

# The Trademark Reporter<sup>®</sup>



## The Law Journal of the International Trademark Association

Acquired Distinctiveness in the European Union: When Nontraditional Marks Meet a (Fragmented) Single Market

*Luis H. Porangaba*

Likelihood of Confusion Surveys: The Ever-Constant Eveready Format; The Ever-Evolving Squirt Format

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# The Trademark Reporter®

## ACQUIRED DISTINCTIVENESS IN THE EUROPEAN UNION: WHEN NONTRADITIONAL MARKS MEET A (FRAGMENTED) SINGLE MARKET

*By Luis H. Porangaba\**

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## I. INTRODUCTION

Trademarks are expected to function as source identifiers enabling consumers to differentiate between goods and services in the marketplace. In the European Union (“EU”), this function of origin is ensured at the time of registration by requiring that trademarks have a distinctive character that may either be presumed or proved.<sup>1</sup> When the mark applied for has no direct connection to (or, in some cases, is significantly different from)<sup>2</sup> the goods or services being claimed, it is rendered inherently distinctive. APPLE is distinctive with respect to computers and electronic devices. Whenever this inherent distinctiveness is absent, acquired distinctiveness may still be established upon showing that consumers came to ascribe an origin to the mark following its use in the marketplace. In the distant past, AMERICAN AIRLINES may have been thought to describe any airline company from the United States, yet long-standing use and advertising of such a mark made consumers associate it with an origin. Should distinctive character be found lacking, trademark registration is refused or invalidated.

Since the early days of European trademark law, practitioners, judges, and scholars alike have argued over the many facets of the legal question of distinctiveness. We do know, for example, that an inquiry into acquired distinctiveness is not reduced to a purely empirical, statistical exercise.<sup>3</sup> Yet, we cannot seem to agree on whether product shapes would become *legally* distinctive by consumers merely recognizing them or whether something more would be required.<sup>4</sup> Not surprisingly, most decision-making on matters of distinctiveness takes place against the backdrop of a subset of marks acting as less conventional forms of source identifiers (as opposed to word marks and figurative marks), called nontraditional marks, which bring about competitive concerns.<sup>5</sup>

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<sup>1</sup> Article 7(1)(b) of Regulation (EU) 2017/1001, of the European Parliament and of the Council of June 14, 2017, on the European Union trademark, OJ L154/1 [hereinafter EUTMR]; Article 4(1)(b) of Directive (EU) 2015/2436, of the European Parliament and of the Council of December 16, 2015, to approximate the laws of the Member States relating to trademarks, OJ L336/1 [hereinafter TMD].

<sup>2</sup> See *infra* note 85 and accompanying text.

<sup>3</sup> See, e.g., *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber*, joined Cases C-108/97 and C-109/97, EU:C:1999:230, para. 52 (CJEU, May 4, 1999); *Oberbank AG v. Deutscher Sparkassen- und Giroverband eV*, Case C-217/13, EU:C:2014:2012 (CJEU, June 19, 2014).

<sup>4</sup> *Mondelez UK Holdings & Services Ltd. v. Société des produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, paras. 95-107 (GC, Dec. 15, 2016), considering that consumers recognizing the mark would be enough; *Société des Produits Nestlé S.A. v. Cadbury UK Ltd.*, [2017] EWCA Civ 358, paras. 76-84 (May 17, 2017), finding that mere recognition or association falls short of the standard.

<sup>5</sup> See, e.g., *Libertel Groep B.V. v. Benelux-Merkenbureau*, Case C-104/01, EU:C:2002:650, paras. AG99-AG105 (Advocate General Leger, Nov. 12, 2002), contending that isolated colors should not be registrable at all; *August Storck K.G. v. OHIM*, Case T-402/02,

Granting exclusive use of the word “apple” to designate computers and electronics may be unproblematic, yet trademark rights associated with the shape of a chocolate bar are different; they could reduce choices otherwise available to competitors, running the risk of a foreclosure effect.

Perhaps the prime example of these normative concerns eliciting *ad hoc* judicial responses to nontraditional marks is the requisite territorial extent for acquired distinctiveness of EU trademarks. First introduced in 1994 as a major component of the European Union project, EU trademarks (formerly, Community trademarks) aimed to reduce trade barriers between EU Member States (“Member States”) and foster a more competitive, predictable commercial environment in the European Union.<sup>6</sup> Together with the creation of what is now called the European Union Intellectual Property Office (“EUIPO”)<sup>7</sup> to carry out all the corresponding examination and registration, such marks were seen as a means to transpose territorial limits imposed by national trademark rights, which could simply not be achieved by approximation of laws between Member States. Hence, the story of EU trademarks is one of single market integration, of trademarks created to be “governed by a uniform Community law directly applicable in all Member States.”<sup>8</sup> To pursue this agenda, EU trademarks were conferred unitary character. Once registered, EU trademarks are notionally afforded equal effect throughout the European Union.<sup>9</sup>

However, while the promise of a system delivering increased, facilitated access to unitary rights was addressed to all of the European Union, it may not have had all marks in mind. Drawing on the equal effect stemming from these rights and referring to Article 7(2) of the European Union Trade Mark Regulation (“EUTMR”), the Court of Justice of the European Union (“Court of Justice” or “CJEU”) tailored a strict geographic requirement for registration: an EU trademark must be or must have become distinctive *in all parts* of the European Union. Such a high threshold seems designed to limit nontraditional marks, which are unlikely to be considered inherently distinctive anywhere in the EU, by imposing a *de facto* standard that evidence of acquired distinctiveness be adduced in relation to all (currently twenty-eight)

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EU:T:2004:330 (CFI, Fourth Chamber, Nov. 10, 2004), broadly referring to a risk of monopolization.

<sup>6</sup> Council Regulation (EC) 40/94, of Dec. 20, 1993, on the Community Trademark, OJ L011.

<sup>7</sup> Before the 2015 Trademark Reform, the EUIPO was known as the Office for Harmonization in the Internal Market (“OHIM”).

<sup>8</sup> Council Regulation (EC) 40/94, of Dec. 20, 1993 on the Community Trademark, OJ L011; incorporated as Recital 4 of Council Regulation (EC) 207/2009, of Feb. 26, 2009, on the Community Trademark OJ L78/1 [hereinafter CTMR]; currently reflected in Recital 5 EUTMR.

<sup>9</sup> Article 1(2) EUTMR.

Member States. In practice, should a single Member State be missing, the claim is fated to fail.<sup>10</sup> This approach of rejecting most, if not all, pure shapes, colors, and the like by operating geographic reach as a threshold filter marks a stark contrast with other jurisdictions also dealing with heterogeneous markets across a large territory such as the United States.<sup>11</sup>

In *Nestlé v. Mondelez*, the latest installment of a saga spanning more than fifteen years, the Court of Justice was called to revisit the issue.<sup>12</sup> Nestlé had applied to register the four-fingered shape of the KIT KAT chocolate bar as an EU trademark. As it was found lacking inherent distinctiveness, registration depended upon the shape having acquired distinctive character through use in the entire European Union. Although Nestlé was able to produce a substantial amount of evidence, a few Member States, which would reflect about 10 percent of the EU population at the time, were left out of the assessment. Departing from current practice,<sup>13</sup> the EUIPO's Board of Appeal accepted that acquired distinctiveness being established in a substantial part of the European Union would suffice.<sup>14</sup> Requiring that evidence be produced for every Member State, the EUIPO argued, would impose too heavy a burden without much tangible benefit. The General Court, finding the EUIPO's approach to be inconsistent with EU trademark case law, reversed the decision on the grounds that evidence had not been provided or examined for all Member States.<sup>15</sup>

The parties also appealed to the Court of Justice. While the outcome may have been predictable, with the current territoriality-centered approach being upheld on formalistic grounds, the CJEU's judgment is hardly satisfactory.<sup>16</sup> By emphasising a textual distinction between genuine use required to maintain registration and acquired distinctiveness, it embraced diverging notions of the single market that are hard to reconcile. Genuine use and reputation of EU trademarks are to be assessed against a single

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<sup>10</sup> See discussion *infra* Part II(C).

<sup>11</sup> See *infra* note 193 and accompanying text.

<sup>12</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd and EUIPO*, joined Cases C-84/17 P, C-85/17 P and C-95/17 P, EU:C:2018:596 (CJEU, July 25, 2018).

<sup>13</sup> *But see infra* note 36 and accompanying text. Early General Court and EUIPO decisions recognized that acquired distinctiveness being shown in a substantial part of the European Union would be enough for the purposes of Article 7(3) CTMR.

<sup>14</sup> Case R 513/2011-2 (OHIM Second Board of Appeal, Dec. 11, 2012).

<sup>15</sup> *Mondelez UK Holdings & Services Ltd. v. Société des Produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, paras. 168-178 (GC, Dec. 15, 2016). While Nestlé had produced evidence of different types for all Member States but Luxembourg, the EUIPO examined acquired distinctiveness in relation to ten (out of fifteen) Member States that, considered together, would correspond to 90 percent of the European population at the time of the trademark application.

<sup>16</sup> See discussion *infra* Part III.

market in which physical borders are irrelevant; acquired distinctiveness, however, turns to consumer perceptions and market conditions in every Member State, advancing another single market that is but a mosaic of individual markets.<sup>17</sup> Substantively, the matter is far from settled. Framing the issue as one of evidence rather than of legal standard, the Court of Justice sidestepped some fundamental, normative questions: What ought to be the threshold for acquired distinctiveness of EU trademarks? Why is the gloss of “all parts of the European Union,” which finds no direct support in statutory language and was never properly justified,<sup>18</sup> preferable to other possible readings of Article 7(3) EUTMR?

This article sets out to challenge this territorial facet of acquired distinctiveness. My argument is twofold. First, I contend that the current approach of counting heads of Member States runs counter to core trademark policy and, indeed, promotes undesirable fragmentation in the single market. By examining the relevant case law, I attempt to show that the CJEU’s gloss derives from an interpretation of the legal text that departed from previously established EUIPO practice with no clear, inferable rational basis. It also paints an inaccurate picture of EU trademarks as a zero-sum game, as though the distinctiveness assessment represented a choice between keeping such marks freely available for use by everyone or their complete removal from the European market. The reality, however, is far more complex. Not only is such a false dichotomy, but national registration systems coexisting with the EU trademark form a patchwork that raises another set of considerations. Secondly, I suggest that this approach has no reason to survive in light of the emerging CJEU jurisprudence on scope of protection of unitary rights.<sup>19</sup> Building on an argument I have made elsewhere,<sup>20</sup> a more coherent and normatively desirable answer may be attained through application of the functions theory, by allowing courts to derogate from the equal effect norm at the infringement

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<sup>17</sup> See discussion *infra* Part IV.

<sup>18</sup> See discussion *infra* Part II(A). The requirement that acquired distinctiveness be proven in “all parts of the European Union,” which has been subsequently interpreted as “in each Member State,” derives from an expansive reading of Article 7(2) CTMR (“[absolute grounds of refusal under] Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.”). Article 7(3) CTMR, which is the relevant provision for acquired distinctiveness, does not make reference to it (“Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.”). These provisions are mirrored in the EUTMR.

<sup>19</sup> DHL Express France S.A.S. v. Chronopost S.A., Case C-235/09, EU:C:2011:238 (CJEU, Apr. 12, 2011); combit Software GmbH v. Commit Business Solutions Ltd., Case C-223/15, EU:C:2016:719 (CJEU, Sept. 22, 2016); Ornu Co-operative Ltd. v. Tindale & Stantion Ltd. España SL, Case C-93/16, EU:C:2017:571 (CJEU, July 20, 2017) (KERRYGOLD). See discussion *infra* Part V.

<sup>20</sup> Luis H. Porangaba, *A Contextual Account of the Trade Mark Functions Theory*, I.P.Q. 230 (2018).

stage. As recent decisions indicate that infringement of EU trademarks may be departing from a binary framework to become more dependent upon market realities, there is little justification for the all-or-nothing rationale prevailing at registration.

Part II of this article investigates the emergence of sufficient geographical scope as a freestanding requirement for acquired distinctiveness in the European trademark jurisprudence. Part III considers the recent *Nestlé v. Mondelez* judgment to raise issues associated with the Court of Justice's approach to EU trademarks. Part IV questions the coherence and desirability of a policy directed to refusing registration of most, if not all, nontraditional marks. Part V proposes that a nuanced approach to territoriality within scope of protection could provide a more balanced framework. Part VI concludes.

## II. A FREESTANDING GEOGRAPHICAL SCOPE REQUIREMENT

In European trademark law, acquired distinctiveness unfolds into “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.”<sup>21</sup> The legal question, as the Court of Justice framed it, is whether “the relevant class of persons, or at least a significant proportion thereof, identifies goods as originating from a particular undertaking.”<sup>22</sup> In making a determination, the competent authority should take into account a range of factors that include, inter alia, market share, geographical extent, length and intensity of the use, and investment in advertising and promotion.<sup>23</sup>

At least at the Member State level, these factors are known to be interdependent: less geographically spread use may be offset by how intensively the mark has been advertised over the years, for example.<sup>24</sup> It is generally accepted in the United Kingdom (“UK”) that, for the purposes of national registration, acquired distinctiveness need not be proved in each and every territorial portion of the country.<sup>25</sup> The threshold issue is whether a *significant*

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<sup>21</sup> *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber*, joined Cases C-108/97 and C-109/97, EU:C:1999:230, para. 49 (CJEU, May 4, 1999).

<sup>22</sup> *Id.* para. 52.

<sup>23</sup> *Id.* para. 51.

<sup>24</sup> UK Intellectual Property Office, *Trade Marks Manual* (2018) [hereinafter UK IPO Manual], 198 (“national advertising may be considered to demonstrate acquired distinctiveness even though sales may not have occurred throughout the UK.”).

<sup>25</sup> *Id.* at 199 (“use does not have to be demonstrated in every town and city in the UK in order for the mark to be shown to be distinctive. Accordingly, failure to show that a trademark has become distinctive in (say) the Shetland Isles will not prevent a national registration on the basis of acquired distinctiveness.”).

*proportion of the relevant public*, regardless of their precise physical location, would see the mark as performing an origin function; an assessment that Lord Justice Lewison once defined as qualitative rather than quantitative.<sup>26</sup>

EU trademarks, however, are strange creatures. Far from a reflection of national registration principles, distinctiveness of such marks follows a logic of their own—a logic that seems more dictated by happenstance than well-thought-out reasoning. In *Storck v. OHIM* (“*Storck*”), a case dealing with the registration of a gold-colored twisted sweet wrapper, the Court of Justice carved out a strictly geographic requirement: registration requires evidence that the mark has become distinctive through use *in all parts* of the European Union where it is not inherently distinctive.<sup>27</sup> As subsequently applied by the General Court,<sup>28</sup> *Storck* has raised the threshold for acquired distinctiveness of nontraditional marks, signalling a significant, yet elusive, shift from a substantial part standard developed under prior practice.<sup>29</sup>

### *A. Storck: An Unjustified Departure?*

Little explanation is to be found in *Storck* for the emergence of a territoriality-centered approach, which would make geographical extent dispositive, other than the late Advocate General Colomer’s strangely alluding to acquired distinctiveness being less strict than inherent distinctiveness were such a condition not imposed. According to the Advocate General:

[A]lthough Article 7(2) does not refer to Article 7(3), it is inconceivable that the requirement relating to the scope of the distinctive character could be less strict, since it would make no sense to relax the requirement for signs claiming to have acquired distinctiveness through use in comparison with those being registered for the first time, with no prior experience on the market. It is difficult to imagine any reason for the legislature wanting to enshrine any such difference in treatment. Such reasoning would in fact run counter to the scheme of the legislation since, if a lower degree of distinctive character were required where it is

<sup>26</sup> *Fine & Country Ltd. v. Okotoks Ltd.*, [2013] EWCA Civ. 672, para. 110 (June 14, 2013).

<sup>27</sup> *August Storck K.G. v. OHIM*, Case C-25/05 P, EU:C:2006:422 (CJEU, June 22, 2006). See also Max Planck Institute for Intellectual Property and Competition Law, *Study on the Overall Functioning of the European Trade Mark System* (2011), available at <https://publications.europa.eu/en/publication-detail/-/publication/5f878564-9b8d-4624-ba68-72531215967e> (last visited Aug. 28, 2018) [hereinafter Max Planck Study], 142; Lionel Bently, Brad Sherman, Dev Gangjee & Philip Johnson, *Intellectual Property Law* (5th ed. 2018), at 1008-1010.

<sup>28</sup> See *infra* note 51 and accompanying text.

<sup>29</sup> See *infra* note 35 and accompanying text.

acquired by means of long-term use of the sign, there would be little point, in the event of doubt, in first seeking to have OHIM accept the sign as a Community trademark.<sup>30</sup>

Alas, the Advocate General's Opinion may have neglected that a multifactor assessment for acquired distinctiveness would still demand proof that a significant proportion of the European population ascribe an origin to the mark as opposed to its being *presumed* distinctive. It is difficult to conceive how it would be any easier for a mark to be registered upon showing that it has acquired a distinctive character through use in the marketplace, an inquiry asking for considerable market-based evidence, as opposed to its being streamlined into registration under inherent distinctiveness.

