

COMMENTS

Lego—Building a European Concept of Functionality

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The jurisprudential context

*Lego*¹ gave the European Court of Justice (“the Court”) a second chance to review the concept of functionality and in particular the scope of art.7(1)(e)(ii) of the Community Trade Mark Regulation, providing that “signs which consist exclusively of... the shape of goods which is necessary to obtain a technical result” shall not be registered as trade marks. In *Philips*² it had considered the equivalent provision of the Harmonisation Directive, art.3(1)(e), and ruled that: (i) distinctiveness was irrelevant for a shape refused registration under art.3(1)(e), the provision constituted a preliminary obstacle; (ii) art.3(1)(e)(ii), in particular, covered shapes whose essential characteristics performed a technical function; and (iii) the wording of art.3(1)(e)(ii) did not allow consideration of the existence of alternative shapes. Embedding trade mark rights against a broader intellectual-property context the Court noted that the aim

of the provision was not to allow individuals to use trade mark rights in order to acquire or perpetuate exclusive rights relating to technical solutions.

The concept of functionality has also provided a broader interpretive framework. For example in *Dyson*,³ it contributed in delineating what did not constitute a sign; A.G. Léger even described the subject matter of the application as a “functionality”.

Lego’s challenge

Lego (more accurately Kirkbi its predecessor in title) had managed back in 1996 to obtain registration of its toy brick (a three-dimensional sign in red) as a Community trade mark for “games and playthings” in class 28. Ritvik, the predecessor of Mega Brands, attacked the registration to the extent it covered “construction toys”. The Cancellation Division declared the mark invalid on the basis of art.7(1)(e)(ii) of the Regulation, having found that each of the elements of the brick (the existence of the studs, their symmetrical positioning, size, and cylindrical form, their height in relation to the walls of the brick, the way the sides could connect to produce a wall, the hollow skirt that enabled fixing, the overall shape and size of the brick) and thus the brick as a whole was necessary to obtain a technical result. Subsequently, the Board of Appeal (sitting for the first time as a Grand Board) upheld the decision having itself found that: (i) surveys were irrelevant for the application of that provision; (ii) a minor arbitrary element such as colour should not allow the sign to escape the application of the provision; and (iii) an earlier patent would not by itself bar registration but constituted irrefutable evidence that the features covered by the patent were functional.

The challenge before the General Court focused first on the relevance of functionally equivalent alternative shapes using the same technical solution. It upheld the decision of the Grand Board noting that: (i) “exclusively” was linked with “essential characteristics which perform a technical function”, thus the addition of non-essential characteristics having no technical function did not prevent the application of art.7(1)(e)(ii) if all the essential characteristics of that shape performed such a function; (ii) “necessary to obtain a technical result” did not narrow the scope of the provision to cases where only the contested shape could achieve the intended result, it was sufficient that its essential characteristics combined the characteristics that were technically causal of, and sufficient to obtain, the intended technical result, and were therefore attributable to the technical result; (iii) no distinction should be made between shapes using another “technical solution” and shapes using the same “technical solution”. Lego also targeted the issue of what constituted an essential characteristic and the assessment of functional nature. The General Court found that: (iv) the perception

¹ *Lego Juris A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (C-48/09 P)* Unreported September 14, 2010; *Lego Juris A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (Mega Brands) (T-270/06)* [2008] E.C.R. II-3117; *Lego Juris A/S v Mega Brands Inc* (R 856/2004-G) [2007] E.T.M.R. 11.

² *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2003] Ch. 159; [2002] E.C.R. I-5475.

³ *Dyson v Registrar of Trade Marks (C-321/03)* [2007] Bus. L.R. 787; [2007] E.C.R. I-687.

of the targeted consumer audience was not relevant to the assessment of functionality, what constituted an essential characteristic had to be determined objectively, on the basis of the trade mark's graphic representation and any descriptions filed at the time of the application; and (v) however, the Board had the power to consider the invisible features of the brick and take into account any other evidence including expert opinions and prior patent specifications and claims.

Before the Court, Lego argued that: art.7(1)(e)(ii) covered shapes that would create a monopoly on technical solutions or on functional characteristics; "essential characteristics" was synonymous with "dominant and distinctive elements", and the identification of those characteristics should be carried out from the perspective of the relevant public; and, the assessment of functionality in an expert opinion should be made by comparing the relevant characteristics with alternatives.

The Opinion of the Advocate General

Apart from the jurisprudential significance of the case, there is a human aspect that must be noted. *Lego* is marked by the loss of A.G. Dámaso Ruiz-Jarabo Colomer, an enormously influential figure in the development of European trade mark law; he passed away on November 11, 2009, the day following the hearing in *Lego*. His role in this case was taken over by Paolo Mengozzi and the published Opinion is attributed to both.

The Opinion viewed trade mark rights as part of a bigger intellectual-property arsenal, access to which should be regulated. The provision should be contextualised against its own legislative framework but also against a broader picture that comprised other intellectual-property rights combined with competition considerations. Putting the emphasis on availability and competition issues it remarked that art.7(1)(e)(ii) had a twofold role: preventing a monopoly on technical solutions through trade mark law and, "keeping separate trade-mark protection and the protection conferred by other forms of intellectual property" (point 55).

