

February 21 2022

Local snack bar prevents entry of Wendy's in Benelux

AKD | Intellectual Property - Netherlands



BRAM
WOLTERING

> Facts

> Background

> Decision

> Comment

The 's-Hertogenbosch Court of Appeal recently rendered a decision in a longstanding legal battle between US fast-food chain Wendy's and a local snack bar in the Netherlands.⁽¹⁾ The local snack bar has been operating under the name "Wendy's" from 1988 in a single city in the Netherlands. The owner allegedly named the snack bar after their daughter. The local snack bar also acquired Benelux trademark rights with regard to WENDY'S, for restaurant and snack bar services (class 43) among other things.

Facts

Since the 1990s, there have been several procedures (eg, trademark oppositions and civil actions) between the parties. The local snack bar has so far succeeded in preventing the entry of the Wendy's chain in Benelux under that name.

In the current proceedings, the fast-food chain claimed that the WENDY'S trademark held by the local snack bar ought to be revoked on the ground that the trademark had not been put to genuine use given its limited geographical scope.

Background

The owner of a registered Benelux trademark has a so-called "grace period" of five years during which it is not necessary to demonstrate use of the mark in order to be able to invoke it. After this grace period, the owner may be required to demonstrate use of the earlier mark for the relevant goods and services. The reason for the requirement that proprietors of earlier marks can be required to demonstrate that they have put the trademarks to genuine use is to restrict the number of trademarks registered and protected and, consequently, the number of conflicts between them.

Decision

In the lower instance, the Zeeland-West-Brabant District Court held that the Benelux trademark had been put to genuine use. The US fast-food chain appealed the decision. The 's-Hertogenbosch Court of Appeal drew the same conclusion as the district court.

According to standard European Court of Justice (ECJ) case law, when assessing whether there has been genuine use of a trademark, consideration must be given to all of the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real – in particular, whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark.

The ECJ has indicated that it is not possible to abstractly prescribe what quantitative threshold should be chosen in order to determine whether such use is genuine, and accordingly there can be no objective *de minimis* rule to establish a priori the level of use needed in order to be "genuine". What exactly constitutes this minimum extent depends on the circumstances of each case. When it serves a real commercial purpose, even minimal use of a trademark could be sufficient to establish genuine use, depending on the goods and services, and the relevant market.⁽²⁾

When identifying the relevant market, the 's-Hertogenbosch Court of Appeal considered the Dutch fast-food market, which consists of approximately:

- 350 stores that are part of fast-food chains; and
- 4,800 traditional snack bars, of which:
 - 1,200 operate under a chain/franchise; and
 - 3,600 are local neighbourhood snack bars (ie, they have only one location).

Given that neighbourhood snack bars dominate the Dutch fast-food market, the Court decided that the defendant's use of the trademark constituted genuine use for a neighbourhood snack bar. The trademark was used on the front of the snack bar and, among other things, on its uniform and in sponsorship activities.

Contrary to what the US fast-food chain had argued, it is not, according to the Court, a requirement for genuine use that a neighbourhood snack bar has multiple branches or is promoted outside the region. The Court therefore concluded that the snack bar could retain the Benelux trademark WENDY'S.

Comment

The Court deemed that operating a single neighbourhood snack bar in a Dutch city can result in genuine use of a Benelux trademark. This might come as a surprise to some. However, in this regard, the Court strongly leaned on the specifics of the Dutch fast-food market, which consists mainly of neighbourhood snack bars (that have only a single location). Significantly, the Court identified the local neighbourhood snack bar market as its reference point when assessing whether the trademark had been put to genuine use.

In this case, there seems to be a tension between:

- the factor of territorial scope/extent of use of the trademark, which must be taken into account; and

- the specific market.

According to the landmark ECJ *Onel/Omel* decision⁽³⁾ (concerning EU trademarks (EUTMs)), the territorial scope and extent of use are, in any case, one of the relevant factors to take into account in the overall assessment of genuine use.

Based on the characteristics of the market – wherein operating a single snack bar is dominant – the 's-Hertogenbosch Court of Appeal de facto entirely neutralised the factor of territorial scope/extent. Does this mean that, if the market is dominated by participants who are active in an extremely limited territorial scope, this can suffice for genuine use of the trademark? The market for fast food is not inherently limited to a single neighbourhood. What if the snack bar had held an EUTM? Could operating a single snack bar also qualify as genuine use of the EUTM? Intuitively, it would seem that this cannot be the case. Would it be different if statistics showed that the EU fast-food market was dominated by local neighbourhood snack bars? It can be argued that this should not change the answer.

Considering the stakes involved for the US fast-food chain – it wishes to have a presence in Benelux – it will not be a surprise if it takes the matter up to the Dutch Supreme Court. An interesting point seems to be what a court must take as a reference point to assess whether a trademark has been put to genuine use: should it be, for example, whatever is dominant in the market, regardless of how limited the territorial scope of use is by the dominant group of market participants?

For further information on this topic please contact [Bram Woltering](mailto:bwoltering@akd.nl) at AKD by telephone (+31 88 253 50 00) or email (bwoltering@akd.nl). The AKD website can be accessed at www.akd.nl.

Endnotes

(1) 's-Hertogenbosch Court of Appeal, 2 November 2021, ECLI:NL:GHSHE:2021:3295.

(2) See:

- ECJ, 11 March 2003, C-40/01, Minimax, EU:C:2003:145; and
- ECJ, 27 January 2004, Laboratoire de la mer, EU:C:2004:50.

(3) ECJ, 19 December 2012, C-149/11 (ONEL/OMEL).