kit Kat products are sold in opaque wrappers meaning that the actual shapes of the Kit Kat products have no trademark significance at the point of sale, and the portrayal of the registered shapes on the packaging simply describe what the goods look like rather than having any trademark use.

As the registered shapes were declared to be invalid, the court held there was no possibility of registered trademark infringement.

Nestlé argued that the registered shapes could benefit from trademark protection as well-known marks even though they are prohibited from registration under Section 7(3). However, the court emphasised that, while the well-known trademark provisions conferred protection on *unregistered* but well-known trademarks, there would be no protection for *unregistrable* trademarks (even if well known).

As a point in passing, Chan J reiterated that it was possible for a mark to be well known in Singapore even if it was not used in Singapore; but where a mark is not inherently distinctive, then it must acquire distinctive character through use in Singapore before the question of whether it is well known can arise.

In any case, the court held that the average consumer would not rely on the two-finger composite mark as indicating the origin of goods; the surveys adduced could not prove reliance.

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