Indeed, decisions handed down prior to *Storck* indicate that acquired distinctiveness was anything but the effortless, lax exercise that Advocate General Colomer suggested. In *BIC v. OHIM*, decided a few months earlier, the General Court held that "proof must be produced in respect of a substantial part of the Community"<sup>31</sup> and, subsequently, rejected an EU trademark application for the shape of the BIC lighter. By not providing information on how the mark would be perceived in Germany, Austria, and the UK, which reflected a significant part of the single market at that time, the claimant had fallen short of the stated standard.<sup>32</sup> Conversely, the shape of a military vehicle was registered on the basis that it was inherently distinctive as a designation of stationery material, without the need of evidence reflecting consumer perceptions or market conditions in any part of the European Union.<sup>33</sup> By assuming that both forms of distinctiveness should be treated the same, the Advocate General failed to appreciate their conceptual differences and, more importantly, that inherent and acquired distinctiveness may not share the same rationale.<sup>34</sup>

Perhaps surprisingly, the Advocate General's line of reasoning in *Storck* is difficult to reconcile with the practice prevailing at the time. Since at least 1999,<sup>35</sup> the EUIPO had consistently applied a substantial part standard for acquired distinctiveness of nontraditional marks.<sup>36</sup> In the *Pillow Pack* case, which became the

<sup>30</sup> August Storck K.G. v. OHIM, Case C-25/05 P, EU:C:2006:204, para. 79 (Advocate General Colomer, June 22, 2006).

<sup>31</sup> BIC S.A. v. OHIM, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005).

<sup>32</sup> *Id.*

<sup>33</sup> Case R 003350238 (OHIM Examination Division, June 1, 2006).

<sup>34</sup> See *infra* note 61 and accompanying text.

<sup>35</sup> Case R 63/1999-3, para. 17 (OHIM Third Board of Appeal, June 22, 1999).

<sup>36</sup> See, e.g., Case R 666/2005-1, para. 24 (OHIM First Board of Appeal, Jan. 18, 2006) (Shape of a Bottle) ("as far as a three-dimensional mark consisting of the shape of the product itself is concerned, the acquisition of distinctive character through use must be proved

oft-cited authority in subsequent decisions,<sup>37</sup> the First Board of Appeal explicitly rejected an approach requiring market conditions to be assessed in each Member State:

The issue of the geographical area over which acquired distinctiveness through use must be shown raises more complex questions. The requirements will vary depending on the type of mark that is in issue. In the case of a word mark objected to on the basis of its descriptive meaning in a language not widely understood except in a single Member State, it will be sufficient to prove that the mark has acquired distinctiveness through use in that Member State; use in other countries will not normally be relevant. In the case of a three-dimensional mark that lacks inherent distinctiveness the objection will not be confined to the territory of any particular Member State but will extend to the entire Community. In such a case it would not in the Board's opinion be appropriate to require proof of use in every Member State. Instead, what must be shown is that the mark has acquired distinctiveness in the common market as a whole. The question that must be asked is whether a substantial proportion of consumers in the Community as a whole have been exposed to the mark and have, as a result of that exposure, come to recognize the mark as a sign that the products on which it appears emanate from a specific commercial source.<sup>38</sup>

On the merits, the appellant failed to show that the bare shape of the packaging had achieved the necessary level of recognition. Acquired distinctiveness was dismissed because, all factors considered, the evidence did not establish that a significant proportion of European consumers would ascribe an origin to the mark.<sup>39</sup> More generally, EUIPO case law made no reference to Article 7(2) CTMR in the context of acquired distinctiveness,<sup>40</sup> with legal commentary at the time also suggesting that the mark being recognized in a substantial part of the Community would be

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in relation to the entire territory of the European Union, or *at least in relation to a substantial part thereof*." (emphasis added).

<sup>37</sup> Case R 746/2001-1, para. 18 (OHIM First Board of Appeal, July 19, 2002) (Shape of a Rose); Case R 15/2001-4, para. 23 (OHIM Fourth Board of Appeal, Dec. 3, 2002) (Shape of Green Striplight); Case R 262/2004-2, paras. 30-32 (OHIM Second Board of Appeal, Oct. 20, 2005) (Shape of a Tray).

<sup>38</sup> Case R 381/2000-1, para. 18 (OHIM First Board of Appeal, Dec. 20, 2000) (Pillow Pack).

<sup>39</sup> *Id.* paras 21-22.

<sup>40</sup> *See also* Case R 666/2005-1 (OHIM First Board of Appeal, Jan. 18, 2006) (Shape of a Bottle); Case R 947/2001-2 (OHIM Second Board of Appeal, Nov. 28, 2003) (A Ring of Gold Applied to Cylindrical Items); Case R 5/1999 (OHIM Third Board of Appeal, July 20, 1999) (Cobalt Blue).

enough.<sup>41</sup> Specifically, the scope of Article 7(2) was limited to an issue of inherent distinctiveness, as a textual reading of the provision would suggest. Once a mark was found not to be inherently distinctive, even if in a minor or insignificant section of the single market, registration would hinge upon acquired distinctiveness being established. However, as nontraditional marks are seldom inherently distinctive,<sup>42</sup> acquired distinctiveness “must be proved in relation to the entire territory of the European Union, or at least in relation to a substantial part thereof.”<sup>43</sup> The EUIPO made its position clear in *Shape of Tray*, which considered the General Court’s judgment in *Storck*, namely:

The [General Court] has said, with regard to three-dimensional marks, that since the absolute ground for refusal exists throughout the Community, the evidence must show that the mark has “become distinctive through use throughout the Community”: see *Eurocermex SA v OHIM* (cited above), at paragraph 47, and *Case T-402/02 August Storck AG v OHIM* (“shape of a sweet wrapper”), judgment of 10 November 2004, at paragraph 86. It is not clear whether in those cases the Court construed Article 7(3) as requiring sufficient evidence of use in every Member State. The judgments could be read as endorsing the rather lower requirement established by the Boards of Appeal, namely sufficient evidence of use in a substantial part of the Community taken as a whole.<sup>44</sup>

Shortly thereafter, the General Court would hand down *BIC v. OHIM*, which also adopted a substantial part standard.<sup>45</sup> By and large, the approach was less territoriality-focused, with geographic scope being just one of the factors considered within a (true) multifactor assessment.

Nonetheless, the Advocate General’s Opinion in *Storck* surmised that Article 7(2) should necessarily be read into Article 7(3), as though it was the only, or the logical, approach to be followed. Since inherent distinctiveness lacking in only part of the European Union

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<sup>41</sup> See, e.g., Arnaud Folliard-Monguiral & David Rogers, *The Protection of Shapes by the Community Trade Mark*, 25 E.I.P.R. 169 (2003), at 172 (“although the acquisition of a distinctive character through use in only one Member State is insufficient, use in 10 Member States (which might have 349 million inhabitants out of the total of 377 million), with a level of recognition amongst the public of 56 per cent, corresponds to a sufficiently broad geographical scale and thus makes superfluous the proof of recognition in each one of the 15 Member States.”). See also Charlotte Schulze, *Registering Colour Trade Marks in The European Union* 25 E.I.P.R. 55 (2003), at 62-63.

<sup>42</sup> See discussion *infra* Part II(C).

<sup>43</sup> Case R 666/2005-1, para. 24 (OHIM First Board of Appeal, Jan. 18, 2006).

<sup>44</sup> Case R 262/2004-2, para. 32 (OHIM Second Board of Appeal, Oct. 20, 2005) (*Shape of a Tray*).

<sup>45</sup> *BIC S.A. v. OHIM*, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005).

would bring about a refusal of the application, as entailed by Article 7(2), the same principle should be extended to acquired distinctiveness. Hence, for Article 7(3) to apply, the mark should have become distinctive through use “in all parts of the European Union”—thereby suggesting the claim should instinctively fail whenever acquired distinctiveness is found to be missing in any part of the single market.<sup>46</sup> As the Advocate General himself recognized such an interpretation being a gloss not derived from statutory language directly, it is somewhat curious that the opposing (and arguably, prevailing) discourse on geographic scope of EU trademarks would have been left unaddressed.

While the issue would merit an empirical study of its own, which does not seem to have been produced as yet,<sup>47</sup> descriptive statistics available on the Darts-IP cases database indicate that registration under acquired distinctiveness was no common occurrence: in the period from 2000 to 2005, only 12 percent of the shape marks and none of the color marks being sought were successful.<sup>48</sup> The rejection rate, which is hardly astounding, reflects the high threshold to which nontraditional marks were already subjected. Showing that a mark came to be recognized in a substantial part of the EU territory is no easy task,<sup>49</sup> and, by then, the EUIPO was already enforcing—as it still does—a strict evidential burden akin to a correlation requirement. Broader, generalized information relating to the brand is not enough: the evidence must be correlated to the mark at issue. In *3-D Guitar Shape*, for example, acquired distinctiveness for the body shape of an electric guitar was dismissed insofar as “the appellant ha[d] not demonstrated that

<sup>46</sup> August Storck K.G. v. OHIM, Case C-25/05 P, EU:C:2006:204, paras. 78-79 (Advocate General Colomer, June 22, 2006).

<sup>47</sup> See, e.g., Donatienne Moreau & Joanna Diakomichali, *Distinctiveness of Three-Dimensional Trade Marks: 3D Trade Marks in European Cases at Appeal Level*, Darts-IP (2018), available at <https://www.darts-ip.com/distinctiveness-of-3d-trademarks/> (last visited Aug. 28, 2018). This report, however, conflates both grounds of inherent and acquired distinctiveness, without identifying which factors (if any) may have been decisive. See also Mitchell Adams & Amanda Scardamaglia, *Non-Traditional Trade Marks in Europe: An Historical Snapshot of Applications and Registrations*, 40 E.I.P.R. 623 (2018), providing a snapshot of registration of nontraditional marks without discriminating grounds of refusal under which applications were rejected.

<sup>48</sup> Darts-IP, IP Cases Database (2018), available at <http://www.darts-ip.com> (last visited July 30, 2018). For shape marks, search parameters were as follows: (Date: 01-01-2000 to 31-12-2005); (Court: European Instances); (Points of law: Distinctiveness/Acquired Distinctiveness); (Trademark type: 3D/Trade Dress/Packaging). For color marks, search parameters were as follows: (Date: 01-01-2000 to 31-12-2005); (Court: European Instances); (Points of law: Distinctiveness/Acquired Distinctiveness); (Trademark type: Color).

<sup>49</sup> A task that has become increasingly difficult following the accession of Member States to the European Union. Today, such a standard would mean the substantial part of a single market composed of twenty-eight Member States. This also poses the question as to what extent a stringent territorial approach focusing on individual markets is sustainable in or even desirable to a lasting European project.

consumers are capable of recognizing its guitars purely on the basis of the shape applied for.”<sup>50</sup>

The prominence that territorial dimension gained in decisions that emerged after *Storck*, however, is another matter. In part, this move can be attributed to the General Court reading the CJEU’s judgment as placing disproportionate weight on the geographical extent factor, elevating it to a threshold issue. A claim of acquired distinctiveness must be made in relation to all Member States and supported by evidence for every single one of them. Should there be a missing piece in the puzzle—even a single, smaller-sized Member State—it is outright dismissed.<sup>51</sup> Hence, geographical extent became a requirement of its own. This departure from the prior substantial part standard is apparent in *Glaverbel*, with the General Court explicitly referring to Article 7(2) as introducing a higher threshold of acquired distinctiveness, namely:

[I]t must be observed that the applicant’s argument that the approach consisting of counting the number of countries from which evidence emanates is contrary to the need to regard the European Community as a Single Market cannot be upheld. Under Art.7(1)(b) [CTMR], read in conjunction with Art.7(2) thereof, a mark must be refused registration if it is devoid of any distinctive character in part of the Community and the part of the Community referred to in Art.7(2) may be comprised of a single Member State (*Storck v OHIM* (C-25/05) at [81]–[83]).<sup>52</sup>

The applicant had sought to register chinchilla glass as an EU trademark, with the corresponding application being rejected on the basis that it had not acquired distinctiveness in a substantial part of the European Union.<sup>53</sup> According to the EUIPO, the evidence relating to ten out of fifteen Member States that the applicant had produced, though significant, had fallen short of the stated standard. At no point did the EUIPO make reference to Article 7(2) nor did it seem to defend that evidence be required for *each* Member

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<sup>50</sup> Case R 45/2004-2, para. 14 (OHIM Second Board of Appeal, Sept. 20, 2004) (3-D Guitar Shape).

<sup>51</sup> *Mondelez UK Holdings & Services Ltd. v. Société des Produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, para. 139 (GC, Dec. 15, 2016) (“in the event that the evidence submitted does not cover part of the European Union, even a part which is not substantial or consists of only one Member State, it cannot be concluded that distinctive character has been acquired through use of the mark throughout the European Union.”). See also *Glaverbel S.A. v. OHIM*, Case T-141/06, EU:T:2007:273, para. 40 (GC, Sept. 12, 2007); *Mars Inc. v. OHIM*, Case T-28/08, EU:T:2009:253 (CFI, July 8, 2009) (BOUNTY).

<sup>52</sup> *Glaverbel S.A. v. OHIM*, Case T-141/06, EU:T:2007:273, para. 40 (GC, Sept. 12, 2007). While it may appear to refer to inherent distinctiveness, the General Court makes this statement when reviewing the EUIPO’s finding that rejected acquired distinctiveness.

<sup>53</sup> Case R 0986/2004-4, para. 27 (OHIM Fourth Board of Appeal, Mar. 1, 2006) (“the distinctive character acquired through the use of that trade mark must be demonstrated in the substantial part of the Community where it was devoid of any such character . . .”).

State. Other contemporaneous decisions indicate that geographic scope was again just one factor, the legal inquiry being that of consumer recognition in the European Union.<sup>54</sup> It is hard to say what may have motivated the General Court's shift from the substantial part standard adopted in *BIC v. OHIM*, implicitly overruling the practice that the EUIPO had developed over the years, other than a rather restrictive reading of *Storck* as requiring evidence for all Member States.

Oddly enough, territoriality was not the core issue in *Storck*. Acquired distinctiveness had been dismissed because the evidence adduced to that effect could not be related to the mark nor would it establish the asserted market share and investment in advertising. According to the EUIPO:

Although the appellant quotes the quantity in units and tonnes of the sweets sold in the gold double-twist wrappers in the EU Member States, there is no indication of the overall size of the relevant product market, or of estimates of competitor sales, which would place the appellant's figures in context. Without such information, it is impossible to make a realistic assessment of the appellant's market strength. The examiner had already pointed this out in the contested decision. It should also be noted that, although the quantity sold in Germany, in terms of units, seems considerable – even though this, as mentioned, can, without knowing the overall size of the market, only be an assumption –, the sales figures in other countries (except perhaps Great Britain and France) are considerably more modest. However, even if the appellant had given an indication of the overall size of the market and it had therefore been possible to calculate market share, this information would not necessarily show that it was the packaging in gold double twists that was understood by the consumers addressed as an indication of origin. This is not sufficient evidence that distinctiveness has been acquired through use in the EU.<sup>55</sup>

Similarly, the EUIPO found that surveys gauging the public's familiarity with the brand WERTHER'S ORIGINAL could not be used to establish that consumers associated the mark applied for with the same origin, since the word or logo marks did the heavy

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<sup>54</sup> See also Case R 490/2006-2, para. 25 (OHIM Second Board of Appeal, Sept. 5, 2006) (*A Thread Running Longitudinally on the Back of the Goods*) ("Although the Board does not consider that evidence should necessarily cover every single Member State, the geographical scope of the limited amount of evidence given in addition to the advertising revenue figures filed in the present case is clearly too narrow to evidence that the relevant public regard the thread device as applied for as an indicator of origin of the applicant's goods in the whole territory of the Community.")

<sup>55</sup> Case R 256/2001-2, para. 25 (OHIM Second Board of Appeal, Oct. 18, 2002).

lifting in terms of signifying origin.<sup>56</sup> Thus it was not solely because the applicant failed to adduce evidence in respect of part of the single market, as though territorial reach was at the centre of the assessment, that acquired distinctiveness would not be found. This is an over-simplistic, if not fundamentally misconceived, characterization. The key contention, as both the EUIPO and General Court decisions clearly indicate, resided in the claimant falling short of the requisite standard on other factors like product market share and investment in advertising and promotion.<sup>57</sup> Indeed, the General Court, in upholding the rejection of the application, added that “whilst it is true that the sales figures in question prove that the caramel sweet ‘Werther's Original’ was sold by the applicant on the relevant market, they do not however prove that the wrapper shape in question was used as a mark to describe the product concerned.”<sup>58</sup> Geographical extent was but a factor in the assessment; comparatively, a factor of lesser importance. Had the CJEU not taken so stringent a stance on territoriality, the outcome would remain unaltered.

