



Product and process functionality in shapes necessary to obtain a technical result under EU Trademark Law

Autor/a

Bernardo Calabrese

Ph.D. in European Union Law, University of Udine Research fellow in Commercial Law, "Alma Mater Studiorum" University of Bologna

REVISTA LEX
MERCATORIA.

*Doctrina, Praxis,
Jurisprudencia y
Legislación*

RLM n°1 | Año 2016

Artículo n° 2

Páginas 04-11

revistalexmercatoria.umh.es

ISSN 2445-0936

European Union law permits to register the shape of goods as a trademark, providing an *ad hoc* set of rules governing this particular category of signs [See in general from EU and national perspective P. Torremans, *Holyoak and Torremans Intellectual Property Law*, Oxford, Oxford University Press, 2013, p. 459 et seq.; W. Cornish – D. Llewelyn – T. Aplin, *Intellectual property: patents, copyright, trade marks and allied rights*, London, Sweet & Maxwell, 2010, p. 744 et seq.; L. Bently –

B. Sherman, *Intellectual property Law*, Oxford, Oxford University Press, 2009, p. 807 et seq.; M. Ricolfi, *Trattato dei marchi: diritto europeo e nazionale*, Torino, Giappichelli, 2015, p. 318; A. Musso, *Ditta e insegna. Marchio. Brevetti. Disegni e modelli. Concorrenza*, in G. De Nova (ed.), *Commentario del Codice Civile Scialoja-Branca-Galgano*, Bologna, Zanichelli, 2012, p. 176; V. De Sanctis (ed.), *La protezione delle forme nel codice della proprietà industriale*, Milano, Giuffrè, 2009, p. 35 et seq.; from the US perspective most recently

R.G. Bone, *Trademark functionality reexamined*, J. Leg. Analysis, 2015, p. 1 et seq.; J. Hughes, *Cognitive and aesthetic functionality*, in Cardozo L. Rev., 2015, p. 1228 et seq.]. Both EU Trademark Directive and EU Trademark Regulation (with identical wording) codify three special absolute grounds for refusal or invalidity. These concern “*signs which consist exclusively of: (i) the shape which result from the nature of the goods themselves; (ii) the shape of goods which is necessary to obtain a technical result; (iii) the shape which gives substantial value to the goods*” [See art. 3, 1(e), Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks and art. 7, 1(e), Council Regulation (EC) No. 207/2009 of 26 February 2009, on the Community trade mark.].

The rationale underlying these limits is identified in a public policy objective, namely the need to avoid the creation of monopolistic effects on “valuable” shapes of goods (whether “natural”, “functional” or “ornamental”) [In these terms see Opinion of Advocate General Ruiz-Jarabo Colomer in case C-299/99, 23 January 2001, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [in Report 2002 I-5478], par. 16.] by means of exclusive trademark rights, in order to preserve a desirable level of competition in the market [As expressly declared in EU case law: see European Union Court of Justice, 18 June 2002, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [in Report 2002 I-5475], par. 78.].

In addition, the second and third indent of the provision highlight a different aspect of the same goal. In these cases the general procompetitive interest is combined with the specific aim of coordinating distinct regimes of intellectual property. More precisely, different IP rights with different duration may cover the same product [See European Union Court of Justice, 14 September 2010, case C-48/09 P, *Lego Juris A/S v Office for Harmonisation in the Internal*

