

Trademark Litigation

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P. DIRIX, "The Nespresso Case: Why technically necessary shapes cannot constitute a valid trademark", *IP Litigator* January/February 2022, vol. 28, nr. 1, p. 14-16.

Nespresso capsules for everyone? Why technically necessary shapes cannot constitute a valid trademark.

We all know Nespresso, but what you may not have known is that the Nespresso capsules which George Clooney has touted to us for years with his seductive smile are more than 50 years old. It is precisely because the concept of fast coffee from a capsule is now so old, that Nestlé is having difficulties holding off copycats. Patent rights are often limited in time and obtaining trademark protection for the shape of the capsules does not appear to be easy following a recent Swiss decision. Hereinafter, we will see how Nestlé is (unsuccessfully) trying to restrict the counterfeiting of its capsules through trademark law.

Patent protection for coffee capsules

Patents protect the technical aspects of an innovative product. Anyone who, after much research and development, can demonstrate a technical innovation (that did not exist before) can have that new technology protected via a patent. Patent protection prevents others from taking your idea and making a profit on the back of your R&D investments. This provides good protection for innovative companies and also encourages investment in R&D.

For example, a company that develops a unique new coffee capsule, which keeps

individual portions of coffee powder fresh until they are perforated and high-pressure steam is forced through them, can protect (specific parts of) its capsules based on patent rights. This prevents others from making the same or similar capsules.

Unfortunately a patent does have some drawbacks. First of all, a patent application is a relatively complex and technical matter. This means that entrepreneurs will often require specialized help to put together a strong case, which makes patent applications quite the investment. In addition, patents are limited in time. The government's intention is to offer a company protection that is limited to the time required to recoup its investments (in principle a maximum of 20 years). After this period knowledge is made public in order for other companies to further develop previous inventions.

It is exactly this time limitation with which Nestlé is now being confronted. All of Nestlé's patents (for various aspects of their coffee machines and capsules) have now expired. Nestlé did try to modify the technical design of the capsules over time, in order to apply for a new patent for each modification. Unfortunately for them, this strategy is proving to be a finite story.

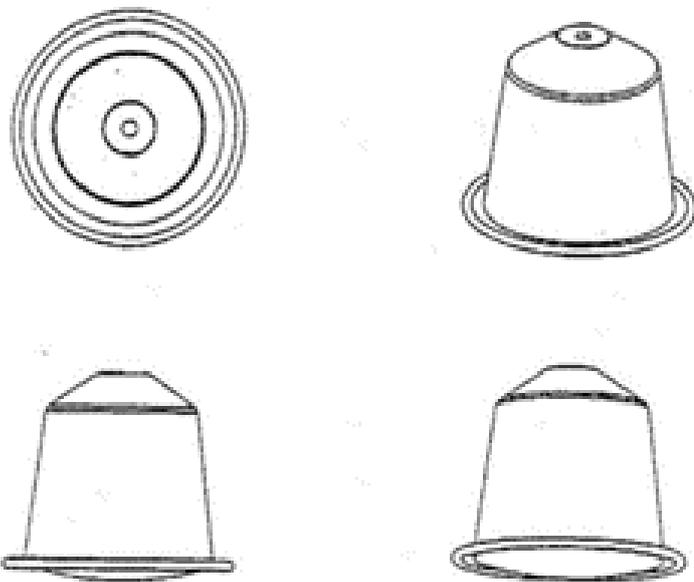
What to do when your patents expire?

What are the remaining options when all your patents expire and there are no more technical innovations for which you could register patent protection? Well, either you resign yourself to the fact that from now on everyone can make your coffee capsules themselves, or you look for alternative ways to protect your capsules.

Potentially, you could look to copyright, design or trademark law for alternative protection regimes. Each of these intellectual property rights can contribute in its own way with the protection of the name, design, logo, color combinations or other external aspects of a product.

3D Shape Marks (not) a solution?

Nestlé sought the solution for its Nespresso capsules in trademark law, more specifically through a (3D) shape mark. 3D shape marks offer trademark protection for the outward appearance of a three-dimensional object.



This protection is granted for a period of 10 years, but can in principle be extended indefinitely as long as the trademark remains in use. The threshold which shape marks must overcome to receive trademark protection is the requirement of distinctiveness. This means that the shape in question must allow the relevant public to distinguish certain goods from those of other undertakings. As a rule, a shape will have to differ significantly from what is common before it is seen as distinctive.

