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David vs. Goliath: Wendy's, a Dutch Snack Bar, vs. Wendy's International

INTRODUCTION

Wendy's International LLC¹ ('Wendy's International') is a subsidiary of The Wendy's Company, the American holding company of the international fast food chain Wendy's. With approximately 7,000 locations, this American Wendy's is the world's third-largest hamburger fast food chain, following Burger King and McDonald's. In Europe, however, Wendy's International only has a few branches. In the early eighties, there were a few branches in the Netherlands, Belgium and Luxembourg (the Benelux countries), but these have long since been closed. Wendy's International currently has around thirty branches in the UK, after the first Wendy's International opened in the UK in Reading in 2021. The recent launch in the UK may be used as a stepping stone for Wendy's International to enter into Europe. However, Wendy's International has faced challenges in obtaining an EU trade mark for its name due to a longstanding dispute with a small Dutch snack bar owner from Goes², a small town in the southeast part of the Netherlands. The hamburger giant has been fighting a legal dispute on the name 'Wendy's' with the Dutch snack bar owner for about twenty-five years.

Until now, the outcome of the proceedings has mostly been successful for the Dutch snack bar owner. However, the snack bar owner bit the dust in the latest case in the series of the so-called 'David versus Goliath' cases. In that case, the Dutch District Court Amsterdam³ ruled that Wendy's International does not have to pay the snack bar owner 6.5 million EUR in compensation.

In this article we discuss the litigation history of parties regarding their trade mark and trade name rights in the Benelux and the Netherlands. In addition to our conclusion, this ECTA Bulletin also includes comments from Petter Rindforth. He discusses to what extent this case might have turned out differently if the dispute had taken place in Sweden and under Swedish law.

BACKGROUND

In 1988, Raymond Warrens opened a snack bar 'Wendy's', named after his daughter Wendy, in Goes, the Netherlands. The dispute discussed in this article dates back to the nineties, when Mr. Warrens registered the Benelux trade mark 'Wendy's' for 'snacks' and 'snack food products' in the Nice Classification classes 29 and 30, as well

as for 'services of restaurants and snack bars' in class 43 in 1995.

Until 1986, Wendy's International established a couple of restaurants in the Benelux region, including one in Rotterdam, the Netherlands. Wendy's International also held a dozen Wendy's Benelux trade marks for restaurants and food products, registered between 1977 and 1987. When Wendy's International tried to re-register two Benelux trade marks with the element 'Wendy's' in 1995, the issue turned into a legal back-and-forth.

In 1997, the Dutch snack bar owner from Goes, decided to sue Wendy's International, seeking the cancellation of the old and new trade marks of Wendy's International, as well as a prohibition on using the name Wendy's or any similar sign as a trade mark and as a trade name.⁴

According to Wendy's International, Raymond Warrens did not act in good faith when registering his Benelux trade mark. Wendy's International claimed that their trade mark was widely known around the world, including the Benelux during the time Mr. Warrens filed his trade mark application. Therefore, Wendy's International made

a counterclaim for the invalidity of the Dutch snack bar's trade mark rights and a prohibition on the use of the name 'Wendy's' as a trade mark and trade name. This was, among other things, the starting signal for the yearlong legal dispute between the parties.

DECISION OF THE (DUTCH) COURTS

The Dutch District Court Middelburg⁵, in the province of Zeeland, ruled in 2000 that Wendy's International had not used its trade marks in the Benelux since its establishment in Rotterdam went bankrupt on 31 December 1986. The documentation submitted by Wendy's International following a personal appearance shows that its trade marks have not been used in other Benelux countries since 1982. During the period of 1980 to 1982, Wendy's International had a total of five establishments in Belgium and Luxembourg. No further establishments had been opened since then in the Benelux. Further, Wendy's International has not alleged any facts or circumstances showing that its trade marks were subsequently used in the Benelux and in the Netherlands as of 31 December 1986. Consequently, the Court prohibited Wendy's International from using the trade mark

Wendy's or any indication similar to this trade mark.

Also, the Court prohibited Wendy's International from using a trade name containing the designation 'Wendy's' or using this trade name in such a way that there may be confusion among the relevant public between the small Dutch snack bar and Wendy's International. Additionally, it stated that Wendy's International failed to present sufficient evidence demonstrating that the snack bar owner acted in bad faith during the registration of his trade mark. Moreover, it was considered that Raymond Warrens had conducted an investigation with the Chamber of Commerce prior to the registration, indicating that he had fulfilled the necessary due diligence expected of him at that time.

