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What is the function of functionality in trade mark law?

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1

The EU 'functionality' exclusions

Regulations, interpretation, open questions

UCL/IBIL functionality event, 12 Feb 2020

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2

The law

Article 7(1)(e) Reg. (EU) 2017/1001

Article 4(1)(e) Dir. (EU) 2015/2436

1. The following shall not be registered:

...

(e) signs which consist exclusively of:

(i) a shape, or another characteristic, which results from the nature of the goods themselves;

(ii) the shape, or another characteristic, of goods which is necessary to obtain a technical result;

(iii) the shape, or another characteristic, which gives substantial value to the goods;

...

The words “or another characteristic” were added by the law reform of 2015

- doesn't apply retroactively (C-21/18 – Textilis/Svensk Tenn)

- No relevant practice until now (as far as can be seen)

3

CJEU Case Law, I

Aim of provision

- C-299/99 – Philips./.Remington

- Para 78: The rationale of the grounds for refusal of registration laid down in Article 3(1)(e) of the Directive is to **prevent trade mark protection from granting its proprietor a monopoly** on technical solutions or functional characteristics of a product which **a user is likely to seek in the products of competitors**

4

CJEU case law, II

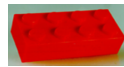
Technical functionality (ii)

- CJEU C-299/99 – Philips./Remington



- Para 79: [exclusion under (ii)] is intended to preclude [that] ...the exclusivity inherent in the trade mark right would **limit the possibility** of competitors supplying a **product incorporating such a function** or at least **limit their freedom of choice** in regard to the technical solution they wish to adopt in order to incorporate such a function in their product
- Para 84: the ground for refusal or invalidity of registration imposed by that provision **cannot be overcome by establishing that there are other shapes** which allow the same technical result to be obtained.

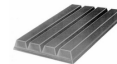
- CJEU C-48/09 – Lego Juris./OHIM



- Para 45: The prohibition on registration as a trade mark of any sign consisting of the shape of goods which is necessary to obtain a technical result ensures that **undertakings may not use trade mark law in order to perpetuate, indefinitely, exclusive rights** relating to technical solutions (applies also to the third indent; see CJEU C-205/13 – Hauck./Stokke, para 19).

- C-215/14 – Nestlé./Cadbury

- Para 57: [ii refers]referring only to the manner in which the goods at issue function and it **does not apply to the manner in which the goods are manufactured**



5

CJEU Case Law, III

Aesthetic functionality (iii)



- C-205/13 – Hauck ./Stokke

- Para 19: The immediate aim [of the second as well as the third indent] is to **prevent the exclusive and permanent right** which a trade mark confers from **servicing to extend indefinitely the life of other rights** which the EU legislature has sought to make subject to limited periods
- Para 32: the concept of a 'shape which gives substantial value to the goods' **cannot be limited purely to the shape of products having only artistic or ornamental value**, as there is otherwise a risk that products which have essential functional characteristics as well as a significant aesthetic element will not be covered...
- Para 36: the third indent of Article 3(1)(e) [TMD]... may apply to a sign which consists exclusively of the shape of a product with **several characteristics each of which may give that product substantial value**. The **target public's perception** of the shape of that product is **only one of the assessment criteria** which may be used to determine whether that ground for refusal is applicable

6

CJEU Case Law, IV

'Product-inherent' functionality (i)



- CJEU C-205/13 – Hauck/Stokke
 - Advocate General Szpunar's opinion, para 28: All three grounds serve to **keep in the public domain the essential characteristics of particular goods which are reflected in their shape** (referred to by the CJEU, para 20)
 - Para 25: the concept of a 'shape which results from the nature of the goods themselves' means that **shapes with essential characteristics which are inherent to the generic function or functions of such goods** must, in principle, also be denied registration.
 - Para 26 (with reference to GA opinion, para 58): reserving such characteristics to a single economic operator **would make it difficult for competing undertakings to give their goods a shape which would be suited to the use for which those goods are intended**. Moreover, it is clear that those are essential characteristics which consumers will be looking for in the products of competitors, given that they are intended to perform an identical or similar function
 - Application of (i) is **not restricted** to 'natural' or 'indispensable' shapes

7

EU case law, V

Relationship among the grounds for exclusion

- C-205/13 – Hauck./Stokke; see also C-215/14 Nestlé./Cadbury
 - Para 39 - 41: [T]he three grounds for refusal of registration ...operate independently of one another: the fact that they are set out as successive points, coupled with the use of the word 'exclusively', shows that **each of those grounds must be applied independently** of the others.
 - Thus, if **any one** of the criteria listed in Article 3(1)(e) of the trade marks directive is satisfied, a sign consisting exclusively of the shape of the product or of a graphic representation of that shape cannot be registered as a trade mark.
 - In that regard, the fact that the sign in question could be denied registration on the basis of a number of grounds for refusal is irrelevant **so long as any one of those grounds fully applies** to that sign.