It also showed a willingness (not foreign in the Court's approach to trade mark law) to take into account doctrines developed by non-European courts and a wish to express a positively formulated view detached from the factual scenario of the case. The Opinion remarked, as a gentle criticism of the Court's approach, that in *Philips* (a case in which Ruiz-Jarabo Colomer had the Advocate General role) it had:

"[E]mphasised the grounds on which it was appropriate to *refuse* registration of a mark having those characteristics, but it scarcely set out for undertakings the guidelines for *registering* functional signs as trade marks ... the Court ... left [the door] ajar ... and this appeal must determine the size of the gap." (Point 51)

Philips, according to the Opinion, had introduced an element of vagueness that could be resolved by introducing three steps in the application of art.7(1)(e)(ii). The first step involves the identification of the most important elements of the shape, with each of the individual features of the get-up being analysed in turn followed by an assessment of a necessary connection between those characteristics and the technical result that also needs to be defined properly. The functionality of each element had to be determined separately but there was a presumption for goods that had enjoyed patent or design protection that their essential characteristics performed a technical function, citing the US Supreme Court in *TrafFix*.⁴ If all the essential characteristics of the shape perform a technical function, the shape itself is functional.

If not, at the second step we have to choose between two alternative directions. The first direction restricts the trade mark right to the essential and distinctive non-functional elements. The second direction would have to, "compare the other compatible market options" (point 74), subject to the requirement that any industrial-property right granted must not lead to significant non-reputation related disadvantage for competitors vis-à-vis their own signs. Alternatives must be analysed taking into account interoperability and the requirement of availability, which represent the public interest behind art.7(1)(e)(ii). The assessment of distinctiveness is the third step, and here the overall impression conveyed by the sign, the perspective of the consumer, and the goods or services included in the specification regain their relevance.

The Opinion also rejected the distinction between technical solution and technical result and, focusing again on the availability requirement, added that functional shapes may be freely used by all and accordingly the existence of alternative shapes is irrelevant in assessing their functionality. Finally, it stressed that the rationale behind art.7(1)(e) is far removed from the essential function of the trade mark and the applicability of the provision had to be ascertained objectively rather than from the perspective of the average consumer.

The Court of Justice

The public interest

The Court, following the competition and availability themes set in the Opinion, repeated that the public interest underlying art.7(1)(e)(ii) is to prevent trade mark law granting an undertaking a monopoly on technical solutions or functional characteristics of a product:

"In that connection, the rules laid down by the legislature reflect the balancing of two considerations, both of which are likely to help establish a healthy and fair system of competition." (*Lego* at [44])

⁴ *TrafFix Devices Inc v Marketing Displays Inc*, 532 US 23 (2001).

It, too, viewed trade mark rights as part of a broader scheme of rights and added that the aim was to ensure that they are not used, “in order to perpetuate, indefinitely, exclusive rights relating to technical solutions” (*Lego* at [45]). Mentioning patented products in particular (*Lego* at [46]) it remarked that technical solutions in the European system of rights are protectable only for a limited period, so that subsequently they may be freely used by all economic operators and this consideration underlies both trade mark and design laws.

The scope of the provision

Accordingly, first, the provisions of art.7(1)(e) were strictly set and should be interpreted as precluding from registration even signs that have acquired distinctiveness as a result of use.

Secondly, the terms “exclusively” and “necessary” ensure that only shapes of goods that only incorporate a technical solution, and whose registration as a trade mark would therefore actually impede the use of that technical solution by other undertakings, are not to be registered.

In principle, a shape cannot be refused registration when it incorporates a major non-functional element. However:

"[T]he presence of one or more minor arbitrary elements in a three-dimensional sign, all of whose essential characteristics are dictated by the technical solution to which that sign gives effect, does not alter the conclusion that the sign consists exclusively of the shape of goods which is necessary to obtain a technical result." (*Lego* at [52])

And “necessary to obtain the technical result” does not mean that the shape at issue must be the only one capable of obtaining that result. There may be alternative shapes, but in itself that does not mean that registering the shape as a trade mark would have no effect on the availability of the technical solution. After all, trade mark protection would also cover similar shapes and this could cover a significant number of alternative shapes:

"A sign consisting of the shape of a product that, without the inclusion of significant non-functional elements, merely performs a technical function cannot be registered as a trade mark. Such a registration would unduly impair the opportunity for competitors to place on the market goods whose shapes incorporate the same technical solution." (*Lego* at [59])

The Court stressed that that applies a fortiori in a case, such as *Lego*, where it has been established that the solution incorporated in the contested shape is the technically preferable solution. Otherwise it would be difficult for competitors to come up with shapes constituting a real alternative: i.e. not similar shapes that must also be attractive from a functional perspective.