Hence, the Court of Justice, aided by the Advocate General, set out to fix what was not broken. Drawing on an inaccurate representation of the legal standard prevailing at the time,<sup>59</sup> the Advocate General’s Opinion would propose that Article 7(2) CTMR, which established that absolute grounds for refusal—such as inherent distinctiveness being absent—apply even if the objection exist in only part of the Community, extended to the acquired distinctiveness provision, which never made any reference to it.<sup>60</sup> The CJEU bought into it. Both forms of distinctiveness were equated, as if they amounted to the same, though they clearly do not.<sup>61</sup>

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<sup>56</sup> *Id.* para. 27.

<sup>57</sup> *See also* August Storck K.G. v. OHIM, Case T-402/02, EU:T:2004:330, para. 83 (CFI, Nov. 10, 2004) (“the Board of Appeal found to the appropriate legal standard that the figures in question did not enable it to assess the share of the relevant market held by the applicant in respect of the mark applied for.”).

<sup>58</sup> *Id.* para. 83.

<sup>59</sup> *See supra* note 36 and accompanying text. *See also* BIC S.A. v. OHIM, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005).

<sup>60</sup> Article 7(3) CTMR (“Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.”).

<sup>61</sup> In the United States, for example, the Supreme Court has grappled with such differences, and their normative dimension, more explicitly. *See, e.g.,* Wal-Mart Stores Inc. v. Samara Brothers Inc., 529 U.S. 205 (2000), drawing a policy-based distinction between marks that may be inherently distinctive and others that should be registered only upon showing of acquired distinctiveness. In *Two Pesos Inc. v. Taco Cabana Inc.*, 505 U.S. 763, 775 (1992), the Supreme Court held that layout of commercial establishments could be inherently distinctive, as a strict acquired distinctiveness requirement would place burdens on small businesses “that see[k] to start a new product in a limited area and then expand into new markets”. One could argue that part of the

Inherent distinctiveness, as a legal presumption, may be justified in terms of bureaucracy (by streamlining prosecution costs) and incentives to expansion (rights are granted ahead of commercial exploitation, and lower costs associated with registration increase access for small- and medium-sized enterprises). Acquired distinctiveness is nothing but proof that a trademark came to be associated with an origin, which, by extension, sends a signal that marketplace confusion may be more reality than fiction. Put differently, the factual phenomenon that a mark has become distinctive through use, however courts may see it, raises the stakes in a possible trade-off between consumer protection (because consumers *do ascribe* an origin to the mark) and other competitive concerns attendant on nontraditional marks. There is little reason for such concepts to receive equal treatment. Not only is the Advocate General's Opinion's reasoning flawed, but, normatively, registration of nontraditional marks via the acquired distinctiveness route may be preferable.<sup>62</sup>

Now, there is a fundamental difference between being unable to establish that consumers would ascribe an origin to the mark in a substantial part of the single market, as decisions like *BIC v. OHIM* illustrate,<sup>63</sup> and outright rejecting acquired distinctiveness just because no evidence had been adduced to a portion of the territory that, depending upon the circumstances, may correspond to a minor or negligible proportion of the European population. Within a multifactor assessment, one should be able to offset a minor territorial shortcoming by other factors such as intensity and length of use, or investment in advertising and promotion of the mark. That was not the case in *Storck*: the available evidence, for issues other than territorial reach, would not allow the EUIPO to consider other factors.

### ***B. Lindt: Another Shot at Acquired Distinctiveness***

About a decade later, the Court of Justice revisited the issue of acquired distinctiveness of EU trademarks in *Lindt*, which produced yet another obscure piece of reasoning.<sup>64</sup> The underlying facts suggest it was a bad case to set a precedent. While the judgment became the oft-cited authority for acquired distinctiveness, registration was primarily litigated under inherent distinctiveness.

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problem may reside in the CJEU defending that nontraditional marks are afforded (nominal) equal treatment while operating other doctrinal devices to raise the threshold for their registration. It may have been preferable simply to establish that such marks cannot ever be inherently distinctive. *See also* discussion *infra* Part II(C).

<sup>62</sup> *See* discussion *infra* Part III.

<sup>63</sup> *BIC S.A. v. OHIM*, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005).

<sup>64</sup> *Chocoladefabriken Lindt & Sprüngli A.G. v. OHIM*, Case C-98/11 P, EU:C:2012:307 (CJEU, May 24, 2012).

The claimant had applied to register a golden-wrapped chocolate bunny as an EU trademark. During prosecution, the examiner objected to the application, which would lack inherent distinctiveness: chocolate-shaped animals were customary in the market, as were the other visual features of the mark.<sup>65</sup> The claimant, in turn, attempted to mosaic distinctiveness by arguing that Easter chocolate bunnies were largely unknown outside Germany. Thus the mark should be deemed inherently distinctive in all other Member States, and acquired distinctiveness would have to be proven only in Germany where the marketing of like-shaped chocolates had been a practice.<sup>66</sup> The claimant would only adduce evidence on Germany, while casually referring to successful court decisions in Austria and the UK.<sup>67</sup> The EUIPO's Board of Appeal upheld the rejection, giving substantially more attention to the question of inherent distinctiveness in the decision.<sup>68</sup> The claim for acquired distinctiveness was swiftly dismissed in a few paragraphs, with the Office understandably surmising that one cannot really expect that evidence relating to a single Member State would establish that the mark came to be recognized in the European Union, namely:

The appellant has exclusively filed documents in relation to Germany, and has referred to the fact that acceptance in the trade in relation to Austria can also be derived from these documents.

It is therefore first precisely clear that no documents were filed in relation to the remaining 23 Member States of the European Union, for which acceptance in the trade was required to have been proven. For this reason alone, proof of acquired distinctiveness must be seen not to have been provided.<sup>69</sup>

As they say, bad cases make bad precedent. The issue was not one of geographical extent, but the wanting of evidence that would enable the EUIPO to run an assessment under any (or all) of the factors for acquired distinctiveness.<sup>70</sup> The market conditions of just one Member State that, in the claimant's own words, differed from all others could not be representative of the whole single market. While the product was extensively recognized in Germany, no other evidence would even hint at market share, length and intensity of the use, and investment in advertising and promotion of the

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<sup>65</sup> Case R 1332/2005-4, paras. 3-4 (OHIM Fourth Board of Appeal, June 11, 2008).

<sup>66</sup> *Id.* para. 14.

<sup>67</sup> *Id.* paras. 15-16.

<sup>68</sup> *Id.* paras. 30-59.

<sup>69</sup> *Id.* paras. 64-65.

<sup>70</sup> *Id.* para. 67.

corresponding mark elsewhere. By and large, the claimant, trying to take a shortcut to registration, made a strategic choice that went awry. Once the mark was found not to be significantly different from an already-existing chocolate fauna,<sup>71</sup> acquired distinctiveness was left to be proven in the entire European Union.

At the General Court, the claimant sought judicial review mainly on two grounds. First, because the same mark had been registered with several national offices, evidence of acquired distinctiveness did not need to be provided with respect to *every* Member State. Rather, the EU counterpart should be found inherently distinctive where the mark had been registered nationally, and it should be up to the claimant only to fill in the missing pieces. Secondly, it would follow from the EU trademark's unitary character that distinctiveness should be assessed against a single market, which does not comport with a formalistic exercise focusing on individual markets of Member States. Hence, a significant proportion of the European population perceiving the mark as distinctive would be enough (as opposed to demanding a significant proportion of the population in *every* Member State).<sup>72</sup> No matter how persuasive those reasons may be (and they are), it is difficult to see the claimant making a recovery. Even if a substantial part standard were to be followed, as in the earlier *BIC v. OHIM* decision,<sup>73</sup> an EU trademark was unlikely to be registered based on German marketplace conditions alone. Had the claimant produced evidence of acquired distinctiveness relating to the fifteen or more Member States where the mark was registered, then, perhaps, the story might have been different.

The General Court, siding with the EUIPO, received with skepticism the contention that Easter chocolate bunnies were unbeknownst to Europeans.<sup>74</sup> Rather, “the impression created in the mind of the consumer by the mark, which consists of a three-dimensional (“3D”) sign, is the same throughout the Union, and, thus, the mark is devoid of distinctive character in the whole territory of the Union.”<sup>75</sup> National registrations were not binding and, furthermore, the claimant could not cherry-pick a Member State as the benchmark for acquired distinctiveness. Again, the issue was not territorial reach per se, but insufficient evidence to

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<sup>71</sup> *Id.* para. 42, referring to lambs, bunnies, pigs, ladybirds (ladybugs), and the like.

<sup>72</sup> *Chocoladefabriken Lindt & Sprüngli AG v. OHIM*, Case T-336/08, EU:T:2010:546 (GC, Dec. 17, 2010).

<sup>73</sup> *BIC S.A. v. OHIM*, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005).

<sup>74</sup> *Chocoladefabriken Lindt & Sprüngli AG v. OHIM*, Case T-336/08, EU:T:2010:546, para. 67 (GC, Dec. 17, 2010).

<sup>75</sup> *Id.* para 68. Translated by the author from the French version of the judgment (“l'impression que crée dans l'esprit du consommateur la marque demandée, qui consiste en un signe tridimensionnel, est la même dans toute l'Union et, ainsi, que la marque demandée est dépourvue de caractère distinctif sur l'ensemble du territoire de l'Union”).

support a minimally representative distinctiveness assessment.<sup>76</sup> On the facts of this case, it is difficult to find support for geographical extent being so dispositive in subsequent years.<sup>77</sup> There is a significant difference between an extreme scenario in which no evidence was provided for twenty-three out of twenty-five Member States, and another where the missing piece may correspond to one Member State that reflects, say, 5–10 percent of the European population.

At the end of the day, the Court of Justice affirmed geographical extent as a freestanding requirement.<sup>78</sup> Distinctive character should be established, one way or another, in every Member State through an approach of counting heads, regardless of national registrations pre-existing for the same mark; a *de novo* assessment must be carried out independently from (and irrespective of) whatever national offices may have found.<sup>79</sup> However, the European Court added, “it would be unreasonable to require proof of such acquisition [of distinctive character] for each individual Member State.”<sup>80</sup> The full implications of this statement remained unclear.<sup>81</sup> The judgment provided no further guidance on which kind of evidence would be required or, even, how one could establish that a mark had become distinctive throughout the European Union without adducing evidence in relation to every Member State.

### C. Too High a Threshold?

It is not surprising that the rather cryptic reasoning in the *Storck* and *Lindt* decisions has been interpreted in different ways,<sup>82</sup>

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<sup>76</sup> *Id.* paras. 70-71.

<sup>77</sup> *Mondelez UK Holdings & Services Ltd. v. Société des produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, para. 139 (GC, Dec. 15, 2016) (“in the event that the evidence submitted does not cover part of the European Union, even a part which is not substantial or consists of only one Member State, it cannot be concluded that distinctive character has been acquired through use of the mark throughout the European Union.”).

<sup>78</sup> *Chocoladefabriken Lindt & Sprüngli AG v. OHIM*, Case C-98/11 P, EU:C:2012:307 (CJEU, May 24, 2012).

<sup>79</sup> Guidelines for Examination of European Union Trademarks and Registered Community Designs at the European Union Intellectual Property Office, *available at* <https://euipo.europa.eu/ohimportal/en/trade-mark-guidelines> (last visited Aug. 28, 2018) [hereinafter EUIPO Guidelines], at 7.

<sup>80</sup> *Chocoladefabriken Lindt & Sprüngli AG v. OHIM*, Case C-98/11 P, EU:C:2012:307, para. 62 (CJEU, May 24, 2012).

<sup>81</sup> *See also* Lionel Bently, Brad Sherman, Dev Gangjee & Philip Johnson, *Intellectual Property Law* (5th ed. 2018), at 1010, commenting on the *Lindt* (C-98/11 P) judgment (“At present, the threshold for those marks which are required to prove acquired distinctiveness ‘throughout’ the EU remain unclear.”).

<sup>82</sup> *See infra* note 96 and accompanying text.

yet judicial practice points toward registration of nontraditional marks facing a heavy burden.<sup>83</sup>

For one, this strict geographic requirement should be read in conjunction with CJEU jurisprudence, also making it increasingly difficult for such marks to be found inherently distinctive. Drawing on a (normative) presumption that consumers would be unused to seeing shapes, isolated colors, and the like as an indication of origin,<sup>84</sup> inherent distinctiveness depends upon them significantly departing from the norms and customs in the relevant sector.<sup>85</sup> The shape of a COCA-COLA bottle merely being a variation of other existing products would render it nondistinctive;<sup>86</sup> a fate that the MAGLITE flashlight and the KIT KAT chocolate bar would also share.<sup>87</sup> But unlike acquired distinctiveness, this assessment is not particularly concerned with physical borders or specific market conditions of Member States. As the General Court has repeatedly stated, “[i]n the case of non-word marks it may be assumed that the assessment of their distinctiveness will be the same throughout the

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<sup>83</sup> See also Richard Davis, et al., *Tritton on Intellectual Property in Europe* (Sweet & Maxwell 5 ed. 2018), para. 3-243, at 341 (“the test that the mark must have acquired distinctive character in every Member State may seem harsh (particularly now that there are 28 Member States)”); Guy Tritton, *Distinctiveness and Acquired Distinctiveness: The Approach and Territorial Aspects*, 13 ERAForum 227 (2012), at 235; Donatienne Moreau & Joanna Diakomichali, *Distinctiveness of Three-Dimensional Trade Marks: 3D Trade Marks in European Cases at Appeal Level*, Darts-IP (2018), available at <https://www.darts-ip.com/distinctiveness-of-3d-trademarks/> (last visited Aug. 28, 2018). See generally Mitchell Adams & Amanda Scardamaglia, *Non-Traditional Trade Marks in Europe: An Historical Snapshot of Applications and Registrations*, 40 E.I.P.R. 623 (2018), indicating that, from 1996 to 2016, only 0.56 percent of the shape marks and 0.41 percent of the color marks applied for were registered.

<sup>84</sup> This author is skeptical of the proposition that consumers would have not become accustomed to nontraditional marks following decades since they have been first introduced as a market practice, neither are consumers believed to behave in the exact same way in every sector. Rather, empirical studies suggest that surrounding context and consumer attitudes, which may well be sector-specific, play a relevant role in source identification judgment. See, e.g., Thomas R. Lee, et al., *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 Ariz. St. L.J. 1033 (2009); Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 T.M.R. 1013 (2001). That does not mean to say that a higher burden on inherent distinctiveness of those marks cannot be justified on normative grounds.

<sup>85</sup> See, e.g., *Mag Instrument Inc. v. OHIM*, Case C-136/02 P, EU:C:2004:592, para. 31 (CJEU, Oct. 7, 2004). See also *Oy Hartwall Ab v. Patentti- ja rekisterihallitus*, Case C-578/17, EU:C:2019:261, paras. 28-31 (CJEU, Mar. 27, 2019).

<sup>86</sup> *The Coca-Cola Company v. OHIM*, Case T-411/14, EU:T:2016:94 (GC, Feb. 24, 2016).

<sup>87</sup> *Mag Instrument Inc. v. OHIM*, Case C-136/02 P, EU:C:2004:592, para. 31 (CJEU, Oct. 7, 2004); *Mondelez UK Holdings & Services Ltd. v. Société des produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735 (GC, Dec. 15, 2016). See also *Henkel KGaA v. Deutsches Patent- und Markenamt*, Case C-218/01, EU:C:2004:88, para. 49 (CJEU, Feb. 12, 2004) (“It follows that a simple departure from the norm or customs of the sector is not sufficient . . .”).

Community.”<sup>88</sup> Not only are such marks assumed not to perform an origin function, European consumers are taken to perceive them in the exact same way, irrespective of cultural, linguistic, or market variation that may exist across the single market.

Hence, the requirements for registration may be nominally all the same,<sup>89</sup> but a high dose of presumptive skepticism injected into an all-around average consumer ensures that some marks are more difficult to register than others. Since nontraditional marks are seldom inherently distinctive,<sup>90</sup> the current approach imposes a *de facto* standard that acquired distinctiveness be proven in all Member States; a standard strictly enforced by the General Court holding that evidence lacking in respect of a single one of them is fatal.<sup>91</sup> This can be easily contrasted with the position of traditional marks that, often for linguistic reasons, are lacking inherent distinctiveness in just a few Member States. Registration of the word mark CRÉDIT MUTUEL (*mutual credit*, translated to English), for example, would require proof of acquired distinctiveness only in respect of France, Belgium, and Luxembourg, where the relevant French-speaking public would perceive it as descriptive.<sup>92</sup> There is some dishonesty in presuming a single consumer reaction to reject inherent distinctiveness of

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<sup>88</sup> See, e.g., *Coca-Cola Company v. OHIM*, Case T-411/14, EU:T:2016:94, para. 68 (GC, Feb. 24, 2016); *Glaverbel S.A. v. OHIM*, Case T-141/06, EU:T:2007:273, para. 36 (GC, Sept. 12, 2007).

