

# Courts deny Nestle

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In court: Aldi and Nestle.

**RECENTLY, NESTLE**, commissioned an independent research company to conduct what seemed at face value to be a straightforward market test. Three hundred consumers randomly selected from Australian capital cities were presented with a block of brown wax in the shape of a 4 bar Kit Kat but without the word KIT KAT impressed onto the top.

The survey asked participants to identify which brand the shape evoked. Without any prompting, almost 80 per cent associated the shape with Nestle's Kit Kat.

This may not sound so remarkable as companies conduct all kinds of consumer research to help them market their products. The interesting thing here is that the survey results were used to rebut an opposition by supermarket giant, Aldi Stores to acceptance of Nestle's trade mark registration of its four-bar confectionery shape for chocolate.

Nestle has registered a number of trade marks in relation to its Kit Kat chocolate bar, giving it exclusive monopoly rights across Australia for the trade marks it has obtained registration for in the chocolate and confectionery category.

One of the latest in Nestle's spate of applications is its application for the shape of the four bars attached to one another by a thin base. Perhaps what's special about this one is that the words Kit Kat are not imprinted on the shape meaning that if Nestle was to obtain a trade mark registration for the bar it would give it exclusive rights to use that four-bar shape for chocolate.

After the number of years that Nestle spent submitting evidence to prosecute this mark, on the 18 December 2003, the shape was advertised as accepted by the Trade Marks Office as a trade mark in the chocolate category. But Nestle had only cleared the first hurdle.

Aldi, which produces its own two-bar wafer chocolate under the brand name Dairy Fine Double Time, opposed the registration of Nestle's trade mark and the matter was heard by the Trade Marks Office.

The decision is interesting not only because it concerns such a well known and popular chocolate product but



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also because it demonstrates some of the limitations that apply to registering shapes as trade marks for food and beverage products.

Nestle's trade mark application for its four-bar chocolate shape is one of the latest in a spate of colour and shape registrations (others include a shade of lilac for chocolate and the triangular peak shapes for Toblerone chocolate, both registered by Kraft; the three-dimensional shape of Cadbury's Freddo frog; the shape of Arnott's teddy bear biscuit; and even the and the distinctive dimpled shape of the Werthers butterscotch candy; to name a few).

Changes to Australia's trade marks laws that took effect in 1996 allowed companies to protect shapes, sounds, colours, scents and aspects of packaging as trade marks. In reality, anything distinctive had always been capable of registration as a trade mark, but the Trade Marks Office was reluctant to allow anything other than words or logos, pictures and drawings to become registered. So the law was updated to clarify the situation.

Back to the Kit Kat decision, in August this year, after considering the evidence before him, hearing officer Terry Williams concluded that just because Nestle could show that it had used the Kit Kat four-bar shape extensively, this in its own right did not make it distinctive enough to register as a trade mark. The shape, which amounted to "ready to snap finger like portions", was, he said, not a trade mark at all but rather a functional shape that facilitates the obvious "convenient breakability" of the wafer product.

Unlike other shape trademarks that had been registered, he took the view that there was really nothing extra or special added to the shape that made it distinctive and therefore capable of trademark registration.

He observed that it's the very shape of the product that makes it "easy to break a piece of what would otherwise be a solid block of potentially crumbly wafer material" and that Nestle's manner of advertising its Kit Kat bar only serves to emphasise this. For example, he commented that the artwork for the Kit Kat advertisements does not often show the four-bar shape as a whole, but rather, emphasises the 'snapability' of a single bar. Similarly, the television commercials reinforce the theme of having a "break" and the convenient "snapping action" of the chocolate.

The decision demonstrates that in order to register a trademark, whether it be a name, logo, colour or shape, it must be distinctive and not functional. In the present case, Kit Kat's Have a Break advertising campaigns play on the shape of the four "snapable" finger like portions as a feature that make it easier to divide the chocolate up into portions.

However, on the flip side, just because a trademark may have functional aspects, this does not mean the chances of trade mark registration are doomed as non-functional elements may still make the trademark unique.

One thing is certain, we have not heard the last word on the matter. Nestle has lodged a Federal Court appeal against the decision.

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