8

EU case law, VI

Inherent restriction

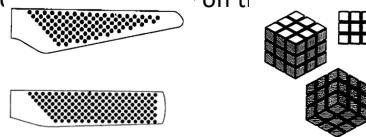
- C-48/09 – Lego./.OHIM
 - Para 48/51: By the terms ‘exclusively’ [and ‘necessary’], that provision ensures that **solely shapes of goods which only incorporate a technical solution**, and whose registration as a trade mark would therefore actually impede the use of that technical solution by other undertakings, are not to be registered... that condition is fulfilled when all the **essential characteristics** of a shape perform a technical function, the presence of non-essential characteristics with no technical function being irrelevant in that context
 - The same applies for the second and third indent; see C-205/13- Hauck./. Stokke, Para 21,22).

9

CJEU case law VII

Steps and mode of assessment

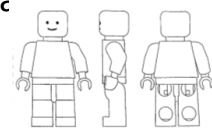
- C-48/09 – Lego./.OHIM
 - Para 71: identification of the essential characteristics ...may... be carried out by means of a **simple visual analysis** of the sign or ... be based on a **detailed examination** in which relevant criteria of assessment are taken into account, such as surveys or expert opinions, or data relating to intellectual property rights conferred previously in respect of the goods concerned
 - Para 72: Once the sign’s essential characteristics have been identified, the competent authority still has to ascertain whether they all perform the technical [to be added: or other] function of the goods at issue.
- C-339/12 P - Pi-Design ./ Yoshida; C-30/15 P - Simba Toys./. EUIPO Rubik’s Cube)
 - [Technical] functionality **must not be assessed solely from the graphical image** filed with the application; account must also be taken of the actual product (if available on the market) as well as of other evidence (e.g. patent documentation).



10

Issues, 1

- Is there any justification for registering shapes necessarily resulting from a mode of manufacturing which is *de facto* without alternatives?
- Did that question become obsolete due to the breadth of the first indent? For instance, shouldn't shapes that have cleared the 2nd indent such as these



be invalidated anyhow under the 1st indent?

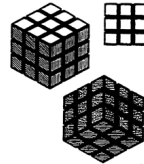
11

Issues, 2

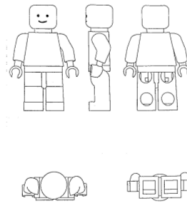
- What is the difference between a shape the essential characteristics of which are 'inherent in the generic function or functions of a product' and a shape 'conforming to the norms and customs of the sector concerned'?
- How substantial was (or is?) the impact in practice of the assumption previously governing that only natural or indispensable shapes ('shape of a banana for bananas') were excluded from protection? In other words: How many product-inherent shapes were admitted to registration and are still found in the registries?
- How broadly (or narrowly) should the relevant product category be defined for assessing whether the essential characteristics of a given shape are technically functional or inherent in the generic functions of that kind of product?

12

- “Three-dimensional puzzle” or “three-dimensional puzzle in the form of a magic cube”?



- “Games and playthings” or “human figurines to be used in a system of interlocking elements”?



13

Issues, 3

- How can a meaningful distinction be drawn between value resulting from the shape as such, and value resulting from its recognition as an indication of origin (see London taxi case; diverging EUIPO BoA cases on Eames alu vs. lounge chairs)?



14

Issues, 4

How to deal with fig-leave strategies?

What is their impact on the enforcement stage?

Shape barred from protection under the 3rd indent



Validly registered 3D-mark



15

Issues, 5

- What will the impact be of extending the registration bar to ‘other characteristics’, in particular regarding the 3rd indent?
 - What is the relevance (if any) in that context of the CJEU’s findings in C-541/18 – AS./DMPA that for assessing distinctive character of a sign one must take account of all modes of uses which, in the light of the customs in the economic sector concerned, can be practically significant? Will that prevent application of the 3rd indent to trade mark registration of artworks, cartoon characters etc. for textiles (given that display of such images on labels sewn into the products can always be considered as a “practically significant mode of use”)?
 - In the same context: What is the relationship between Article 7(1)(e) and Article 7(1)(f) EUTMR (or Article 3(1) (f) TMD 2008) as interpreted by the EFTA-Court in Vigeland?

16

Last but not least

- How do the potential policy rationales for exclusion – need to keep free on the one hand and channelling on the other – inform the understanding and application of exclusion clauses in the EU?

17

Thank you for your attention!

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18