The Court reached the conclusion that if Wendy's International were to expand its operations in the Netherlands, there could be a potential risk of confusion between the two fast food operators. As a result, the Court upheld the trade mark rights of the small Dutch snack bar owner for the name 'Wendy's' to its 'snack bar services'. Additionally, the Court ordered an injunction against Wendy's International,



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¹ <https://www.wendys.com>.

² At the address Koningstraat 5, 4461 AW Goes, The Netherlands.

³ District Court Amsterdam, 29 December 2021, ECLI:NL:RBAMS:2021:7841.

⁴ On 1 April 1997, Raymond Warrens initiated proceedings on the merits at the Dutch District Court Middelburg.

⁵ District Court Middelburg, 12 January 2000, no. 668/97.

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restraining them from using the trade mark and trade name 'Wendy's' or any similar variations, on pain of penalties.

Wendy's International lodged an appeal against this decision. The case was presented before the Dutch Court of Appeal in The Hague⁶, which upheld the previous ruling. Once again, the Court emphasised that Wendy's International had failed to demonstrate the well-known reputation of its trade mark at the time of Mr. Warrens' trade mark application. Consequently, the Court revoked Wendy's International's older trade marks and affirmed Mr. Warrens' trade name rights.

In a final attempt, Wendy's International filed an appeal with the Dutch Supreme Court⁷. However, the Dutch Supreme Court dismissed the appeal in its ruling on 20 December 2013.

On 19 March 2013, Wendy's International filed three Union trade marks consisting of the stylized word 'Wendy's' with and without figurative element for, *inter alia*, classes 29, 30 and 43. A new entity known as Quality is Our Recipe ('QIOR') acquired the aforementioned Union trade marks of Wendy's International and initiated new legal proceedings against the Dutch snack bar. QIOR sought the cancellation of the Wendy's trade mark of Mr. Warrens, arguing that it was not being used in a genuine manner by the one-man business in Goes. Although, the Dutch Zeeland-West Brabant Court⁸ ruled that Raymond Warrens' trade mark was invalid for all (food) goods in classes 29 and 30, it did rule that his trade mark Wendy's had been put to genuine use for 'snack bar services' (class 43). This decision upheld Mr. Warren's trade mark for the aforementioned class. QIOR filed

an appeal against this decision, but in November 2021, the Dutch Court of Appeal in Den Bosch⁹ upheld the previous ruling, once again in favour of the Dutch snack bar.

Having prevailed four times, in this what became known as a 'David versus Goliath conflict', the owner of the Dutch snack bar may have become overly confident in his invincibility. As Wendy's International had in the meantime established two Dutch companies, he subsequently initiated once again a new legal procedure, alleging that Wendy's International, including its Dutch companies, had violated the initial 2000 judgment by establishing new entities in the Netherlands, namely Wendy's Netherlands Holding B.V. and Wendy's Netherlands. He argued that they thereby operated under a trade name that incorporated the element 'Wendy's' in a manner likely to generate confusion among the general public. As a result, the Dutch snack bar owner sought 6.5 million EUR in penalty payments from Wendy's International and its two Dutch companies.

However, the Dutch District Court Amsterdam¹⁰ determined that these activities of the American fast-food chain constitute a different type of trade mark and trade name use, given their focus on financial activities, compared to the use of the Benelux Wendy's trade mark for food and snack bar services. Therefore, the Court ruled that such actions would not result in public confusion and found no infringement of the 2000 judgment. Consequently, the penalty claim of the Dutch snack bar was dismissed and Mr. Warrens was ordered to bear the costs of the legal proceedings.

CONCLUSION

In conclusion, the Dutch snack bar Wendy's rightfully retains the trade mark for its 'snack bar services'. As a result, the prominent American fast-food chain is prohibited from using the 'Wendy's' trade mark to promote and offer similar snack bar services within the Benelux region.

In our opinion, the decisions of the Dutch courts are consistent and not particularly ground-breaking. The ruling on trade name rights and the rejection of the 6.5 million EUR in compensation were also anticipated outcomes. The trade names that also contained the element 'Wendy's' for the newly set up companies are used by the American fast-food chain for dissimilar (i.e. financial) activities. The Dutch District Court Amsterdam¹¹ explicitly emphasised that any infringement arises when the name is used (or will be used) for 'fast-food or snack bar services'. The Wendy's case has garnered considerable media attention and may have yielded some surprising judgments for the average reader, but for legal professionals specialising in trade marks and trade names, it primarily reaffirms prevailing perspectives in current trade mark and trade name law.