<sup>89</sup> See, e.g., *Procter & Gamble Company v. OHIM*, joined Cases C-468/01 P to C-472/01 P, EU:C:2004:259, paras. 28-29 (CJEU, April 29, 2004); *Mag Instrument*, Case C-136/02 P, EU:C:2004:592, para. 30 (CJEU, Oct. 7, 2004).

<sup>90</sup> At least nontraditional marks of the right kind. While the limited scope of this article does not allow us to go in much detail, recent decisions suggest that product shape marks are being registered under inherent distinctiveness by applicants claiming products other than those that they were expected to identify. See, e.g., *Jaguar Land Rover Ltd. v. OHIM*, Case T-629/14, EU:T:2015:878 (GC, Nov. 25, 2015), holding that the design of the EVOKE car is distinctive in respect of “vehicles for locomotion by air or water”; Case R 014772041 (EUIPO Examination Division, June 8, 2016), finding the clam shell shape of the GODIVA chocolate distinctive for “cocoa.” This may indicate that the current framework is favoring the proliferation of so-called “ghost marks,” which further undermine the informational function of the register. Such marks were once defined as “marks which are registrable under the Act and have been chosen to give their registered proprietors protection from unregistrable marks” in *Imperial Group Ltd. v. Philip Morris & Co. Ltd.* [1982] F.S.R. 72 (EWCA), when Lord Justice Brightman called them “a reprehensible practice and an abuse of the Register which the courts ought not to condone.” The extent to which registering EU trademarks with underlying no intent to use would warrant full or partial cancellation on the grounds of bad faith is a matter that Mr. Justice Arnold has recently referred to the Court of Justice in *Sky Plc v. Skykick UK Ltd.* [2018] EWHC 155 (Feb. 6, 2018) (Ch.), pending under C-371/18.

<sup>91</sup> *Mondelez UK Holdings & Services Ltd. v. Societé des produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, para. 139 (GC, Dec. 15, 2016); *Glaverbel S.A. v. OHIM*, Case T-141/06, EU:T:2007:273, para. 40 (GC, Sept. 12, 2007). See also Guy Tritton, *Distinctiveness and Acquired Distinctiveness: The Approach and Territorial Aspects*, 13 ERAForum 227 (2012), at 235.

<sup>92</sup> Case R 1724/2016-5 (EUIPO Fifth Board of Appeal, Nov. 8, 2017) (CRÉDIT MUTUEL).

nontraditional marks across the board and, at the acquired distinctiveness stage, shifting the logic to require that the slightest variation in consumer behavior and market conditions in every Member State be documented. Within this overall scheme, saying that such marks are set up to fail is no understatement.

To be sure, there are good reasons for a stringent standard on registration of nontraditional marks. Other jurisdictions such as the United States have ruled out the possibility of product design and colors ever being inherently distinctive, for example.<sup>93</sup> Nonetheless, there are equally persuasive reasons, which I will address later, for registration via acquired distinctiveness to remain viable.<sup>94</sup>

*Lindt*, however, was not the end of the story. A few years later, a dispute over the registration of the KIT KAT chocolate bar, which featured two of the largest confectionery companies in Europe, would place the EUIPO and the General Court on opposing sides.

### III. NONTRADITIONAL MARKS DIDN'T GET A BREAK

In *Nestlé v. Mondelez*, the issue of geographic scope finally came to the fore.<sup>95</sup> At the outset, the discussion turned on the acquired distinctiveness of a product shape, broaching the tension between the EUIPO's and the General Court's approaches to registration of EU trademarks.<sup>96</sup> More importantly, it raised fundamental concerns of trademark policy and single market integration which, if addressed, could support the development of a definite, normatively justified standard. Alas, the Court of Justice's answer would come short.

Back in the year of 2002, Nestlé applied to register the four-fingered shape of its KIT KAT chocolate bar as an EU trademark. Following the granting of registration, Cadbury (now Mondelez) brought invalidity proceedings at the EUIPO, arguing such a shape to be lacking both inherent and acquired distinctiveness. The Cancellation Division found the mark invalid in a decision that got reversed on appeal. Ultimately, the Board of Appeal held that it had acquired distinctive character in the European Community.<sup>97</sup> This would be a decision as any other were it not for the reasons supporting such a finding, namely:

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<sup>93</sup> *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995) (color marks); *Wal-Mart Stores Inc. v. Samara Brothers Inc.*, 529 U.S. 205 (2000) (product design).

<sup>94</sup> See discussion *infra* Part IV.

<sup>95</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P and C-95/17 P, EU:C:2018:596 (CJEU, July 25, 2018).

<sup>96</sup> *Mondelez UK Holdings & Services Ltd. v. Société des Produits Nestlé S.A. and EUIPO*, Case T-112/13, EU:T:2016:735 (GC, Dec. 15, 2016); Case R 513/2011-2 (OHIM Second Board of Appeal, Dec. 11, 2012).

<sup>97</sup> Case R 513/2011-2 (OHIM Second Board of Appeal, Dec. 11, 2012).

The Board infers from [the Lindt] judgment that the question that must be asked is whether a substantial proportion of consumers in the European Union as a whole have been exposed to the mark and have, as a result of that exposure, come to recognise the mark as an indication of commercial origin, without it being in any case necessary to show acquired distinctiveness in every nook and cranny.<sup>98</sup>

At face value, the path taken by the EUIPO hardly comports with the General Court's reading of *Lindt* requiring that distinctiveness in every Member State be considered individually.<sup>99</sup> Rather, the Office seemingly favored the approach of earlier decisions such as *BIC v. OHIM*,<sup>100</sup> which, today, would resonate with the notion of single market unfolded in the recent jurisprudence on reputation and genuine use.<sup>101</sup> Distinctiveness lacking in a nonsubstantial part of the Community would not be fatal. A minor or negligible section of the single market could be offset by higher levels of distinctiveness or prolonged use in a substantial part of the European Union, for example. As such, the EUIPO placing geographical extent within a multifactor assessment can be understood as an attempt to reinstate prior case law.<sup>102</sup> The legal inquiry would thus focus on whether a significant proportion of the overall *European population* associates the mark with a specific origin, bringing acquired distinctiveness of EU trademarks in closer alignment with national registration assessment. On the facts, the registrant had provided evidence relating to fourteen of the fifteen Member States,<sup>103</sup> which corresponded to almost 90 percent of the

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<sup>98</sup> *Id.* para. 74.

<sup>99</sup> *See supra* note 91.

<sup>100</sup> *BIC S.A. v. OHIM*, Case T-262/04, EU:T:2005:463, para. 69 (GC, Dec. 15, 2005)

<sup>101</sup> *Pago International GmbH v. Tirolmilch Registrierte Genossenschaft mbH*, Case C-301/07, EU:C:2009:611 (CJEU, Oct. 6, 2009); *Leno Merken B.V. v. Hagelkruis Beheer B.V.*, Case C-149/11, EU:C:2012:816 (CJEU, Dec. 19, 2012). *See also infra* note 111 and accompanying text. Nonetheless, the conception of a single market irrespective of physical borders between Member States is where similarities may end. By no means this author suggests that, on the assumption that inherent distinctiveness is lacking in the entire European Union, acquired distinctiveness in a single Member State would or should suffice for registration of an EU trademark. Neither is there a reason for "substantial part" being equated for the purposes of acquired distinctiveness, reputation, and genuine use assessments, the different policy concerns at play otherwise suggesting that they should not receive equal treatment. A multifactor assessment, which must consider the kind of mark, nature of the goods, and the market concerned, placing geographic extent as one interdependent factor, makes this distinction doctrinally feasible.

<sup>102</sup> *See discussion supra* Part II(A).

<sup>103</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:266, para. 85 (Advocate General Wathelet, Apr. 19, 2018) ("The only Member State for which no evidence was provided was Luxembourg."). Although Nestlé had produced (at least some) evidence in respect of fourteen Member States, the EUIPO made a decision in relation to eleven of them, which would be enough to establish acquired distinctiveness in a substantial part of the European Union. *See also* *Société des Produits Nestlé S.A. v. Mondelez UK*

population of the European Union at the time,<sup>104</sup> of which 50 percent perceived the KIT KAT shape as an indication of origin.<sup>105</sup> It was hardly the same situation of the claimant in *Lindt* expecting that evidence from Germany be representative of the entire single market.

The reasons that the EUIPO advanced in support of this seeming departure were threefold.<sup>106</sup> First, a standard of substantial part would further the notion of a single market without physical borders that was emerging in the context of reputation and genuine use of EU trademarks.<sup>107</sup> Second, acknowledging that evidence being absent in a nonsubstantial part overrides acquired distinctiveness in the vast majority of the single market would mean to neglect large-scale investments made in the brand, and, furthermore, would run counter to the business expansion rationale informing EU trademarks. Third, requiring evidence to be adduced for each Member State raises transaction costs associated with registration, diverting to production of evidence—and ensuing litigation—economic resources that are better spent elsewhere. There would be little benefit in demanding evidence that reflected only a minor (or perhaps, negligible) part of the European population when compared with the transaction costs that it entailed.

Mondelez, in turn, brought the case before the General Court for judicial review. By considering a substantial part standard, the EUIPO would have erred in assessing “the territorial scope of the proof” of acquired distinctiveness within the European Union. The General Court reversed the EUIPO’s substantial part analysis as being inconsistent with the existing case law, namely:

[T]he distinctive character acquired through use of that mark must be shown throughout the territory of the EU, and not only for a substantial part or the majority thereof . . . in the event that the evidence submitted does not cover part of the EU, even a part which is not substantial or consists of only one Member State, it cannot be concluded that

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Holdings & Services Ltd. and EUIPO, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596, paras. 18, 88 (CJEU, July 25, 2018).

<sup>104</sup> Following the rules of accession of new Member States under Article 162(2) CTMR (“The registration of a Community trade mark which is under application at the date of accession may not be refused on the basis of any of the absolute grounds for refusal listed in Article 7(1), if these grounds became applicable merely because of the accession of a new Member State.”). This provision is mirrored in Article 209(2) EUTMR.

<sup>105</sup> Case R 513/2011-2, para. 88 (OHIM Second Board of Appeal, Dec. 11, 2012).

<sup>106</sup> *Id.* paras. 74-78.

<sup>107</sup> *Pago International GmbH v. Tirolmilch Registrierte Genossenschaft mbH*, Case C-301/07, EU:C:2009:611 (CJEU, Oct. 6, 2009); *Leno Merken B.V. v. Hagelkruis Beheer B.V.*, Case C-149/11, EU:C:2012:816 (CJEU, Dec. 19, 2012), with Opinion of Advocate General Sharpston EU:C:2012:422 delivered on July 5, 2012.

distinctive character has been acquired through use of the mark throughout the EU.<sup>108</sup>

Thus, Nestlé did not need to adduce evidence of the same kind in respect of each Member State (e.g., a survey), but some evidence was required for every single one of them.<sup>109</sup> Regardless, the Court went on to re-examine the factual findings and determine whether such evidence existed. Although there was no procedural error from the EUIPO, the mark fell short of the stated standard of acquired distinctiveness. According to the General Court:

[T]he Board of Appeal could not validly conclude its examination of the distinctive character acquired by the contested trade mark throughout the European Union on the basis of the percentage of the public recognising that mark in those Member States, even if the population of those states represented almost 90% of the population of the European Union, without coming to a conclusion regarding the perception of the mark by the relevant public in, inter alia, Belgium, Ireland, Greece and Portugal and without analysing the evidence adduced in respect of those Member States.<sup>110</sup>

Instead of inquiring about whether the overall European population, reflecting a substantial part of the European Union, would ascribe origin significance to the mark, the analysis shifts attention to the markets and population of individual Member States. An otherwise single market is broken down into its component pieces, so that acquired distinctiveness must adhere to a checklist of sorts: if distinctiveness is not *asserted and assessed* with respect to any given Member State, no matter its population size, market conditions, or representativeness, the claim fails without other factors ever being considered.

Both Nestlé and the EUIPO appealed to the Court of Justice, arguing, in essence, that an approach thus centered on national markets would be inconsistent with the unitary character of the EU trademark and the notion of a frictionless single market, without regard to political borders, advanced in *Leno Marken*.<sup>111</sup> On that occasion, the CJEU had provided an entirely different rationale by holding that “the territorial scope of the use is not a separate

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<sup>108</sup> *Mondelez UK Holdings & Services Ltd. v. Societ  des produits Nestl  S.A. and EUIPO*, Case T-112/13, EU:T:2016:735, para. 139 (GC, Dec. 15, 2016).

<sup>109</sup> *Id.* para. 126. Whether such a statement accurately reflects the General Court’s practice is debatable. See *infra* note 151 and accompanying text.

<sup>110</sup> *Id.* para. 177.

<sup>111</sup> *Soci t  des Produits Nestl  S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596, para. 63 (CJEU, July 25, 2018). See also *Leno Marken B.V. v. Hagelkruis Beheer B.V.*, Case C-149/11, EU:C:2012:816, para. 44 (CJEU, Dec. 19, 2012).

condition for genuine use but one of the factors determining genuine use, that must be included in the overall analysis and examined at the same time as other such factors.”<sup>112</sup> Since focusing on individual Member States would frustrate single market integration, which the CJEU recognized as a core objective of European trademark law,<sup>113</sup> “the territorial borders of the Member States should be disregarded in the assessment of ‘genuine use in the Community.’”<sup>114</sup> The threshold for genuine use thereby assumed a more contextual, standard-based character, being set against a set of circumstances like the kind of mark, the nature of the goods or services claimed, and the market concerned. Use of the mark in a single Member State may be enough to maintain EU-wide registration, should the market for the product concerned be thus limited.<sup>115</sup> A few years before, *Pago* had established that an EU trademark would have a reputation, for dilution protection purposes, if it had gained such status in a substantial part of the European Community.<sup>116</sup> As in the issue of genuine use, the legal provision glossed over by the CJEU only referred to “reputation in the Community,” and, yet, the market of a single Member State such as Austria could meet the standard.<sup>117</sup> Both decisions are symptomatic of the Court of Justice’s ambivalence; both embrace what Graeme Dinwoodie calls an intrinsic conception of territoriality, favoring the geographic extent of the goodwill over political borders.<sup>118</sup> They reveal a single market at odds with the *Lindt* approach under acquired distinctiveness that has not gone

<sup>112</sup> Leno Merken, Case C-149/11, EU:C:2012:816, para. 36.

<sup>113</sup> *Id.* para. 40.

<sup>114</sup> *Id.* para. 44.

<sup>115</sup> *Id.* para. 50. *See also supra* note 101. Being a standard-based assessment, it does not follow that the adoption of or return to a “substantial part” in acquired distinctiveness would necessarily set the same threshold.

<sup>116</sup> *Pago International GmbH v. Tirolmilch Registrierte Genossenschaft mbH*, Case C-301/07, EU:C:2009:611, para. 27 (CJEU, Oct. 6, 2009).

<sup>117</sup> *Id.* para. 30. Being a standard-based assessment, however, reputation in a single Member State may not always suffice. *See also* *Iron & Smith kft v. Unilever N.V.*, Case C-125/14, EU:C:2015:539, para. 34 (CJEU, Sept. 3, 2015), holding that dilution protection depends upon at least a commercially significant part of the public in the targeted Member States being familiar with the registered mark.

<sup>118</sup> Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State Trademark in Transition: Institute for Intellectual Property & Information Law Symposium*, 41 *Hous. L. Rev.* 885 (2004) [hereinafter *Trademarks and Territory*], 888 (“[S]ome aspects of territoriality are rooted in social and commercial practices that dictate the reach of a brand, while other aspects are a function of political or policymaking authority. In an era of global trade and digital communication, social and commercial practices are less territorially confined and less commensurate with the nation-state. But economic policymaking and political institutions may prove more resistant to change than social or commercial behavior.”). *See also* Graeme B. Dinwoodie, *Territorial Overlaps in Trademark Law: The Evolving European Model*, 92 *Notre Dame L. Rev.* 1669 (2017) [hereinafter *Territorial Overlaps*], 1700, approaching the issue within the European framework.

unnoticed. As Bently and Sherman pointed out at the time, “a trade mark might be regarded as having a ‘reputation’ in the Union . . . but be found to have been invalidly registered because the mark lacked acquired distinctive character.”<sup>119</sup>

Yet, the Court of Justice’s judgment in *Nestlé v. Mondelez* merely restated its prior position in *Storck* and *Lindt* without giving it much-needed substance.<sup>120</sup> Deriving an answer from legal formalism, it would not address any of the concerns that the EUIPO had raised in support of a substantial part standard. It simply took the current approach at face value and held that:

[T]he distinctive character acquired through use of that mark must be shown throughout that territory [of the European Union], and not only in a substantial part or the majority of the territory . . . and consequently, although such proof may be produced globally for all the Member States concerned or separately for different Member States or groups of Member States, it is not, however, sufficient that the party with the burden of providing such evidence merely produces evidence of such acquisition that does not cover part of the European Union, even a part consisting of only one Member State.<sup>121</sup>

In so doing, the CJEU never really considered what would be a threshold of acquired distinctiveness adequate to, normatively desirable for, or even consistent with European law. Instead, the CJEU held that “it follows from the unitary character of the EU trade mark that, in order to be accepted for registration, a sign must have distinctive character, inherent or acquired through use, throughout the European Union.”<sup>122</sup>

The textual analysis carried out in the judgment fails to explain why a part of the European Union could not (or should not) be discounted as negligible or offset by other factors, as it used to be the practice before *Storck*,<sup>123</sup> and as it does happen in the assessments of reputation and genuine use of EU trademarks. Merely stating that genuine use would be different from acquired distinctiveness insofar as they are regulated by their own legal

<sup>119</sup> Lionel Bently & Brad Sherman, *Intellectual Property Law* (4th ed. 2014), at 957.