Market [in Report 2010 I-08403], parr. 45-46. For a specific analysis of this profile with respect to functional shapes, defined as “channeling” protection of technical features of products exclusively into the patent system, see M.P. MCKENNA, (Dys) functionality, Hous. L. Rev., 2011, p. 823 et seq.] The overlap of trademark and patent (for functional shapes) or of trademarks and design (for ornamental shapes) would affect the balance enshrined in the time limit of such IP rights [On the issue of intellectual property overlapping, both in general and with specific regard to trademarks, see E. DERCLAYE – M. LEISTNER, *Intellectual Property Overlaps: a European Perspective*, Oxford, Hart Publishing, 2011, p. 60 et seq. and 84 et seq.], since the potential perpetuity of trademark protection would dismantle the other incentive mechanisms for innovation and collective progress, which are based on a monopolistic prize limited in time followed by the fall into the public domain [For an in-depth analysis of the incentive model underlying intellectual property see A. Musso, *Grounds of Protection: How far does the Incentive Paradigm Carry?*, in A. Ohly (ed.), *Common Principles of European Intellectual Property Law*, Tübingen, Mohr Siebeck, 2012, p. 33 et seq..]

Such public policy issues are particularly evident when shapes of goods perform a technical result. Functional shapes are rather exposed to the risk of abusive protection, both for the greater conceptual distance with the trademark mission of indicating origin and for the greater impact of products functionality on the dynamics of competition. It is no coincidence that this provision has received particular attention by the European Union Court of Justice (CJEU) since its earlier decisions on this matter [For a clear recapitulation of the EU case law on “irreversible” exclusion from protection of functional shapes see. A. Kur, *Harmonization of Intellectual Property Law in Europe: the ECJ trade mark case law 2008-2012*, CMLR, 2013, p. 773 et seq.].

Over the years, the CJEU developed rules on functional shapes in congruence with the legislative policy described, especially in light of the protection of procompetitive interests.

In general, the CJEU confirmed, following the explicit choice of the European legislator, that this special ground for refusal or invalidity cannot be remedied by the acquisition of secondary meaning because of the public relevance of the objective pursued [Obviously this conclusion is valid also for the other two cases regulated by the same provision, which operates as a “preliminary obstacle” to trademark registration: in this sense European Union Court of Justice, 8 April 2003, joined cases C-53/01 to C-55/01, *Linde AG, Winward Industries Inc. and Rado Uhren AG* [in Report 2003 I-03161], par. 44.].

With regard to the legal definition, the CJEU interpreted the “exclusive” character of the sign in the sense that the assessment should focus only on the “essential characteristics” of the shape. More precisely, if all the essential elements of the shape are functional, then the sign should be considered as “exclusively” consisting of functional features. Conversely, if among the essential elements of the shape there is an essential but non-functional element (i.e. arbitrary, as for decorative or imaginative elements), then the condition of “exclusivity” is not satisfied and the sign is registrable [European Union Court of Justice, case C-48/09 P, *Lego Juris* (cit.), par. 51-52.]. This interpretation is particularly important because it implies in reverse that if the non-functional element of the shape is trivial (i.e. non-essential), then its presence does not affect the application of the said special limit for three-dimensional trademarks [For a confirmation see L. Bently – B. Sherman, *Intellectual property Law* (cit.), p. 808. This implication is particularly important in order to resolve the old but thorny paradox of “deformed” shapes as the only possible valid

trademarks: in origin see M. Cartella, *Marchi di forma o marchi “deformi”?*, Riv. Dir. Comm., 1977, II, p. 39 et seq.]

Furthermore, the CJEU construed the adjective “necessary” nor in a strict sense (as biunivocal correspondence between shape and function) neither in qualified sense (as implying an inventive step or a certain degree of originality), but in a broad sense. The necessity of obtaining a technical result means only a general causal capacity, from the technical point of view, of performing that particular result [According to P. Torremans, *Holyoak and Torremans Intellectual Property Law* (cit.), p. 459, “it means that, in substance, the shape is motivated by function”]. Consequently, the existence of alternative shapes offering the same functionality is irrelevant [European Union Court of Justice, case C-299/99, *Philips* (cit.), par. 81-83; European Court of Justice, case C-48/09 P, *Lego Juris* (cit.), par. 53-58].