Slavish copies—unfair competition

Nevertheless, the Court added, protection against:

"[C]ompetitors placing on the market slavish copies of the product shape incorporating exactly the same solution ... can, where appropriate, be examined in the light of rules on unfair competition." (*Lego* at [61])

The identification of essential characteristics

The Court agrees with the Opinion that the expression “essential characteristics” must be understood as referring to the most important elements of the sign but fails or avoids to provide concrete practical guidance. In broad terms it indicates that identification must be carried out on a case-by-case basis, without an hierarchy that applies systematically between the elements of which a sign may consist, and accepting that the relevant authority may:

"[E]ither base its assessment directly on the overall impression produced by the sign, or first examine in turn each of the components of the sign concerned." (*Lego* at [70])

Similarly, but at least stating that this would depend in particular on the degree of difficulty of each case, the identification may be carried out by means of a simple visual analysis or require a detailed examination:

"[I]n which relevant criteria of assessment are taken into account, such as surveys or expert opinions, or data relating to intellectual property rights conferred previously in respect of the goods concerned." (*Lego* at [71])

Non-functional elements

Once the essential characteristics have been identified it is still necessary to ascertain whether they all perform the technical function of the goods at issue:

"Article 7(1)(e)(ii) ... cannot be applicable where the application for registration as a trade mark relates to a shape of goods in which a non-functional element, such as a decorative or imaginative element, plays an important role." (*Lego* at [72])

In that case, according to the Court, competitors would “easily” have access to alternative shapes with equivalent functionality and there “there is no risk that the availability of the technical solution will be impaired” (*Lego* at [72]). And in the particular factual context, the Court accepted the findings and reasoning of the Grand Board of Appeal and the General Court that with the sole exception of its colour, all the other elements of the sign constituted by that brick were functional.

Average consumer perception

The Court confirms the distinction between the assessment of distinctiveness and the assessment of functionality. In the first case, the perception of the target public must be taken into account however “such an obligation cannot be imposed” (*Lego* at [75]) in the context of functionality:

"The presumed perception of the sign by the average consumer is not a decisive element when applying the ground for refusal under Article 7(1)(e)(ii) of Regulation No 40/94, but, at most, may be a relevant criterion of assessment for the competent authority when it identifies the essential characteristics of the sign" (*Lego* at [76])

Responding to the last point raised by *Lego* the Court held that for establishing functionality once the essential characteristics have been identified, it is only necessary to assess whether those characteristics perform the technical function of the product concerned:

"Clearly, that examination must be carried out by analysing the sign filed with a view to its registration as a trade mark, and not signs consisting of other shapes of goods." (*Lego* at [84])

And documents relating to previous patents may be part of the evidence that is taken into account.

A first assessment of *Lego*

Lego re-establishes the clear principles set by the Court in *Philips*. It positions trade marks against a broader scheme of intellectual-property rights and in a context of healthy and fair competition. The Court correctly avoids burdening trade mark authorities with competition questions and instead attempts to internalise competition issues within the public interest behind the specific functionality provisions. It also avoids taking a doctrinal stance towards on trumping of trade mark rights by patent or design rights.

And despite the fact that the factual context is imperative in the application of trade mark law the Court attempts to disentangle principles from facts. What it fails to do is provide a clear multi-factor test for establishing functionality in an objective way; an example is its vagueness regarding the role of the target consumer in this process. However, this was a case that came before the Court in its capacity as the ultimate court of appeal rather than as an interpretive court. Accordingly, it has to be read in the light of the contested decisions of the Grand Board of Appeal and the General Court.

From an interpretive perspective it appears that what will become critical in functionality cases is the identification of essential characteristics. It is most likely that future cases will focus on the determination of the essential characteristics of a shape, with applicants trying to argue that not all the essential characteristics are functional or that there is even a single essential

characteristic that is non-functional and brings a shape outside the scope of the functionality provisions. Would a disclaimer in respect of the functional elements support an application for registration? At a national level the relationship and balancing between protection against unfair competition and registered trade mark protection in relation to “slavish imitations” of functional get up is expected to gain resonance.

Poland: Are the Designs within an Ice-Cream to be Registered as an Industrial Design?

Judgment of the Supreme Administrative Court of March 20, 2007, Case Reference No II GSK 276/06, Przedsiębiorstwo Produkcji Lodów "Koral" JK General Partnership in Limanowa against the Patent Office of the Republic of Poland

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The question in issue was whether characteristic features of the industrial design should be visible at the time of purchasing a product. The industrial design was in the form of an ice-cream, whose important features consisted of the inner arrangement of filling layers that were visible only when eating the ice-cream. The decision, therefore, touches upon a significant issue: whether the appearance of a product should be available to the informed user and whether the features of a product invisible at the time of purchase should be protected as industrial design. The decision also contained brief commentary on the specific Polish institution of industrial design forms.

Facts of the case

The case concerned the claimant’s right to cancel an industrial design entitled “Extruded two-flavoured ice cream with filling”. The design was characterised by a ball-shaped uncut solid containing filling surrounded by two layers of ice-cream mass of different flavours. On its external surface there was a crust layer of nut or coconut, cocoa, chocolate, confectionery, sundae, sesame, coconut and chocolate, or sunflower seed (design forms are shown in the figure below).