One might think this ongoing battle has finally reached its limit. However, Raymond Warrens, the Dutch snack bar owner, has recently initiated cancellation proceedings against three EU Wendy's trade marks owned by QIOR. He alleges that the EU trade marks¹² have not been genuinely used within the European Union for a continuous period of five years in relation to all the goods and services covered by the registrations, and that there are no valid reasons for non-use. All in all, the end of this drawn-out battle may not yet be in sight.«



THE SWEDISH TWIST

In Sweden, the Trade Marks Act (2010:1877), with general regulations and basic requirements for trade mark registrations, closely follows relevant EU regulation and praxis. Art. 8 states clearly that the owner of a trade name (such as company name) or another trade sign has exclusive rights in that name as a trade mark. If the company is registered only as a local firm, the exclusive rights apply only within that local territory of Sweden. The Swedish Intellectual Property Office (PRV) still conducts full examination for trade mark applications, meaning that also the Company Registry is part of the initial examination of each trade mark applications.

Company names are registered at *Bolagsverket* ('The Swedish Company Registration Office'), and the related regulation is the Swedish Companies Act (2018:1653). Unlike the Trade Marks Act, the Swedish Companies Act is not based on any common EU regulation, and when applying for a new company name it is recommended to list a number of – for the applicant – acceptable versions of the suggested company name already in the application in order to speed up the examination and avoid office actions. However, it is still a general starting point that the trade mark law rules should be co-ordinated to the greatest extent possible. The provision on bad faith as an obstacle to registration has, therefore, been designed in the same way as in the Trade Mark Act (Prop. 2009/10:225 pp. 359

and 496 and prop. 2017/18:267 pp. 204 and 277). The legislative history means that the jurisprudence that exists in the area of the Supreme Court and the European Court of Justice should mainly be guiding in the company area as well. When applying, however, the company's function under association law and its use as a means of individualisation under public law must be taken into account (NJA 2011 p. 916 point 7). Intellectual property disputes in Sweden are handled by the Patent and Market Court (PMD) and the Patent and Market Court of Appeal (PMÖD).

As to the Wendy's case, if it had been decided in Sweden:

First of all, it is likely – as in the year of 2000 ruling – that also the Swedish courts had ruled in favour of the plaintiff. One example is the case *proVISTA vs. Swedish PTO* (PMÖÄ 7478-18), where the company *proVISTA*'s trade mark application *PROGNOSIS* for 'education, courses and lectures' in class 41 was finally rejected by PMÖD based on the existence of the locally registered company *HANDELSBOLAGET PROGNOSIS*, dealing with 'consultative activities'.

Next question is how the final NJF 2022/145 decision may have been different in the Swedish court. It is noted that the registered subsidiaries of Wendy's in the Netherlands are closely related to the US based parent company. The fact that the two subsidiaries are not active in the food or restaurant business is likely to have less importance, as the name

Wendy's is well-known for restaurants. Some guideline from a Swedish perspective can be taken from the case *Sortera Group AB vs. Sortera AB* (PMT 8528-19), where the PMÖD stated that a parent company that used its company name in connection with measures that formed part of the management of a subsidiary company and in a guarantee commitment in favour of the subsidiary company, was considered use of the company name for the registered business, independent from the business activities of the subsidiary. The fact that the subsidiaries are related to the parent company and that the trade mark is known only for restaurant services among the public, is likely to be enough to stop also the new local subsidiaries to use Wendy's.«



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⁶ Court of Appeal The Hague, 3 April 2012, ECLI:NL:GHSGR:2012:BW0685.

⁷ Dutch Supreme Court, 20 December 2013, ECLI:NL:HR:2013:2097.

⁸ District Court Zeeland-West Brabant, 15 February 2017, ECLI:NL:RBZWB:2017:1122.

⁹ Court of Appeal Den Bosch, 2 November 2021, ECLI:NL:GHSHE:2021:3295.

¹⁰ District Court Amsterdam, 29 December 2021, ECLI:NL:RBAMS:2021:7841.

¹¹ District Court Amsterdam, 29 December 2021, ECLI:NL:RBAMS:2021:7841, para. 4.17.

¹² EUTM registration no. 000381368 and no. 000450304 for WENDY'S and EUTM registration no. 000353328 for WENDY'S OLD FASHIONED HAMBURGERS for Nice classes 6, 8, 9, 11, 14, 16, 21, 24, 25, (26), 28, 29, 30, 32, 33 and 42.

The position expressed in the *Swedish Twist* is the author's take on what might have happened if these cases would have been litigated in Sweden.