The concept of technical result has not been properly analyzed in case law until a recent decision of the CJEU [European Union Court of Justice, 16 September 2015, case C-215/14, *Société des Produits Nestlé SA v Cadbury UK Ltd* [not yet published in Report], concerning the three-dimensional trademark for the shape of “Kit Kat” four finger chocolate-coated wafer (with specific regard to the grooves running along the length of the bar)]. However, this judgement is a development not easily understandable within the interpretative framework described. Actually, it seems affected by a formalistic approach that overlooks the general interests pursued by the rules on three-dimensional trademarks.

The question referred to the Court for a preliminary ruling was whether the notion of technical result regarded only the functionality of the product or could also encompass the utility related to the manufacturing process [The exact wording of the third question referred to the ECJ for a preliminary ruling was: “Should Article

3(1)(e)(ii) of Directive 2008/95 ... be interpreted as precluding registration of shapes which are necessary to obtain a technical result with regard to the manner in which the goods are manufactured as opposed to the manner in which the goods function". For a comment on the referring decision in the main proceeding before the High Court of Justice of England & Wales see J. Jones, *Have a break... have a CJEU Kit Kat reference: clarification sought in what circumstances the shape of a product can be registered as a trade mark*, EIPR, 2014, n. 11, p. 733 et seq.]. In contrast to the solution suggested by the Advocate General [See Opinion of Advocate General Wathelet in case C-215/14, 11 June 2015, par. 72 et seq.], the CJEU answered negatively, stating that this special limit "must be interpreted as 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" [In these terms the final ruling by European Union Court of Justice, case C-215/14, *Nestlé* (cit.)]. The reasoning of the CJEU is based on the following arguments. Firstly, the wording of the provision focuses only on products, without mentioning the manufacturing process [European Union Court of Justice, case C-215/14, *Nestlé* (cit.), par. 53.]. Secondly, a literal interpretation supports a restrictive view of product functioning, since the technical result is logically an outcome of the manufactured shape (while the process remains upstream) [European Union Court of Justice, case C-215/14, *Nestlé* (cit.), par. 54]. Thirdly, this interpretation is consistent with the general antimonopolistic interest, which has to be appreciated from consumers' perspective (according to which the product matters, not the process) [European Union Court of Justice, case C-215/14, *Nestlé* (cit.), par. 55]. Fourthly, case law confirms that manufacturing methods are not decisive in this context, in analogy with the irrelevance of alternative shapes achieving the same technical results [European Union Court of Justice, case C-215/14, *Nestlé* (cit.), par. 56.]

In fact, the decision rendered by the CJEU leaves room to criticism. Each point of the reasoning line is not convincing, being possible to argue that the very same arguments would lead instead in the opposite direction. Moreover, it is lacking in a thoroughly systematic vision of the issue in the context of the special trademark regulation for shapes.

Following the same order of the reasoning in the judgment, in first place it is easy to object that, if it is true that the legislative wording does not mention the manufacturing method of products, it is equally true that the terms used are surely not incompatible with this concept.

In second place, the cause-effect relationship between process, product and related technical result is not so straightforward. More precisely, if it is true that normally is the product that achieves a functional result, it cannot be excluded a priori that a process functionality could exist and that could be embodied directly in the shape of goods.

In third place, the choice of the CJEU to adopt the consumers' perspective in reading the described procompetitive aim sounds paradoxical. As a matter of logic, the free availability of technical shapes is directly provided in the interest of the other market players, who manufactures the substitutable goods, and only indirectly in the interest of end-users, who will seek for such goods [The Advocate General analysed this relationship more carefully, recalling the predominant interest of competitors as stated in previous case law: see Opinion of Advocate Wathelet, case C-215/14, *Nestlé* (cit.), par. 76-77]. To affirm the contrary would be like arguing that the competitive game concerns more closely consumers than competitors.