<sup>120</sup> *Nestlé Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596, para. 83 (CJEU, July 25, 2018).

<sup>121</sup> *Id.* para. 87.

<sup>122</sup> *Id.* para. 68. *But see* Lionel Bently, Brad Sherman, Dev Gangjee & Philip Johnson, *Intellectual Property Law* (5th ed. 2018), at 1009 (“However does ‘throughout’ the Union mean ‘in each and every member state’ or rather amongst a ‘significant proportion’ of European citizens, irrespective of their geographical distribution?”).

<sup>123</sup> *See supra* note 35 and accompanying text.

provisions,<sup>124</sup> when the Court of Justice itself had drawn a clear analogy between them both in the recent past,<sup>125</sup> is unconvincing. To be sure, the gloss of “all parts in the European Union” that is being read into acquired distinctiveness finds no support in statutory language.<sup>126</sup> It made its debut in a single paragraph in *Storck*, the product of yet another formalistic endeavor,<sup>127</sup> which neglected the EUIPO case law developed up to that point. Subsequently, in *Lindt*, the CJEU waived the Advocate General’s Opinion to condone this single-paragraphed, territoriality-centred approach without any further explanation. Given that this gloss is but one possible interpretation of the acquired distinctiveness provision, which makes no reference to territorial reach whatsoever, some justification is not only desirable, but necessary. It poses an issue of institutional legitimacy.<sup>128</sup>

Indeed, the prevailing discourse was never fully articulated in the jurisprudence, as the low level of engagement of the Advocate Generals illustrate. While their opinions are generally regarded as fairly comprehensive in other contexts,<sup>129</sup> *Storck* and *Nestlé* (there was none in *Lindt*) do not grapple with issues of trademark policy, single market integration, or other concerns, nor do they exhibit the consequentialist reasoning spotted elsewhere. Specifically, the *Nestlé v. Mondelez* Opinion unfolded into an exercise of meticulous verbal analysis drawing comparisons between the German, English, and French versions of *Lindt*,<sup>130</sup> as though the answer were written in the stars. While such an exercise may conveniently sidestep the difficult, normative questions, it is largely unhelpful when it comes to delivering a transparent and reasonably supported process of reasoning. We need not go very far to find out that scarce discourse is acute in acquired distinctiveness. Other trademark opinions have

<sup>124</sup> *Nestlé v. Mondelez*, joined cases C-84/17 P, C-85/17 P and C-95/17 P, paras. 69-74.

<sup>125</sup> *Colloseum Holding A.G. v. Levi Strauss & Co.*, Case C-12/12, EU:C:2013:253, para. 34 (CJEU April 18, 2013) (“[T]he requirements that apply to verification of the genuine use of a mark . . . are analogous to those concerning the acquisition by a sign of distinctive character through use for the purpose of its registration . . .”).

<sup>126</sup> *See supra* Part II(A).

<sup>127</sup> *August Storck K.G. v. OHIM*, Case C-25/05 P, EU:C:2006:422, para. 83 (CJEU, June 22, 2006).

<sup>128</sup> *See generally* Harri Kalimo, et al., *Of Values and Legitimacy—Discourse Analytical Insights on the Copyright Case Law of the Court of Justice of the European Union*, 81 M.L.R. 282 (2018), at 286 (“The failure to communicate appropriately the value reconciliation efforts in which the Court has, in fact, engaged, could have repercussions on the perception of judicial decisions. Hence, the discursive flatness could affect the more general issue of the legitimacy of the Court.”).

<sup>129</sup> *Id.* at 290, defining Advocate General’s Opinions in European copyright as “rather colorful, active, abundant, and detailed.”

<sup>130</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined Cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:266, paras. AG73-AG74 (Advocate General Wathelet, Apr. 19, 2018).

engaged with the potential impact of decision-making and the normative implications of the choices available. A more in-depth, consequentialist discourse is noticeable in cases dealing with trademark liability issues.<sup>131</sup> In that context, opinions have accounted for the potential effects of trademark use doctrine on merchandising and, in particular, football financing;<sup>132</sup> the societal role of search engines in facilitating freedom of speech and the overall functioning of the Internet;<sup>133</sup> and high transaction costs attendant on and legal uncertainty associated with trademark liability of manufacturing plants fulfilling orders from a third party.<sup>134</sup> The CJEU's *faux* textualism in acquired distinctiveness case law is misplaced because, again, the proposed answer is not directly derived from the statutory text.

Rather, the Court of Justice's reasoning in *Nestlé v. Mondelez* shows more concern with mindless box-ticking, as though the EUIPO must go through every single Member State, no matter the circumstances, than with determining whether trademark protection is warranted. Instead of ascertaining whether a substantial proportion of the European population within a single market ascribes origin significance to the trademark, a checklist of (currently twenty-eight) Member States must be followed. By this rationale, one would think that in the United States, another territorially extensive jurisdiction facing similar challenges,<sup>135</sup> the United States Patent and Trademark Office must surely examine acquired distinctiveness of a mark in all fifty States, from California to Delaware, before issuing registration. Well, it does not.<sup>136</sup>

But then again, *Nestlé v. Mondelez* suffers from the same flaw of its predecessors: it fails to provide clear, let alone satisfactory guidance. The CJEU concedes that "it is not inconceivable that the evidence provided to establish that a particular sign has acquired distinctive character through use is relevant with regard to several Member States, or even to the whole of the European Union."<sup>137</sup> This statement, however, does not add anything to *Lindt*. It raises more

<sup>131</sup> See also Luis H. Porangaba, *A Contextual Account of the Trade Mark Functions Theory*, I.P.Q. 230 (2018), broaching such discourse within the trademark use and functions debate.

<sup>132</sup> Arsenal Football Club Plc v. Matthew Reed, Case C-206/01, EU:C:2002:373 (Advocate General Colomer, June 13, 2002).

<sup>133</sup> Google France SARL and Google Inc. v. Louis Vuitton Malletier SA, joined Cases C-236/08 to 238/08, EU:C:2009:569 (Advocate General Poiares Maduro, Sept. 22, 2009).

<sup>134</sup> Frisdranken Industrie Winters B.V. v. Red Bull GmbH, Case C-119/10, EU:C:2011:258 (Advocate General Kokott, Apr. 14, 2011).

<sup>135</sup> See, e.g., *Trademarks and Territory*, *supra* note 118.

<sup>136</sup> See *infra* note 193.

<sup>137</sup> Nestlé Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596, para. 80 (CJEU, July 25, 2018).

questions than provides answers. If the evidence is relevant to the entirety of the European Union, why is an independent assessment required for every Member State? Is the EUIPO expected to come up with a reason for using such evidence, referencing it when assessing market conditions of each Member State? If so, which kind of reason, which kind of evidence, and in which circumstances?

The judgment's opacity is apparent when we turn to some of these questions. By and large, the CJEU did little more than hint at two sets of circumstances that may be relevant and, yet, are far from self-evident. Rather, they introduce secondary considerations that lose sight of the legal question of whether the trademark performs an origin function, increase complexity in the assessment without much benefit, and leave another series of open questions.<sup>138</sup> I will address each of them separately.

### *A. Distribution Networks and Market Comparability*

The first scenario raised in the judgment indicates that distribution networks may establish that different national markets have been grouped for branding or marketing strategy purposes. According to the Court of Justice:

In particular, as the Advocate General stated, in essence, in point 78 of his Opinion, it is possible that, for certain goods or services, the economic operators have grouped several Member States together in the same distribution network and have treated those Member States, especially for marketing strategy purposes, as if they were one and the same national market. In such circumstances, the evidence for the use of a sign within such a cross-border market is likely to be relevant for all Member States concerned.<sup>139</sup>

It is unclear what “economic operators” means in the context of distribution networks. Does it refer to the applicant seeking registration of the mark or, rather, to the behavior of all those dealing in the products concerned? While the language of economic operators had been used by the Court of Justice to make statements of more general character in the past,<sup>140</sup> such a reading poses some difficulties. First, marketing strategy is commonly regarded as a

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<sup>138</sup> See also *Basic Net SpA v. OHIM*, Case CD-547/17 P, EU:C:2018:682 (CJEU, Sept. 6, 2018), merely citing to *Nestlé v. Mondelez* (C-84/17 P, C-85/17 P, and C-95/17 P), without any further clarification.

<sup>139</sup> *Nestlé v. Mondelez*, joined cases C-84/17 P, C-85/17 P and C-95/17 P, para. 81.

<sup>140</sup> See, e.g., *Ralf Sieckmann v. Deutsches Patent- und Markenamt*, Case C-273/00, EU:C:2002:748, para. 49 (CJEU, Dec. 12, 2002), addressing the graphic representation requirement (“[T]he entry of the mark in a public register has the aim of making it accessible to the competent authorities and the public, particularly to economic operators.”). See also *Chartered Institute of Patent Attorneys v. Registrar of Trade Marks*, Case C-307/10, EU:C:2012:361, paras. 46-49 (CJEU, June 19, 2012).

trade secret seldom made public, so an applicant's ability to obtain information of this nature is limited at best.<sup>141</sup> Secondly, if the judgment gives a nudge toward an inquiry into the established market practices in setting distribution networks for a given product, we should ask ourselves what would be the point in conducting a market survey, with the increased costs that it entails, to ascertain whether a given number of national markets are treated by economic operators as being one and the same.

It is possible that the Court of Justice's distribution networks heuristic echoed the broader market comparability exercise to which the Advocate General had referred as a means to extrapolate evidence from one Member State to another.<sup>142</sup> This extrapolation process, Advocate General Wathelet argued, would require the applicant to prove that the market of Member States subject to extrapolation were the same or comparable to those for which acquired distinctiveness has been established. Following this notional fragmentation of a single market into a manifold market for registration purposes, he concluded that:

Even though the General Court was, in principle, required to examine that question, Nestlé confirmed at the hearing that it had not included in the case file evidence seeking to establish that, with regard to the product covered by the trade mark at issue, the evidence provided for the Danish, German, Spanish, French, Italian, Netherlands, Austrian, Finnish, Swedish, and United Kingdom markets also applied to the Belgian, Irish, Greek, Luxembourg and Portuguese markets or could act as a basis for extrapolating the acquisition, by the trade mark at issue, of distinctive character through use in those countries. In that sense, Nestlé had not established, in respect of the product concerned, the comparability of the Belgian, Irish, Greek, Luxembourg and Portuguese markets with some of the other national markets for which it had provided sufficient evidence.<sup>143</sup>

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<sup>141</sup> See, e.g., *Study on Trade Secrets and Confidential Business Information in the Internal Market Prepared for the European Commission* (MARKT/2011/128/D, 2013), available at <https://ec.europa.eu/docsroom/documents/14838/attachments/1/translations/en/renditio ns/pdf> (last visited Aug. 28, 2018) at 12 ("Trade secrets related to . . . "Marketing data and planning" were also ranked as highly valuable."). For a comparative law perspective and insights into trademark owners' attitudes toward trade secrets, see Frank J. Cavico, *Business Plans and Strategies as Legally Protected Trade Secrets: Florida and National Perspectives*, 9 U. Miami Bus. L. Rev. 1 (2001). While courts may find that not every business planning and marketing strategy amounts to trade secret, trademark owners tend to treat (and litigate over) them as such.

<sup>142</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined Cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:266 (Advocate General Wathelet, Apr. 19, 2018).

<sup>143</sup> *Id.* para. 87.

It appears that evidence of acquired distinctiveness from all Member States is not required, yet there should be some evidence to establish that evidence from other Member States could be extrapolated, otherwise there would be insufficient evidence that the mark had become distinctive in the entirety of the European Union. It is hard to make much sense, let alone extract useful guidance, from this line of reasoning. Heuristics are expected to reduce complexity and facilitate decision-making, not the other way around. The Advocate General's proposal would advance a concept of acquired distinctiveness by proxy, which may well become an open invitation to ancillary litigation on market definition and comparability, further increasing transaction costs associated with registration and, yet, no corresponding benefit. Nor is it *acte clair* that the Court of Justice has effectively endorsed such a methodology; a market comparability test is not explicitly mentioned in the judgment that, rather, abridged the Advocate General's point to make it about distribution networks. At least one potential problem with the proposed approach, which neither the Advocate General nor the CJEU has addressed, lies in determining and assessing *which kind of evidence* would establish the purported market comparability.

In the EUIPO's guidelines, there may be another possible parallel that contemplates the possibility that evidence relating to certain Member States be used to infer likely consumer behavior in other areas of the single market. Such a process of extrapolation of evidence is subject to (1) the market being homogeneous and (2) there being at least some evidence that the mark has been used in all the remaining area.<sup>144</sup> This approach, however, was not followed in *Nestlé v. Mondelez*, where the EUIPO found acquired distinctiveness by advancing a substantial part standard, without explicit reference to market conditions or evidence of use in all Member States.<sup>145</sup> Moreover, there are good, practical reasons for this departure. Experience shows that evidence extrapolation and market comparability may devolve into a byzantine (if not arbitrary) exercise, which seems only to bolster the heavily territorial character that encroached on the (legal) question of acquired distinctiveness.

The *Bounty* case, which made it to the General Court, is one such example.<sup>146</sup> Mars, the claimant, was defending the acquired distinctiveness of the shape of the BOUNTY chocolate bar as an EU trademark. Unlike in *Lindt*, evidence had been submitted in relation to all the fifteen Member States that composed the European Union at the time. The bulk of the evidence, however,

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<sup>144</sup> EUIPO Guidelines, *supra* note 79, Part B, 7-8.

<sup>145</sup> See *supra* note 109 and accompanying text.

<sup>146</sup> Mars Inc. v. OHIM, Case T-28/08, EU:T:2009:253 (CFI, July 8, 2009) (BOUNTY).

related to six of them, namely the UK, France, Germany, Italy, and the Netherlands. As for the remainder, the claimant presented figures on sales, advertising expenditures and market share, per national market, over the years. It was the claimant's case that the more substantial evidence, notably surveys and witness testimony produced in the six Member States, would allow acquired distinctiveness to be inferred in other areas. One could say that, as a practical effect of this process, the comparably limited evidence provided for the remainder of the single market would be offset by high levels of recognition and length of use in the alluded Member States. The EUIPO's Cancellation Division maintained the registration, as follows:

Even admitting that some evidence on its own does not show that the trade mark has acquired distinctive character the Office insists that the evidence has to be examined in its entirety—omnia probant quod non singula. Thus, when assessing the submitted material globally, it is considered that overall the requirements of Article 7(3) CTMR are met . . . .<sup>147</sup>

The Board of Appeal disagreed. While the claimant had produced a "rather impressive" amount of evidence,<sup>148</sup> sales and other figures like market share and advertising expenditures related to the remaining area were found wanting.<sup>149</sup> It turned out that the six Member States accounted for 90 percent of the total sales of the product, leaving a significantly lower performance in other national markets such as Portugal and Spain.<sup>150</sup> Since market conditions—notably sales volume and market share—were not comparable, evidence could not be extrapolated.

The General Court subsequently affirmed that "[t]he results of the surveys carried out in the above-mentioned six Member States and the witness statements taken in three of those States cannot be extrapolated to the other nine Member States on the sole basis of those figures."<sup>151</sup> The grounds supporting such a finding are questionable. First, the Court took issue with the market share of the product in Sweden and Finland being significantly lower than that in the Netherlands.<sup>152</sup> Subsequently, it questioned that the market share in France was also superior to the Swedish, Finnish,

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<sup>147</sup> Case 765 C 000 818 864, para. 56 (OHIM Cancellation Division, Aug. 10, 2006) (BOUNTY).

<sup>148</sup> Case R 1325/2006-2, para. 34 (OHIM Second Board of Appeal, Oct. 23, 2007) (BOUNTY).

<sup>149</sup> *Id.*

<sup>150</sup> *Id.* para. 35.

<sup>151</sup> *Mars Inc. v. OHIM*, Case T-28/08, EU:T:2009:253, para. 55 (CFI, July 8, 2009) (BOUNTY).

<sup>152</sup> *Id.* para. 57.

and Danish markets considered together.<sup>153</sup> Likewise, rates of recognition of the product varied across territories, with the judgment drawing attention to a discrepancy between survey results in Italy and the Netherlands.<sup>154</sup> As the European market was not uniform and because, apparently, the claimant had been more successful in some national markets than in others, any kind of extrapolation of evidence would be unwarranted.