The similarity between the protection of a shape as a trademark and as a design is that both methods of protection are not possible when the shape is necessary to obtain a technical result. Design law, unlike trademark law, does protect forms that give substantial value to a product. For something to qualify for protection as a design it must be new and have an individual character. Because Nespresso capsules have been on the market for such a long time, they have long lost their novelty. Nestlé therefore opted for protection as a 3D shape mark since this was the only form of protection left.

The 3D shape mark for the Nespresso capsules were registered by Nestlé in different countries in an attempt to prevent other companies from also making its capsules themselves.

For example, Nestlé already registered a Swiss shape mark for its Nespresso coffee capsules in 2000. It did the same for several other non-European countries. The company then tried to do the same in the EU but, despite the successful registration in some non-European countries, Nestlé failed to obtain protection as an EU trademark. In April 2002, the European trademark office EUIPO refused to grant an EU trademark for the coffee capsules because their shape lacked sufficient

"distinctiveness" (it was too similar to the many other coffee capsules on the market).

Moreover, the trademarks that Nestlé did get registered for outside the EU are now being declared invalid one by one because the shape of the capsules is considered "technically necessary". Trademark law (both inside and outside the EU) only protects "creative" trademarks and does not protect texts, images or shapes that are too descriptive or that are merely dictated by the technical requirements of a product. In simple terms, a wheel must be round in order to roll, which is a purely technical requirement. Therefore, a round wheel is unlikely to qualify for trademark protection.

Annulment of the Swedish trademark

Very recently, Nestlé's 3D shape trademark strategy received its death blow. On September 7, 2021, the Swiss shape mark for the Nespresso capsules was declared invalid by the Swiss Federal Supreme Court. This ruling did not come suddenly. After all, on December 8, 2017, the German Bundespatentgericht had already made a similar decision.

In the aforementioned case, Nestlé claimed that Ethical Coffee Company (ECC) had infringed its trademark rights. ECC had in fact marketed biodegradable coffee capsules that were compatible with Nespresso coffee machines. Ethical Coffee, for its part, sought the cancellation of Nespresso's Swiss shape trade mark on the grounds that the registered trade mark was a shape that was technically necessary.

The Federal Supreme Court now confirms, in summary, that the shape of the Nespresso capsules is (excessively) determined by the sheer technical requirements that a capsule must meet.

The reason for this, says the Swiss court, is because competitors of Nespresso cannot use any (reasonably conceivable) alternative shape to make capsules that can also work with Nespresso machines (without making exceptional costs). This ensures that the shape of the capsules is not a creative design choice but a technical necessity, which implies that Nestlé cannot claim trademark protection of its capsules. The Swiss Federal Court of Justice thereby referred to a similar reasoning as was used by the European Court of Justice in cases concerning the shape of Lego bricks (C-48/09) and Philips shavers (C-299/99).

Conclusion

Above all, the whole coffee capsule war between Nestlé and its competitors teaches us that intellectual property rights are a powerful weapon for companies to strengthen their competitive position. It is no coincidence that Nestlé is trying to protect its capsules under trademark law. The holder of the trademark right on the Nespresso capsule can prohibit others from bringing the same or similar capsules on the market, which in turn forces consumers to continue buying their own (expensive) capsules.

There are many things that cannot be protected under trademark law, not only 3D shape marks are refused. Daily practice shows that (especially the Benelux) trademark office(s) are becoming increasingly strict and that trademark applications are often being refused because they are too descriptive, too distinguishing or technically necessary. As a result, trademark applications require more specialized work than ever before. It is therefore best to prepare a trademark application thoroughly if you want to prevent it from being refused.

All of the above does not detract from the fact that a trademark application still remains an indispensable investment and that it is best to have potential trademarks protected as quickly and as often as possible. After all, intellectual property is capital and almost always a great investment for the future.

Pieter Dirix is a lawyer at GSJ Advocaten, affiliated with the Bar of Antwerp. After his graduation as a Master in Law at the University of Antwerp, he completed an additional Master in IP & ICT Law at KU Leuven to further develop his interests in Intellectual property rights and legal issues concerning modern technology, media and privacy and commercial law.