In this regard, the central role that consumers surely play in trademark law (e.g. in confusion test [For a general inquiry about the role of the consumer see G.B. Dinwoodie – D.S. Gangjee, *The Image of the Consumer in EU Trade Mark Law*, in D. Leczykiewicz – S. Weatherill (eds.), *The Images of the Consumer in EU Law*, London-Oxford, Bloomsbury-Hart Publishing, 2016, p. 339 et seq.] or for the theory of search costs [About the theory of search-costs and other analysis of the trademark system from law and economics' perspective see S.L. Dogan – M.A. Lemley, *A search-costs theory of limiting doctrines in trademark law*, *The Trademark Reporter*, 2007, p. 1223 et seq.; W.M. Landes – R.A. Posner, *The Economic Structure of Intellectual Property Law*, Cambridge, Harvard University Press, 2003, p. 166 et seq.] or even in three-dimensional sign perception [On the peculiar importance of consumer perception in signs consisting of the shape of goods see S. Sandri – S. Rizzo, *Non-conventional Trade Marks and Community Law*, London, Marques, p. 42 et seq.]) is not a valid objection. In fact, the rules governing the registrable shapes of goods are agreed as being specifically inspired by the aim of assuring freedom of competition. In all truth, the previous case law had correctly highlighted the predominant interest of competitors in this antimonopolistic need [This seems the correct interpretation of the very same precedent quoted (only partially) by decision at issue, which reads as follows: “*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. Article 3(1)(e) is thus intended to prevent the protection conferred by the trade mark right from being extended, beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the*

*proprietor of the trade mark. As regards, in particular, signs consisting exclusively of the shape of the product necessary to obtain a technical result, listed in Article 3(1)(e), second indent, of the Directive, that provision is intended to preclude the registration of shapes whose essential characteristics perform a technical function, with the result 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” (European Court of Justice, case C-299/99, *Philips* (cit.), parr. 78-79)]. Moreover, it has been already affirmed in case law the irrelevance of the consumer subjective parameter for assessing the functional characteristics of shapes [European Union Court of Justice, case C-48/09 P, *Lego Juris* (cit.), parr. 75-77.] This conclusion seems to be supported by the other mentioned aspect of the public policy objective in question, namely the coordination of overlap in intellectual property: it is crystal clear that such an interest cannot be viewed considering consumers as the decisive standpoint [See E. Derclaye – M. Leistner, *Intellectual Property Overlaps: a European Perspective* (cit.), p. 88, where it is stressed that this overlap is “*permeated*” by the free competition principle]*

In fourth and last place, the parallelism suggested by the CJEU between manufacturing methods and alternative shapes of products remains unclear. The relationship between the two conceptual terms of the analogy seems in fact misconstrued. The irrelevance of alternative functional shapes is affirmed by case law in order to limit the scope of trademark protection, while in this case the same argument is used in relation to manufacturing process in order to expand the possibility of registering a shape as a trademark.

It must be remembered that the basic principle in regulating the limits for three-

dimensional trademarks is the freedom of competition [There is no dispute about competitive freedom being the central principle for this peculiar regulation, without coming into question the different issue of the so-called “need to leave free” doctrine according to the German model (*Freihaltebedürfnis*), whose application in EU trademark law has been already denied by the CJEU (see European Union Court of Justice, 4 May 1999, joined cases C-108/91 and C-109/97, *Windsurfing Chiemsee Produktions et al.* [in Report 1999 I-02779]). For an analysis of the abovementioned German doctrine under a comparative approach in the context of the European system for three-dimensional trademarks see D. Sarti, *I marchi di forma tra secondary meaning e funzionalità*, in Aa.Vv., *Studi in onore di Adriano Vanzetti*, Milano, Giuffrè, 2004, p. 1411 et seq.] The reason why a functional shape cannot be registered even if there are alternative shapes available performing the same technical result is exactly because the monopolistic risk is considered too high. Thus, the non-decisive character of alternative shapes is intended as non-decisive for granting trademark eligibility beyond such a risk of appropriation. However, the contested decision in this case gives to the manufacturing process an analogous non-decisive meaning in the opposite sense. It is interpreted as a parallel level of alternative production that becomes non-decisive for denying trademark registration, in contrast with the safeguard of competition from the very same risk. Therefore, an analogy based on an overturning of the protected interests appears at least flawed.