*Bounty* offers us more than a few insights into the requisite geographical extent of EU trademarks and so-called market comparability. It provides a cautionary tale. What should have been a multifactor assessment of acquired distinctiveness<sup>155</sup> turned into a highly complex territorial inquiry driven by a set of unwritten rules. It became a matter of counting heads of Member States in the pursuit of an unattainable ideal of a homogeneous market, as though a single market can (or should) ever be uniform in such a way. If anything, the CJEU's jurisprudence on freedom of goods shows that the notion of a single market is not incompatible with differing market conditions between Member States.<sup>156</sup> Acquired distinctiveness devolved into a market comparability exercise obscuring the legal question of whether trademark protection is warranted—that is, if a legally significant proportion of consumers do ascribe an origin to the sign. This is a question that is not a strictly empirical, statistical endeavor.<sup>157</sup> While trademarks fulfil an important consumer protection function, registration plays a role in industrial policy that may have been neglected.<sup>158</sup>

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<sup>153</sup> *Id.* para. 58.

<sup>154</sup> *Id.* para. 59.

<sup>155</sup> *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber*, joined Cases C-108/97, and C-109/97, EU:C:1999:230, para. 51 (CJEU, May 4, 1999) (“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.”). See *supra* note 23 and accompanying text.

<sup>156</sup> See, e.g., *Fratelli Graffione S.N.C. v. Ditta Fransa*, Case C-313/94, EU:C:1996:450, paras. 22-23 (CJEU, Nov. 26, 1996); *Estée Lauder Cosmetics GmbH & Co. OHG v. Lancaster Group GmbH*, Case C-220/98, EU:C:2000:8, para. 29 (CJEU, Jan. 13, 2000).

<sup>157</sup> See also *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber*, joined Cases C-108/97 and C-109/97, EU:C:1999:230, para. 52 (CJEU, May 4, 1999) (“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.”).

<sup>158</sup> See *supra* Part III.

### *B. Geographic, Cultural, or Linguistic Proximity*

*Nestlé v. Mondelez* further indicates that evidence may be relevant to more than a single Member State “when, due to a geographic, cultural or linguistic proximity between two Member States, the relevant public of the first has a sufficient knowledge of the products and services that are present on the national market of the second.”<sup>159</sup> Again, the Court of Justice added yet another layer of factual review, introducing a secondary consideration that may give rise to subsequent orders of reference.

At the outset, the judgment provides no guidance on establishing that the population of a Member State has “sufficient knowledge of the products and services” marketed in a neighbouring national market. The statement itself is counter-intuitive. If the relevant products or services are not available on a national market, it is debatable that the population therein would comprise a *relevant public* for the purposes of trademark law. They are, at best, potential consumers who would make a purchase when travelling to or visiting the other Member State, which, then, will be the relevant market. A German traveller hiring a car at London Heathrow is a consumer within the UK (not the German) market.<sup>160</sup> Even in a scenario of an appreciable volume of online sales being made from one Member State to another, there will be a market for the product in both,<sup>161</sup> which makes the Court’s point of sufficient knowledge moot. This is but one of the conceptual difficulties, with practical ramifications, that we must face when a single market is forcefully fragmented.

We may find a possible answer in sufficient knowledge entailing a lower threshold, which may be explained if the UK approach to acquired distinctiveness were to be adopted. In *Nestlé v. Cadbury*, which dealt with the national registration of the same KIT KAT shape, the England & Wales Court of Appeal held that acquired distinctiveness required something more than the shape being recognized by consumers. The claimant should be able to establish

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<sup>159</sup> *Nestlé Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P and C-95/17 P, EU:C:2018:596, para. 82 (CJEU, July 25, 2018).

<sup>160</sup> *Enterprise Holdings Inc. v. Europcar Group UK Limited* [2015] EWHC 17, para. 140 (Jan. 13, 2005) (Ch.) (“in the case of vehicle rental services in the UK, the service is physically provided in this country. In almost all cases, the consumer receives the vehicle here, drives it here and returns it here. Furthermore, in almost all cases, the rental contract will be entered into in this country. These factors are unaffected by the country of residence of the consumer.”).

<sup>161</sup> *Walton International Limited v. Verweij Fashion B.V.*, [2018] EWHC 1608 (June 28, 2018) (Ch.), finding that commercially insignificant scale of sales to UK consumers through a global e-shop fell short of the standard of genuine use.

that it performs an origin function of its own.<sup>162</sup> While the full extent of the judgment remains controversial,<sup>163</sup> Lord Justice Kitchin's (as he then was) speech may suggest that the issue was chiefly evidential. Because the shape had been used in conjunction with another registered mark, the evidence should establish that consumers perceive the shape alone as a badge of origin (i.e., without other visual cues like product packaging, a word mark, or a logo).<sup>164</sup> Such a reading resonates with the EUIPO, requiring that evidence be correlated to the mark applied for in decisions such as *3-D Guitar Shape* and *Storck*.<sup>165</sup> It could also explain the CJEU drawing a line between sufficient knowledge and acquired distinctiveness: evidence that cannot be directly linked to the mark at issue may still establish that the relevant public has sufficient knowledge of it. While advertising material and other evidence may fail to show that consumers rely upon the product shape before UK courts, it could be used to establish the public's knowledge of the mark in sections of the single market. This could mean that, perhaps, the survey in *Storck* gauging the public's familiarity with the brand WERTHER'S ORIGINAL may establish sufficient knowledge of the sweet wrapper for which registration was being sought. Hence, under such conditions, some sections of the single market could be subject to a lower evidential burden. As the General Court, however, may not share the view of UK courts,<sup>166</sup> the issue is far from settled.

The judgment's reference to cultural and linguistic factors within acquired distinctiveness assessment also sits awkwardly with the presumption under inherent distinctiveness that nontraditional marks are perceived the same way across the entire European Union.<sup>167</sup> Where circumstances would make consumers behave differently, then, following the Court of Justice's own jurisprudence, the mark would be inherently distinctive (i.e., the presumption is rebutted). Somewhat contradictorily, *Nestlé* suggests that cultural and linguistic variation may allow evidence from Member States to be extrapolated under acquired distinctiveness instead, when those factors would normally obviate

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<sup>162</sup> *Société des produits Nestlé S.A. v. Cadbury UK Ltd.*, [2017] EWCA Civ. 358 (May 17, 2017).

<sup>163</sup> *See, e.g., Angela Fox & Janet Strath, Policy Shapes the Law as Court of Appeal Considers KitKat*, 2 *JIPLP* 823 (2017).

<sup>164</sup> *Nestlé v. Cadbury*, [2017] EWCA Civ. 358, paras. 82-86 (May 17, 2017). *See also* Lord Justice Floyd's speech at para. 109 ("I am satisfied, however, that . . . 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.").

<sup>165</sup> *See supra* note 50.

<sup>166</sup> *Mondelez UK Holdings & Services Ltd v. EUIPO*, Case T-112/13, EU:T:2016:735, para. 139 (GC, Dec. 15, 2016).

<sup>167</sup> *See supra* note 85 and accompanying text.

the need of such an assessment in the first place—CRÉDIT MUTUEL is inherently distinctive in the non-French-speaking part of the European Union.<sup>168</sup> Following *Nestlé v. Mondelez*, does that mean that francophone markets could be grouped together so that evidence relating to just one of them could be extrapolated to the others for the purposes of acquired distinctiveness? In *Lindt*, the claimant had attempted something along those lines: market conditions in Germany would extend to Austria, a neighboring country speaking the same language and (to some extent) having a shared culture. The EUIPO's terse reply was: "there are no observable grounds why the figures in relation to Germany may be directly transferred to Austria."<sup>169</sup> So how does one assess cultural and linguistic weight attached to shapes and colors through indirect evidence (i.e., without a survey)?

### C. Trademarks Lost in the Shuffle

Both scenarios of distribution networks and language and cultural proximity show that a strictly territorial approach to EU trademarks comes at a price. It may have been easier simply to accept that some national markets of lesser relevance to the products or services concerned may be offset by other factors in a substantial part of European Union. That is, most (if not all) of those issues could have been dealt with by a multifactor assessment in a more transparent, straightforward manner. Instead, acquired distinctiveness assessment is convoluted, increasing in complexity by the day and, unsurprisingly, getting more expensive.

By and large, the Court of Justice appears to be creating *ad hoc* doctrines haphazardly, as an immediate response to specific disputes without much regard for trademark policy or, even, the single market objective that animates unitary rights. At no point did the *Nestlé v. Mondelez* judgment engage with the concerns that the EUIPO had raised in support of a substantial part standard. It failed to consider, for example, whether some part of the single market could be discounted as negligible or offset by other factors such as the practice under dilution and genuine use of EU trademarks. Furthermore, the current approach does not seem to address situations where there is no market for a product in a minor part of the European Union. Should trademark owners be expected to have an actual or potential market in all twenty-eight Member States to see a nontraditional mark registered? Is it the best policy to incentivize the proliferation of national registrations in the vast

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<sup>168</sup> See *supra* note 92. See also *Glaverbel S.A. v. OHIM*, Case T-141/06, EU:T:2007:273, para. 36 (GC, Sept. 12, 2007) ("In the case of non-word marks it may be assumed that the assessment of their distinctiveness will be the same throughout the Community, *unless there is concrete evidence to the contrary.*") (emphasis added).

<sup>169</sup> Case R 1332/2005-4, para. 66 (OHIM Fourth Board of Appeal, June 11, 2018).

majority of Member States or recourse to (unharmonized) unfair competition laws rather than concentrating relevant rights on a single EU trademark?

In the following section, I challenge the conventional wisdom that nontraditional marks are best kept away from the EU register. The issue of acquired distinctiveness cannot be framed as a binary choice between keeping such marks freely available for use by everyone or their complete removal from the European market. That is far too simplistic. Registration of EU trademarks is not a zero-sum game; coexisting national rights and unfair competition laws make a patchwork that most companies find difficult to navigate. This legal patchwork raises a set of considerations that the fragmented single market that the Court of Justice endorsed in *Nestlé v. Mondelez* is unable to address. Then, in the last part of this article, I suggest that a strictly territorial approach has no reason to survive in light of the emerging CJEU jurisprudence on scope of protection of EU trademarks. Building on an argument I have made elsewhere,<sup>170</sup> a more coherent and normatively desirable answer may be attained through application of the functions theory, by allowing courts to derogate from the equal effect norm at the infringement stage.

#### IV. WHAT OF THE SINGLE MARKET?

##### *A. Misguided Policy and Incentives*

As it stands, the doctrinal argument for the current overly territorial approach is one of (formal) parity. If EU trademarks have equal effect throughout the European Union, so must distinctiveness be established throughout the European Union for registration to be granted.<sup>171</sup>

However, instead of providing incentives to business expansion across the single market, a stated objective of EU trademarks,<sup>172</sup> the gloss of “all parts of the European Union” on Article 7(3) EUTMR merely acknowledges a situation that has already consolidated. As such, registration is more a snapshot of great commercial achievement. The trademark owner that had its mark recognized in every Member State, from Germany to Malta, is rewarded with registration. One can only wonder where an incentive-based rationale is to be found. By advancing an ill-disguised policy against

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<sup>170</sup> Luis H. Porangaba, *A Contextual Account of the Trade Mark Functions Theory*, I.P.Q. 230 (2018).

<sup>171</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd. and EUIPO*, joined cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596, paras. 66-68 (CJEU, July 25, 2018); *August Storck K.G. v. OHIM*, Case C-25/05 P, EU:C:2006:422, para. 81 (CJEU, June 22, 2006).

<sup>172</sup> Currently, Recital 3 EUTMR.

nontraditional marks, such an approach creates more problems than it solves.

Refusing registration of nontraditional marks by imposing so high a threshold does not mean that they will be available to use. Many of those marks are protected by national registrations and, even in Member States where they are not, can be enforced through unfair competition law.<sup>173</sup> As a result, anyone interested in using a shape or a color that may be associated with a specific brand must still look into national trademark registers and unfair competition laws of (currently twenty-eight) Member States. As Dev Gangjee points out, trademark owners often adapt to overcome hurdles in registration.<sup>174</sup> Hence a tough stance on distinctiveness of EU trademarks only made Apple turn to numerous national registrations instead. Some of those registrations were granted under inherent distinctiveness, others on the basis of acquired distinctiveness made out nationally.<sup>175</sup> Similarly, Lindt, by the time of the CJEU judgment, had registered the golden rabbit-shape mark in fifteen Member States<sup>176</sup> and enforced it against third parties in a few of them.<sup>177</sup> By expunging or banning nontraditional marks from the register, we risk increasing fragmentation and trade barriers rather than ensuring a more transparent environment conducive to single market integration.<sup>178</sup>

Proliferation of national registrations also makes invalidity challenges increasingly difficult. Third parties are obliged to question the validity of the mark in a number of Member States that may naturally come to a different resolution on matters of

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<sup>173</sup> See more generally Robert Burrell, *Trade Mark Bureaucracies*, in *Trademark Law & Theory: A Handbook of Contemporary Research* (Graeme B Dinwoodie & Mark D Janis eds., 2008) 98-100. See also *Max Planck Study*, *supra* note 27, at 228; Frauke Henning-Bodewig, *International Handbook on Unfair Competition* (Hart 2013).

<sup>174</sup> Dev S. Gangjee, *Paying the Price for Admission: Non-Traditional Marks across Registration and Enforcement*, in *The Protection of Non-Traditional Marks: Critical Perspectives* (Irene Calboli & Martin Senftleben eds., 2018), 59.

<sup>175</sup> *Id.* at 70-73, examining the trademark filing strategy for the Apple Store layout.

<sup>176</sup> *Chocoladefabriken Lindt & Sprüngli AG v. OHIM*, Case C-98/11 P, EU:C:2012:307, para. 34 (CJEU, May 24, 2012).

<sup>177</sup> *Goldbunny Trade Mark*, Case I ZR 37/04, [2007] E.T.M.R. 30 (German Federal Supreme Court, Oct. 26, 2006); *Goldbunny (Goldhase)*, Case SZ 2004/173 (Austrian Supreme Court of Justice, Nov. 11, 2004). See also Case R 1332/2005-4, para. 16 (OHIM Fourth Board of Appeal, June 11, 2008).

<sup>178</sup> See also European Commission, *Impact Assessment Accompanying Document to the Proposal for a Regulation for the European Parliament and of the Council* (SWD(2013) 95 final, 2013), available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2013:0095:FIN> (last visited Aug. 28, 2018) [hereinafter *Impact Assessment*] 17 (“[I]t is a common practice for companies to seek trademark protection in several Member States, notably when [EU trademark] protection cannot be obtained due to existing absolute or relative grounds for refusal in a part of the EU.”).

distinctiveness or, even, functionality.<sup>179</sup> Back in the year of 2013, an impact assessment study from the European Commission already drew attention to the difficulties posed by national and unitary trademark systems coexisting.<sup>180</sup> The legal patchwork resulting from such coexistence is particularly harsh on Small and Medium Enterprises (“SMEs”) seeking to develop intra-Community trade. Because they rarely employ in-house trademark experts, such companies spend considerably larger sums when attempting to register or clear the use of a particular mark or product.<sup>181</sup> According to the Commission, “[t]his leads to discrimination and artificial barriers, since small companies find it increasingly difficult to compete with big multinationals.”<sup>182</sup> Not surprisingly, similar concerns have been driving the creation of a unitary patent in Europe.<sup>183</sup>

To be sure, national registration systems play a fundamental role in incentivizing and protecting local, sometimes regional (e.g., Benelux), business. Present conditions would neither warrant nor recommend they be abolished. Nevertheless, once a company’s activities gain traction and business is set to sprawl across the single market, shifting to unitary rights should be a natural development. The reasons for this move go beyond the lower costs associated with the EU trademark (in registration, renewal, and enforcement, principally), which greatly facilitate business expansion. Rather, EU trademarks fulfil an important public notice function that must be at the core of European policy. This is a function that, I argue, ought to be more concerned with giving notice of the *existence* of rights rather than reflecting their actual content.<sup>184</sup>

Indeed, a spillover of nontraditional marks to national registration suggests that the current approach to acquired

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<sup>179</sup> The KIT KAT dispute is one such example, where courts have adopted different standards of recognition and reliance in assessing acquired distinctiveness of the same shape. See *Mondelez UK Holdings & Services Ltd. v. EUIPO*, Case T-112/13, EU:T:2016:735, paras. 95-107 (GC, Dec. 15, 2016); cf. *Société des Produits Nestlé S.A. v. Cadbury UK Ltd.*, [2017] EWCA Civ. 358, paras. 76-84 (May 17, 2017), calling the General Court’s approach into question.

<sup>180</sup> Impact Assessment, *supra* note 178.

<sup>181</sup> *Id.* at 48.

<sup>182</sup> *Id.* at 32.