It would rather be preferable to interpret the notion of technical result as including manufacturing methods, so to associate process and product functionality.

As a matter of principle, there is no reason for the general antimonopolistic interest not to encompass also the utility related to the manufacturing process of goods. It must be kept

in mind that, as confirmed by most recent case law, this special legislation has not to be construed restrictively, as if it were truly exceptional, but in light of the public policy objective described [See European Union Court of Justice, 14 September 2014, case C-205/13, *Hauck GmbH & Co. KG v Stokke A/S and Others* [not yet published in Report], for a broad interpretation of the notion of signs consisting exclusively of the shape resulting from the nature of the goods].

On a theoretical level, the functional value of manufacturing methods is more aligned with the patent system, which does not discriminate between product and process. Furthermore, as noted above, the definition of technical result is potentially broad and can surely embrace the production stage [In favour of the interpretation of the notion of technical result as including also the “*efficiency gains in manufacture*” is the position expressed by A. Firth – E. Gredley – S.M. Maniatis, *Shapes as Trade Marks: Public Policy, Considerations and Consumer Perception*, EIPR, 2001, p. 86 et seq.]. Actually, this is the approach followed in the United States, where process utility is certainly included in the notion of functionality for excluding trademark registration [In this regard see the fundamental criteria established in case law, according to which “*in general terms a product feature is functional, and cannot serve as a trademark, if it is essential to the use or purpose of the article or if it affects the cost or quality of the article. [...] This Court has expanded on that meaning, observing that a functional feature is one the exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage*” [*TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001), quoting *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995)]; on the “codification” of this ruling in statutory law see A. Firth, *Signs, surfaces, shapes and structures – the protection of product design under trade mark law*, in G.B. Dinwoodie – M.D. Janis (eds.), *Trademark Law and Theory*, Cheltenham, Edward Elgar Publishing, 2008, p. 498 et seq.]

On a practical level, it is true that process functionality does not concern the majority of cases. Of course, such a situation cannot be invoked on generic grounds, being relevant only if the shape meets the conditional requirement of expressing directly the process functionality claimed. However, international case law demonstrates that such a technical issue may recur, both in the past [See the American cases concerning the pillow shape of a shredded wheat biscuit [*Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938)] or the spiral shape of the tip-end of a fishing rod [*Shakespeare & Co.*, 289 F.2d 506 (C.C.P.A. 1961)], both found as not registrable] and recently [See the Italian cases concerning the shape of pralines and chocolate-coated wafer with filling [Trib. Milano (decree), 11 August 2014, in *Foro Italiano*, 2015, I, p. 2966 et seq.], the shape of a double-layered chocolate egg [Supreme Court Cass. Civ., 16 July 2004, n. 13159, in *Foro Italiano*, 2005, I, p. 145 et seq.], the shape of woven leather goods [Trib. Torino, 13 January 2009, in *Foro Italiano*, 2009, I, p. 1243 et seq.], all with process functionality implications].

Having said that, it cannot be denied that the decision of the European Court Justice, albeit unconvincing, leaves no room for different interpretations. Nonetheless, there could be another way to introduce a due assessment of process functionality in regulating three-dimensional trademarks. In particular, it seems possible to adopt a corrective interpretation with regard to the actual scope of exclusive trademark rights. The scope of protection generally depends on the distinctive character of the sign in relation to its single elements. As known, trademarks (in particular verbal trademarks) are conceptually divided in “strong” and “weak” signs according to their semantic distance with the descriptive terms associated to the products themselves. The consequence is that trademark protection covers only the original elements of the “weak” registered name [In this regard see A. Musso, *Ditta e insegna.*

Marchio. Brevetti. Disegni e modelli. Concorrenza (cit.), p. 201 et seq.; for a peculiar case of descriptiveness, reputation and secondary meaning see B. Calabrese, *Nomina sunt consequentia rerum: of descriptive trademarks and secondary meaning*, *Actas de Derecho Industrial*, 2010-2011, p. 643 et seq.]