<sup>183</sup> See, e.g., *Communication from the Commission to the European Parliament and the Council: Enhancing the Patent System in Europe* (COM(2007) 165 final, 2007), available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52007DC0165> (last visited Aug. 28, 2018) 7 (“individual defendants might have to defend themselves in similar actions lodged in several states, which is particularly risky and cumbersome for SMEs. In order to obtain the revocation of a European patent, competitors or other interested persons must file revocation actions in all the states for which the European patent was granted.”).

<sup>184</sup> See *infra* Part V.

distinctiveness runs counter to the informational function cherished in the CJEU jurisprudence. A case can be made that the EUIPO, acting as a single or primary register for those marks, serves a better public notice than the current alternative of requiring third parties to carry out trademark and common law searches in potentially all Member States. In *Sieckmann*, the Court of Justice recognized that “the entry of the mark in a public register has the aim of making it accessible to the competent authorities and the public, particularly to economic operators.”<sup>185</sup> A legal realist would argue that accessibility hinges on (1) having a manageable number of registers to be consulted and (2) costs associated with determining the law. It appears that information made available through a single trademark being registered with the EUIPO is more accessible than, say, a golden bunny-shaped mark lurking in fifteen or more national registers. Empirical evidence also suggests that SMEs are those most affected. While laudable efforts into the development of electronic databases developed in the past years may have increased access to national registers,<sup>186</sup> clearing nontraditional marks is more complex than words and logos. They often require advice from external counsel, the costs of which tend to reflect the number of jurisdictions searched. As a result, SMEs facing nearly prohibitive clearance costs rarely carry out an exhaustive EU-wide search for prior rights.<sup>187</sup> Larger-sized enterprises, with significantly more resources at their disposal, are more likely to absorb the high transaction costs that the current framework entails.

I contend that a more transparent, reliable system can be attained through incremental change. The counterfactual idea that trademark owners would be less inclined to apply for and maintain several national registrations had they had an EU trademark registered is more than an assumption. The European trademark system was conceived with such a possibility in mind in allowing that a registrant claims seniority of older national registrations.<sup>188</sup> Through this mechanism, the national registration ceases to exist so that the EU registration incorporates the earlier priority date. Moreover, there is evidence that seniority is frequently used, with potential to be explored. By the year of 2011, the EUIPO had received 256,056 seniority claims.<sup>189</sup> The Allensbach Survey further indicates that 39 percent of the registrants interviewed have

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<sup>185</sup> Ralf Sieckmann v. Deutsches Patent- und Markenamt, Case C-273/00, EU:C:2002:748, para. 50 (CJEU, Dec. 12, 2002).

<sup>186</sup> TMView, an electronic database maintained by a group of trademark offices, is one such example. Available at <https://www.tmdn.org/tmview/welcome>.

<sup>187</sup> Impact Assessment, *supra* note 178, at 32.

<sup>188</sup> Currently, Article 39 EUTMR.

<sup>189</sup> Impact Assessment, *supra* note 178, at 17.

abandoned national registrations in connection with a seniority claim, whereas 25 percent were unaware of such a possibility.<sup>190</sup> It is reasonable to believe that companies prefer to maintain a single, EU-wide registration than an array of national registrations that, all other things equal, are more expensive to register and administer. A less stringent stance on the territorial aspect of acquired distinctiveness may, therefore, be conducive to a more transparent and accessible EU register, which, by extension, would increase levels of single market integration.

### *B. Time for a Re-think?*

The freestanding geographic requirement imposed on EU trademarks is, in many aspects, unique. It advances a rationale finding no parallel in national registration. For example, nobody would expect a trademark owner to show that a national UK mark has become distinctive in each and every part of the UK; registration is not refused just because there had been no evidence that the population in the Shetland Isles would perceive the mark as an indication of origin.<sup>191</sup>

Neither is there a comparable burden in other jurisdictions dealing with heterogeneous markets over a large territorial extension. Secondary meaning for the purposes of federal registration in the United States, which coexists with state-level rights,<sup>192</sup> does not require evidence to be adduced in respect of all fifty States;<sup>193</sup> territorial extent of the use is but one factor in the assessment.<sup>194</sup> Interestingly, the motives underpinning the enactment of the Lanham Act back in 1946, which sought to foster interstate commerce,<sup>195</sup> are not dissimilar to the harmonization

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<sup>190</sup> Institute für Demoskopie Allensbach, *Survey of Market Participants Who Use the CTM System* (2010), available at [https://resources.law.cam.ac.uk/cipil/travaux/Trade-Marks/Allensbach-Report\\_en.pdf](https://resources.law.cam.ac.uk/cipil/travaux/Trade-Marks/Allensbach-Report_en.pdf) (last visited Aug. 28, 2018), at 72.

<sup>191</sup> UK IPO Manual, *supra* note 24, at 199.

<sup>192</sup> See, e.g., Miles J. Alexander, et al., U.S. State Trademark and Unfair Competition (International Trademark Association 2018); J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 22:1 (5th ed. 2018). There is no federal law preemption and state-level legislation may vary.

<sup>193</sup> McCarthy, *supra* note 192, § 15:72, indicating that for the purposes of nationwide registration proof of acquired distinctiveness in more than a small part of the United States may suffice.

<sup>194</sup> United States Patent and Trademark Office, *Trademark Manual of Examining Procedure* (2017), § 1212.01 (“The amount and character of evidence required to establish acquired distinctiveness depends on the facts of each case and particularly on the nature of the mark sought to be registered.”).

<sup>195</sup> S. Res. No. 1333, 79th Cong. 2d. Sess. (1946), U.S.C.C.A.N. 1277-1278 (“A man’s rights in his trade-mark in one State may differ widely from the rights which he enjoys in another. However, trade is no longer local, but national. It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted and should be enacted now.”)

agenda that set the backdrop to the European trademark system. Although English remains the only official language in the United States, that does not mean that market conditions and consumer understanding do not vary across the territory.<sup>196</sup>

Even if we consider normative concerns underlying unitary rights being more acute and, therefore, adhering to a different logic, counting heads of Member States throughout the European Union remains irreconcilable with the Court of Justice's approach to reputation and genuine use of EU trademarks.<sup>197</sup> The jurisprudence built upon these requirements is known for advancing a vision of a single market without physical borders by deploying a standard-based assessment that must consider, *inter alia*, the nature of the goods, the characteristics of the market, and the scale and frequency of use of the mark.<sup>198</sup> Specifically, the CJEU held that "the territorial scope of the use is only one of the several factors to be taken into account."<sup>199</sup> There is some wisdom in it. Subjecting a mass-consumption product such as chocolate, which is more likely to have an actual or potential market encompassing the entire European Union, and, for example, luxury cars reaching a narrow public to the same threshold of "all parts of the Community" hardly makes sound industrial policy. Framing the single market on intrinsic territoriality terms is also more realistic. Cases like *Bounty* show that an assessment lost in political borders set the expectation that market conditions would remain unaltered across a large territorial mass that encompasses the population of twenty-eight Member States, from various cultures, speaking twenty-four official languages; an expectation that does not seem to reflect a conscious, carefully weighed policy choice. Instead, we face the emergence of EU trademarks that should not be marks,<sup>200</sup> and national registrations being used as imperfect substitutes, which ultimately

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<sup>196</sup> See Laura A. Heymann, *The Reasonable Person in Trademark Law*, 52 St. Louis U.L.J. 781 (2008), at 786-787, for an amusing anecdote on the effect of regional accents in consumer understanding. The word "crown," when spoken with typical Virginian southern accent, may sound like "crayon" to someone from New England. Similarly, Census 2010 numbers would suggest that an increasing Hispanic population in states such as New Mexico (48.5%) and California (38.9%) is bound to reflect in local market conditions, which may differ from, say, Pennsylvania (7%).

<sup>197</sup> See also Lionel Bently & Brad Sherman, *Intellectual Property Law* (4th ed. 2014), at 957-958, pointing out the incoherence in a trademark having a reputation in the Community and, yet, failing to meet acquired distinctiveness standard. It would have been preferable, in their view, that the Court of Justice had followed the substantial part approach of *BIC v. OHIM* (T-262/04).

<sup>198</sup> *Pago International GmbH v. Tirolmilch Registrierte Genossenschaft mbH*, Case C-301/07, EU:C:2009:611, para. 27 (CJEU, Oct. 6, 2009); *Leno Merken B.V. v. Hagelkruis Beheer B.V.*, Case C-149/11, EU:C:2012:816, para. 44 (CJEU, Dec. 19, 2012).

<sup>199</sup> *Leno Merken*, Case C-149/11, para. 30.

<sup>200</sup> See *supra* note 90.

raise transaction costs and further increase fragmentation of the single market.

Still today, the main objection to a substantial part standard lies in the unitary character of the EU trademark. There is an understandable concern that if a product shape or color were to be registered upon a showing of acquired distinctiveness in, say, 90 percent of the European Union, that would still leave the 10 percent where the mark would be enforceable irrespective of consumers not perceiving it as an indication of origin. In political territoriality terms, it would follow that the use of a shape registered as an EU trademark would be enjoined in Luxemburg without it ever being used or recognized as such in that Member State. To be sure, the rationale underlying this objection makes an interesting proposition that acquisition and enforcement of trademark rights—particularly when it comes to nontraditional marks—should be more reflective of or even constrained by market realities. This is a proposition that should be taken seriously in European trademark law.<sup>201</sup> However, granting trademark rights ahead of business expansion is a tenet of registration-based systems that European law has made an explicit policy choice.<sup>202</sup>

Hence the challenge that we face is more about finding ways to reconcile these concerns, that is, ensuring that unitary rights are not (so unjustifiably) disruptive to long-standing market practices and extant consumer understandings, lest trademarks become instruments of pure market preemption. Indeed, conventional wisdom that nontraditional marks need a strict policing of the register is challenged by recent scholarship proposing that some of the more vexing issues of trademark law are better framed as questions of scope of protection.<sup>203</sup> Approaching this theme through the lens of the functionality doctrine, which poses similar challenges,<sup>204</sup> Dev Gangjee reflects on whether “[we should] move beyond historic upstream solutions—in the form of exclusions from

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<sup>201</sup> See, e.g., Territorial Overlaps, *supra* note 118, at 1726 (“If the EU wishes to recognize the importance of the intrinsic territoriality of marks while pushing the political imperatives of a united Europe, this will involve the development of doctrinal devices that take greater account of actual use and patterns of commerce.”). See also Daniel R Bereskin, *Territorial Effect of Trade Mark Registrations: A North American Perspective*, in *In Varietate Concordia? National and European Trademarks Living Apart Together* (2011), at 110 (“[A] system that is at least partially use-based rather than registration-based seems better suited to serve the needs of the EU given its substantial geographic size, and the economic, linguistic, cultural and political diversity of the nations comprising the EU.”).

<sup>202</sup> Currently, Recital 3 EUTMR.

<sup>203</sup> See, e.g., Mark A. Lemley & Mark P. McKenna, *Scope*, 57 *William & Mary L. Rev.* 2197 (2016).

<sup>204</sup> In functionality, the tension between trademark protection and other competitive concerns is more explicit. See, e.g., *Lego Juris A/S v. OHIM and Mega Brands, Inc.*, Case C-48/09 P, EU:C:2010:516 (CJEU, Sep. 14, 2010); *Hauck GmbH & Co. K.G. v. Stokke A/S*, Case C-205/13, EU:C:2014:2233 (CJEU, Sept. 18, 2014).

registrability—and proactively consider additional scope limitation mechanisms when applying infringement tests and defences.”<sup>205</sup>

There is a case to be made that acquired distinctiveness should follow a similar logic. The territoriality-centered approach has lost its way. Because the Court of Justice seems unable to concede that registration need not (or rather, should not) always be about a purely political conception of territoriality, it developed a highly complex set of rules with limited ability to address the legitimate concerns underpinning nontraditional marks. However, it is far too taxing a mechanism, unjustifiably increasing transaction costs (in both registration and clearance) to the detriment of a European project. A return to a substantial part standard<sup>206</sup>—that is, relocating territorial reach as but one factor in acquired distinctiveness—could render a simpler, less expensive, and, arguably, more transparent assessment.

There should be only one single market in European trademark law—a market that is greater than the sum of its parts. There is a stark difference between assessing a significant proportion of the European population inhabiting a truly single market, without regard for national borders, and the significant proportion of the national population in each component part of a mosaic. In the latter, acquisition of unitary rights is tantamount to a bundle of national rights: registration is granted only if the mark had been (or would have been) registered in all Member States. My analysis suggests that letting more marks, though not every mark,<sup>207</sup> into the EU register could yield a more balanced system; a move that, I contend, the emerging jurisprudence on the territorial scope of protection of EU trademarks makes possible.

## V. A POSSIBLE ANSWER IN SCOPE OF PROTECTION

In this concluding part of the article, I briefly examine recent CJEU decisions indicating that scope of protection of EU trademarks may be constrained by a more reality-based infringement assessment. This development suggests an extension of the notion of single market previously advanced in *Pago* and *Leno Merken*, favoring the intrinsic territoriality of trademarks within

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<sup>205</sup> Dev S. Gangjee, *Paying the Price for Admission: Non-Traditional Marks across Registration and Enforcement*, in *The Protection of Non-Traditional Marks: Critical Perspectives* (Irene Calboli & Martin Senftleben eds., 2018).

<sup>206</sup> See *supra* note 36 and accompanying text.

<sup>207</sup> Prior experience suggests the EUIPO may be entrusted with a gatekeeper function. It is not as though the register had been swamped by nontraditional marks before the Court of Justice gave judgment in *Storck* (C-25/05 P). Furthermore, an enlargement of the functionality doctrine from shapes to “other characteristics” in Article 7(1)(e) EUTMR should address most competitive concerns that animated acquired distinctiveness of nontraditional marks.

infringement. Specifically, the functions theory has been applied to tether unitary rights to the territorial extent of the use and consumer perceptions of the mark, challenging the premise that equal effect should always warrant EU-wide relief. I further argue that, as infringement of EU trademarks may be departing from a binary framework to become more dependent upon market realities, there is little justification for the all-or-nothing rationale prevailing at registration.

While the contours of the trademark functions theory remain controversial, my argument builds upon its limiting character—a feature that, regardless of the doctrine’s lateral expansion to recognize other brand-related functions,<sup>208</sup> never really ceased to exist. As I have argued elsewhere, the functions theory is better understood as a doctrinal device that, together with a more realistic (or hybrid) construction of the average consumer, enabled infringement assessment to be infused with market realities. It suggests a methodological shift that is more material to European trademark law than was initially anticipated.<sup>209</sup> Departing from the typical methodology of comparing marks in isolation, courts operating trademark functions have deployed a contextual infringement analysis sharing similarities with the assessment carried out in use-based systems.<sup>210</sup>

*Adam Opel*, a dispute dealing with the reproduction of a car manufacturer’s mark in replica toy models in Germany, makes a good example of this contextual character of the functions theory.<sup>211</sup> Opel had registered its “Blitz” (lightning) logo in respect of toys and, subsequently, asserted trademark rights against the defendant, which marketed unlicensed toy replicas of OPEL cars. Though a paper-based assessment would surely result in infringement (mark and sign were identical, as were the products), application of the functions theory limited the scope of protection of the registered mark in that jurisdiction. Specifically, infringement was dismissed upon market realities showing that consumers seeing the original car’s Blitz logo in toy replicas produced by a third party would not think such products came from or were associated with the registrant.<sup>212</sup> As it turns out, sales of nearly perfect miniature model

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<sup>208</sup> L’Oréal S.A. v. Bellure N.V., Case C-487/07, EU:C:2009:378, para. 58 (CJEU, June 18, 2009). See generally Lionel Bently, Brad Sherman, Dev Gangjee & Philip Johnson, *Intellectual Property Law* (5th ed. 2018), at 1116-1125.

<sup>209</sup> Luis H. Porangaba, *A Contextual Account of the Trade Mark Functions Theory*, I.P.Q. 230 (2018).

<sup>210</sup> See also Territorial Overlaps, *supra* note 118, at 1722-1724, comparing the European functions-based and the United States’ use-based approaches to territorial scope of protection.

<sup>211</sup> Adam Opel A.G. v. Autec A.G., Case C-48/05, EU:C:2007:55 (CJEU, Jan. 25, 2007).