Even though functionality does not concern distinctiveness, also signs consisting of shapes could follow the same model of protection at this level [Emphasis on the too often disregarded principle that “*weak signs can only claim a small scope of protection*” was recently put by R. Knaak – A. Kur – A. von Mühlendahl, *The Study on the Functioning of the European Trade Mark System*, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 12-13 (available at SSRN: <http://ssrn.com/abstract=2172217>), p. 7.]. More precisely, if a shape is formed by essential functional characteristics and essential non-functional characteristics (thus being registrable as stated in case law [As reaffirmed recently by European Union Court of Justice, case C-215/13, *Hauck* (cit.), par. 22.]), the protection recognized to such a three-dimensional trademark against similar shapes cannot extend to its functional elements [This interpretative approach seems confirmed by a recent decision by the EU General Court, in which the Rubik’s Cube shape was considered registrable with the significant clarification that “*the contested mark may not be relied on by its proprietor in order to prohibit third parties from marketing three-dimensional puzzles that have a rotating capability. As is apparent from the foregoing reasoning, the registration of that mark does not have the effect of protecting a rotating capability which the shape in question allegedly possesses, but solely the shape of a cube the surfaces of which bear a grid structure, which gives it the appearance of a ‘black cage’.* That mark cannot in particular prevent third parties from marketing three-dimensional puzzles that have a shape different from that of a cube or that have the shape of a cube but whose surfaces do not consist of a grid structure similar to that on the contested

mark or any other similar motif, and prevent those puzzles from incorporating or not incorporating a rotating capability” (see European Union General Court, 25 November 2014, case T-450/09, *Simba Toys GmbH & Co. KG v Office for Harmonisation in the Internal Market* [not yet published in Report], par. 64); a similar idea seems implied in the scrutiny concerning the limited functional parts of the shape of Lego toy figures (see European Union General Court, 16 June 2015, case T-395/14, *Best-Lock (Europe) Ltd v Office for Harmonisation in the Internal Market* [not yet published in Report], par. 33).], but should be limited to its arbitrary parts [The protective focus on essential non-functional elements of the three-dimensional sign seems consistent with the distinctiveness test of “significant departure” of the shape from the sector customs: in this sense see European Union Court of Justice, 12 February 2004, case C-218/01, *Henkel KGaA* [in Report 2004 I-01725], parr. 48 et seq.]. From this point of view, its arbitrary non-functional elements should not be construed “inversely” in a strict sense mirroring the notion of technical result, but should be intended as excluding process functionality features. In this way, the protected elements should not extend to utility aspects of the shape regarding manufacturing methods, in coherence with the inspiring public policy [For a comparable interpretation of the effective scope of protection of the expressive form in copyright law under a correct public policy balance see G. Spedicato, *Interesse pubblico e bilanciamento nel diritto d'autore*, Milano, Giuffrè, 2013, p. 139 e ss.].

This solution, albeit not easy to reconcile with the preliminary ruling rendered by the CJEU, seems to be preferable than a total disregard of process functionality in technical shapes. The lack of any corrective interpretation would instead open the way to the already raised worries [See G. Ghidini, *Innovation, Competition and Consumer Welfare in Intellectual Property Law*, Cheltenham, Edward Elgar Publishing, 2010, p. 161 et seq., who warns about unintended monopolistic effects (in terms of

“heterogenesis of ends”) with specific regard to three-dimensional trademark regulation.] of ineptitude of trademark law at pursuing effectively its procompetitive general interest, especially when dealing with signs consisting of the shape of goods.