<sup>212</sup> Adam Opel A.G. v. Autec A.G., Case I ZR 88/08, [2010] E.T.M.R. 50 (German Federal Supreme Court, Jan. 14, 2010) (OPEL-BLITZ II).

cars had been commonplace in Germany since the year of 1898,<sup>213</sup> and consumers were not inclined to believe that any product bearing the sign had to be licensed by the car manufacturer. Rather, the sign was taken as an expected feature of the product, the use of which would not impinge harm upon the origin function of the mark registered for toys.<sup>214</sup> According to the German Federal Supreme Court (“Bundesgerichtshof”):

[I]t is irrelevant whether the relevant consumers regard the mark affixed on the model car as being the claimant’s trade mark registered and used for motor vehicles. Rather, it is essential that the consumers regard the mark as an indication of origin of the model cars as such.<sup>215</sup>

Likewise, the quality, advertising, and investment functions were unaffected insofar as “customers do not associate the Opel Blitz logo with toy cars put on the market by the claimant.”<sup>216</sup> Few would dispute that, if the sign used in such circumstances would not be perceived as an indication of origin for the products claimed in the registration, there was hardly any effect on the brand image to be considered under other functions. Honest concurrent use cases in the UK have also resorted to functions analysis to dismiss infringement of a registered mark that had long coexisted with a competing mark.<sup>217</sup> Recently, in *Walton v. Verwij*, the continuous use of the same mark as the plaintiff over several years, without any acts from the defendant seeking to increase likelihood of confusion, would not harm the origin function of the registered mark.<sup>218</sup> These are but a few examples showing that proprietary logic may yield to market realities when reasons are strong enough for trademark law to contemplate the normative implications associated with infringement.

It is therefore not surprising that this facet of the functions theory would cross over to the realm of unitary rights. Rather, the law of infringement has developed to an extent that an EU trademark may be rendered unenforceable where the use of an otherwise conflicting sign would not impinge harm upon the trademark functions, notably in parts of the single market in which it is nondistinctive. In the landmark case *DHL v. Chronopost*, which

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<sup>213</sup> Adam Opel A.G. v. Autec A.G., Case C-48/05, EU:C:2006:154, para. 37 (Advocate General Colomer, Mar. 7, 2006).

<sup>214</sup> See also Porangaba, *supra* note 209, at 232.

<sup>215</sup> Adam Opel A.G. v. Autec A.G., Case I ZR 88/08, [2010] E.T.M.R. 50, para. 21.

<sup>216</sup> *Id.* para. 25.

<sup>217</sup> See *IPC Media Ltd. v. Media 10 Ltd.*, [2014] EWCA Civ. 1439 (Nov. 12, 2014); *Supreme Petfoods Limited v. Henry Bell & Co. (Grantham) Limited*, [2015] EWHC 256 (Feb. 12, 2015) (Ch.).

<sup>218</sup> *Walton International Limited v. Verweij Fashion BV*, [2018] EWHC 1608 (June 28, 2018) (Ch.).

dealt with the use of the mark WEBSHIPPING in connection with online mail management services, the Court of Justice held that injunctive relief should not extend to Member States where, owing to cultural or linguistic reasons, such a term would be perceived as descriptive.<sup>219</sup> Although WEBSHIPPING had been registered as an EU trademark, which is notionally afforded equal effect throughout the single market, a blanket prohibition covering the entire European Union would not be the only logical, necessary outcome. Should British consumers understand that the defendant using the words “web” and “shipping” together, in the context of the website, would refer to the provision of online services of the kind with no connection to the claimant, the UK territory could be insulated from an injunction.<sup>220</sup> In his analysis of *DHL v. Chronopost*, Graeme Dinwoodie explains this aspect:

The approach adopted by the court is an attempt to reconcile the political territoriality of the EU trademark (which allows unitary rights to be adjudicated by courts having EU-wide jurisdiction and granting relief for the EU) with the intrinsic territoriality of trademarks in Europe (which frequently will cause third-party uses to operate differently in different markets, causing confusion in some but not others).<sup>221</sup>

The Court of Justice’s judgment thus signalled that the unitary character of EU trademarks was not absolute, as many had thought. A few years later, the issue resurfaced in a conflict involving online sales of a software named COMMIT. The claimant, which had registered COMBIT in respect of goods and services in the computer industry, brought infringement proceedings in Germany seeking EU-wide relief. At first instance, the judge found infringement, though limited the injunction to Germany.<sup>222</sup> On appeal, the Higher Regional Court in Munich considered that the defendant’s use of COMMIT would give rise to likelihood of confusion among German speakers. The situation, however, would be different in English-speaking Member States, where the relevant public would see no similarity between the marks. An order of reference was made seeking guidance from the Court of Justice, which answered that:

[W]here an EU trade mark court concludes, on the basis of information which must, as a rule, be submitted to it by the

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<sup>219</sup> *DHL Express France S.A.S. v. Chronopost S.A.*, Case C-235/09, EU:C:2011:238 (CJEU, Apr. 12, 2011).

<sup>220</sup> A point that was argued but not adjudicated in the national proceedings, which took place in France. See *S.A. Chronopost v. S.A.S. DHL Express France*, Case 12/01095 (Court of Appeal of Paris, Nov. 25, 2014), granting a stay pending cancellation proceedings, which ran in parallel.

<sup>221</sup> Territorial Overlaps, *supra* note 118, at 1700-1701.

<sup>222</sup> *combit Software GmbH v. Commit Business Solutions Ltd.*, Case C-223/15, EU:C:2016:719, para. 16 (CJEU, Sept. 22, 2016).

defendant, that there is no likelihood of confusion in a part of the European Union, legitimate trade arising from the use of the sign in question in that part of the European Union cannot be prohibited . . . . [S]uch a prohibition would go beyond the exclusive right conferred by the EU trade mark, as that right merely permits the proprietor of that mark to protect his specific interests as such, that is to say, to ensure that the mark is able to fulfil its functions (see, to that effect, judgment of 12 April 2011, *DHL Express France*, C-235/09, EU:C:2011:238, paragraphs 46 and 47).<sup>223</sup>

Hence, a portion of the single market where the origin function is thus unharmed should be insulated from a finding of infringement.<sup>224</sup> It followed, the CJEU added, that carving out an area in which no likelihood of confusion could be established “does not undermine the unitary character of the EU trade mark.”<sup>225</sup> The trademark owner is allowed to enjoin only those uses that adversely affect the functions of the mark.

*DHL v. Chronopost* and *Combit* both indicate that unitary character may yield to cultural and linguistic variation telling that consumers in part of the single market would perceive the mark differently (or not as a mark at all). They incorporate the rationale of national cases like *Adam Opel* to deliver a more nuanced, reality-based infringement assessment. More recently, the Court of Justice’s decision in *Ornua v. Tindale* extended this territorial facet of the functions theory to extant market conditions and other circumstances in Member States that, if reflecting materially different consumer understandings, would limit scope of protection of the EU trademark.<sup>226</sup>

The claimant, an Irish company known for marketing dairy products in Europe, had registered KERRYGOLD as an EU trademark. The defendant was a Spanish company that imported and distributed KERRYMAID dairy products manufactured by another Irish company. KERRYMAID had been registered as a national mark in Ireland and the UK, where the parties’ products have coexisted for more than twenty years. Trademark infringement proceedings were brought only against the distributor in Spain. At first instance, the claim was dismissed upon the judge finding that following the unitary character of the EU trademark, the effects from the marks long coexisting in part of the Community (i.e., the use of KERRYMAID not impinging harm upon the origin function) should be extended to the entire single market. On appeal,

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<sup>223</sup> *Id.* para. 32.

<sup>224</sup> *Id.* para. 36.

<sup>225</sup> *Id.* para. 35.

<sup>226</sup> *Ornua Co-operative Ltd. v. Tindale & Stantion Ltd. España SL*, Case C-93/16, EU:C:2017:571 (CJEU, July 20, 2017) (KERRYGOLD).

the claimant argued that for peaceful coexistence to be factored into likelihood of confusion, it would have to be present in all Member States.<sup>227</sup> The defendant, in turn, contended that an absence of confusion stemming from the marks' peaceful coexistence in a substantial part of the Community—Ireland and the UK considered together—should cover all of the single market.<sup>228</sup> While the parties had offered clearly opposing views, they had something in common: both framed unitary rights as a (false) binary choice with the same outcome for the entire single market, mirroring the all-encompassing logic that we see permeate acquired distinctiveness case law. Here, however, the Court of Justice's answer, which would come in trademark functions language, embraced a more complex reality:

The uniform protection thus conferred on the proprietor of the EU trade mark by that article is to entitle that proprietor, throughout the European Union, to prohibit a third party from using, in the course of trade and without the consent of that proprietor, an identical or similar sign for identical or similar goods or services which adversely affects that trade mark's function of indicating origin or is liable to do so and thus gives rise to a likelihood of confusion.

... when the use of a sign gives rise, in one part of the European Union, to a likelihood of confusion with an EU trade mark, whilst, in another part of the European Union, that same use does not give rise to such a likelihood of confusion, there is an infringement of the exclusive right conferred by that trade mark. In that case, the European Union trade marks court hearing the case must prevent the marketing of the goods concerned under the sign at issue throughout the entire territory of the European Union, with the exception of the part in respect of which there has been found to be no likelihood of confusion.<sup>229</sup>

Along these lines, Advocate General Szpunar opined that “the nature of the system established by [the EUTMR] is such that, in certain circumstances, the assessment of the likelihood of confusion between a sign and an EU trade mark does not lead to a single outcome that holds good throughout the territory of the European Union.”<sup>230</sup> Hence, a purely notional approach to infringement overriding cultural, linguistic, and market differentiation across the

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<sup>227</sup> *Ornua Co-operative Ltd. v. Tindale & Stantion Ltd. España SL*, Case C-93/16, EU:C:2017:240, para. AG29 (Advocate General Szpunar, Mar. 29, 2017).

<sup>228</sup> *Ornua Co-operative Ltd. v. Tindale & Stantion Ltd. España SL*, Case C-93/16, EU:C:2017:571, para. 32.

<sup>229</sup> *Id.* paras. 30, 33.

<sup>230</sup> *Ornua Co-operative Ltd. v. Tindale & Stantion Ltd. España SL*, Case C-93/16, EU:C:2017:240, para. AG35 (Advocate General Szpunar, Mar. 29, 2017).

European Union now appears to be disavowed. The market conditions revealed in *Adam Opel* support this point.<sup>231</sup> Were the Blitz sign being enforced as an EU trademark instead of a national registration, all other things being equal, it is unlikely that an infringement finding would reach Germany.<sup>232</sup> However, that does not mean that relief could not be granted elsewhere. Application of the functions theory thus seems to translate into derogations from the unitary principle, as Graeme Dinwoodie would call them,<sup>233</sup> which could provide a more adequate response to nontraditional marks than the current all-or-nothing rationale prevailing at the registration level.

If the unitary character of EU trademarks no longer conforms to a binary mindset, there is little reason why acquired distinctiveness should. By subsuming the (legitimate) normative concerns underpinning the EU trademark jurisprudence examined earlier into infringement, trademark functions provide a springboard for a substantial part standard of acquired distinctiveness. Because shifting analysis of consumer perceptions and national market conditions to scope of protection means that, while evidence lacking for a minor or negligible part of the single market would not defeat a claim of distinctiveness, it is unlikely that at the infringement stage the mark would be found performing an origin function (let alone functions being harmed) in that territory. Likewise, the Court of Justice's judgment in *Unilever v. Iron Smith* indicates that dilution protection would be unavailable in areas where the mark is unknown,<sup>234</sup> and competitive concerns associated with a registered shape or color, as well as long-established market practices, would make a strong case for a due cause defense.<sup>235</sup>

An argument can be made that, should a mark be registered under a substantial part standard, it would be reasonable to require

<sup>231</sup> *Adam Opel A.G. v. Autec A.G.*, Case C-48/05, EU:C:2007:55 (CJEU, Jan. 25, 2007).

<sup>232</sup> See also Birgit Clark, *Bundesgerichtshof Decides in the Opel/Autec Toy Car Case*, 5 *JIPLP* 212 (2010), 213, suggesting that the case could have been decided differently in Member States where consumer perceptions and local customs differed.

<sup>233</sup> Territorial Overlaps, *supra* note 118.

<sup>234</sup> *Iron & Smith kft v. Unilever N.V.*, Case C-125/14, EU:C:2015:539, para. 34 (CJEU, Sept. 3, 2015), requiring a claimant to show that "a commercially significant part of [the Member State's] public is familiar with that mark, makes a connection between it and the later national mark, and that there is, taking account of all the relevant factors in the case, either actual and present injury to its mark, for the purposes of that provision or, failing that, a serious risk that such injury may occur in the future."

<sup>235</sup> See, e.g., *Leidseplein Beheer B.V. v. Red Bull GmbH*, Case C-65/12, EU:C:2014:49, para. 60 (CJEU, Feb. 6, 2014), holding that the trademark owner must "tolerate the use by a third party of a sign similar to that mark in relation to a product which is identical to that for which that mark was registered, if it is demonstrated that that sign was being used before that mark was filed and that the use of that sign in relation to the identical product is in good faith." On the due cause defense more generally, see *Interflora Inc. v. Marks & Spencer Plc*, Case C-323/09, EU:C:2011:604, paras. 91-92 (CJEU, Sept. 22, 2011).

that the claimant produces the corresponding evidence, or even establishes some market overlap or comparability, to have a prohibition order encompassing the minor or negligible part of the territory for which distinctiveness had not been asserted or established. The facts of *Nestlé v. Mondelez* may provide a hypothetical example.<sup>236</sup> Consider that the EU trademark had been registered based on the available evidence and, yet, EU-wide relief still depends upon the functions of the mark being harmed. At the infringement stage, the claimant should be able to show that the four-fingered chocolate shape has origin significance in the part of the European Union for which no proof had been required or assessed for the purposes of registration (i.e., Belgium, Ireland, Greece, Luxembourg, and Portugal). Otherwise, it is unlikely that the origin function, let alone other functions,<sup>237</sup> are adversely affected in the corresponding area. Trademark rights thus remain reflective of or even constrained by market realities, yet the relevant normative concerns are more coherently addressed as a matter of scope of protection.

While this approach may suggest some recourse to prosecution history, which is a known resource in other intellectual property fields,<sup>238</sup> obtaining information on the acquired distinctiveness assessment carried out at the registration stage is relatively straightforward. Most files may be accessed online these days, and we could think of the EUIPO including the corresponding information on the registration details page for increased access, for example. Thus, a single search at the register would easily enable third parties to ascertain which Member States were considered to comprise a substantial part of the European Union for acquired distinctiveness purposes. In other cases, local market conditions may tell that a registered mark has never been used in a given Member State, which would militate against trademark functions being harmed in that part of the single market.

## VI. CONCLUSION

This article challenges the current territoriality-centered approach to acquired distinctiveness of EU trademarks. By making

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<sup>236</sup> *Société des Produits Nestlé S.A. v. Mondelez UK Holdings & Services Ltd and EUIPO*, joined Cases C-84/17 P, C-85/17 P, and C-95/17 P, EU:C:2018:596 (CJEU, July 25, 2018).

<sup>237</sup> *Adam Opel A.G. v. Autec A.G.*, Case I ZR 88/08, [2010] E.T.M.R. 50, para. 25 (German Federal Supreme Court, Jan. 14, 2010) (OPEL-BLITZ II).

<sup>238</sup> Prosecution history is a relatively common resource in patent law, which, in the United States, led to the development of an estoppel doctrine. *See, e.g.*, *Graver Tank & MFG Co. Inc. v. Linde Air Products Co.*, 70 S. Ct. 854, 94; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co. Ltd.*, 535 U.S. 722 (2002). In *Actavis UK Limited v. Eli Lilly and Company* [2017] UKSC 48 (July 12, 2017), the UK Supreme Court held that, in certain circumstances, prosecution history may be referred to when considering a question of interpretation or infringement.

geographic scope a threshold filter, the legal inquiry lost sight of the relevant question, namely, do consumers ascribe an origin to the mark or, put differently, is trademark protection warranted?

Instead, the requisite territorial reach for acquired distinctiveness in all Member States gave rise to a highly complex set of rules with limited ability to address the legitimate concerns underpinning nontraditional marks. Re-locating geographic extension as but one factor in acquired distinctiveness<sup>239</sup> could render a simpler, less expensive, and, arguably, more transparent trademark system. Within a multifactor assessment, one should be able to offset a minor territorial shortcoming by other factors such as intensity and length of use, or investment in advertising and promotion of the mark. Circumstances are now sufficiently different to warrant a departure. Alongside an expansionary trajectory, which added thirteen Member States to the European Union since the facts underlying *Storck*, the parallel development by the Court of Justice of trademark functions as a limiting doctrine sends a strong signal that the unitary character of EU trademarks is not as absolute.

In other words, it is past time we recognize that not every problem in trademark law must find or will have an answer at the registration level. The more reality-based infringement assessment made possible by the functions theory may provide a better solution to reconcile the policy concerns associated with nontraditional marks. By shifting the issue to the scope of protection, we can ensure that unitary rights are not (so unjustifiably) disruptive to long-standing market practices and extant consumer understanding, lest EU trademarks are used as instruments of pure market preemption. If we consider that early case law embraced a substantial part standard for acquired distinctiveness, this move would be hardly unprecedented. Prior experience also suggests the EUIPO may be entrusted with a gatekeeper function: it is not as though the register had been swamped by nontraditional marks during that period.

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<sup>239</sup> *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v. Boots- und Segelzubehör Walter Huber*, joined Cases C-108/97 and C-109/97, EU:C:1999:230, para. 51 (CJEU, May 4, 1999) (“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.”)