LEGO Trade mark Application Hits a Brick Wall

The LEGO brick is one of the most commercially successful toys that ever came on the market and a highly recognisable product. It has been around for many years and, in fact, despite its cubical shape, it looks nothing like an ordinary masonry block. Yet, Lego’s application to register the image of the LEGO brick as a Community trade mark has now finally failed with a decision on appeal by the European Court of Justice ("ECJ"). The application to register the 3D shape of the brick as a trade mark did not fail due to lack of distinctiveness or insufficient evidence to show that the shape of the product acquired secondary meaning. In fact, it was not in dispute that the applicant met these requirements. The application failed because the shape was deemed to be purely functional, largely on the grounds that it was previously the subject of patent protection (now expired).

The decision of the ECJ, which follows the footsteps of its earlier decision (of 2002) in the seminal Philips case, concerning the PHILIPS three head electric razor, provides a fresh look and some new guidance on the registrability as trade marks of product designs (or shapes) which perform technical functions.

The main considerations that must be taken into account in examining an application for a functional shape mark (or a challenge against it), according to the decision, are the following:

<table>
<thead>
<tr>
<th>Key steps in the examination:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1</strong></td>
</tr>
<tr>
<td>Identification of the “essential characteristics” of the sign applied for</td>
</tr>
<tr>
<td><strong>Step 2</strong></td>
</tr>
<tr>
<td>Determination of whether all the essential characteristics serve a technical function</td>
</tr>
<tr>
<td><strong>Step 3</strong></td>
</tr>
<tr>
<td>If there are any non-functional elements in the product design, determination whether they are minor or major elements of the shape</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Main guidelines:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evidence:</strong></td>
</tr>
<tr>
<td>In examining stages (1) and (3) survey evidence and expert opinions may be relevant, but a determination can also be based on a simple visual examination of the mark. Expert evidence may also be relevant in stage (2) of the examination.</td>
</tr>
<tr>
<td><strong>Patented shapes:</strong></td>
</tr>
<tr>
<td>Where the shape has previously been the subject-matter of a patent, the patent description and claims can be determinative. The fact that the shape was previously patented provides strong evidence of its functionality.</td>
</tr>
<tr>
<td><strong>Alternative design solutions:</strong></td>
</tr>
<tr>
<td>The availability of alternative design solutions to achieve the technical result is strictly irrelevant.</td>
</tr>
<tr>
<td><strong>Other forms of protection:</strong></td>
</tr>
<tr>
<td>Even if a shape mark is not suitable for registration as a trade mark on functionality grounds, it may still be possible to tackle imitations under national unfair competition laws.</td>
</tr>
</tbody>
</table>

Further details are provided below.

The Legislation

European trade mark law contains specific provisions regarding product shape marks. Identical language regarding this matter is found in Article 3(1)(e) of the Trade Marks Directive and in Article 7(1)(e) of the Community trade mark Regulation ("CTM Regulation"). Accordingly, the rules regarding shape marks (as, generally, all the rules
regarding the eligibility of a sign for registration as a trade mark) are harmonised across the EU, whether the application is for a national mark or for a Community trade mark. The decision of the ECJ, therefore, is binding in respect of all national trade mark systems in the EU as well as in relation to CTMs. For convenience, reference will be made to the provision in the CTM Regulation. It provides as follows:

"7(1) The following shall not be registered:

[...]

(e) signs which consist exclusively of:

(i) the shape which results from the nature of the goods themselves; or

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

(iii) the shape which gives substantial value to the goods;"

The LEGO brick case concerned the application of sub-section (ii) of this Article which was cited by OHIM (the CTM registry office in Alicante, Spain) against the application on the grounds that the sign applied for consisted purely of functional elements. Clearly, sub-sections (i) and (iii) of the same provision address similar objections, albeit with a somewhat different emphasis. However, these sub-sections were not considered in this case.

The Framework for Interpretation of the Functionality Provision

The ECJ’s decision dealt primarily with the question of the interpretation of Article 7(1)(e)(ii). At the centre of the Court’s task was the determination of the correct meaning of the terms “consists exclusively” and “necessary to obtain a technical result”.

The ECJ first set out the legislative policy underlying the provision in question. The trade mark system, the Court said, constitutes an essential element in the European system of competition. Trade marks enable competitors to identify and differentiate their goods from those of their competitors thereby enabling effective competition in the marketplace.

The interpretation of Article 7(1)(e)(ii) proceeds on that basis. The Court held that the provision strikes a balance between two considerations, both of which serve to establish a healthy system of competition. On the one hand, the law seeks to ensure that trade mark registrations are not used to perpetuate monopolies relating to technical solutions. The registration of a trade mark for the elements of a shape which were previously the subject-matter of patent protection relating to a technical solution would significantly restrict competitors’ freedom to exploit that technical solution when the patent expires. It is a key feature of patent (as well as design) protection that the exclusive statutory rights are granted for a limited period of time on the expiry of which competitors should be free to exploit the subject-matter solution. Therefore, the Court explains, evidence that the shape had acquired distinctiveness and fame (and secondary meaning) through use in commerce (which is sufficient to overcome a refusal on the grounds of non-distinctiveness or descriptiveness) is not recognised by the legislation as a basis for overcoming the objection to registrability based on functionality.

On the other hand, the Court says, the legislation recognises that any shape of goods is, to a certain extent, functional and, therefore, that it is inappropriate to refuse registration of a shape of a product as a trade mark merely on the basis that it has functional characteristics. By the words “exclusively” and “necessary” the 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”. In this regard, the ECJ clearly refused to follow the recommendation made in Advocate-General Mengozzi’s Opinion in this matter that in cases where the sign combines both functional and non-functional features, registration should be allowed only if there are sufficient design alternatives for competitors wishing to exploit the functional element¹.

Specific Guidelines Laid Down in the ECJ’s Decision

¹
Against the background of its basic approach to the interpretation of Article 7(1)(e)(ii), the ECJ proceeded to address a number of specific arguments that were raised by the parties.

**The Presence of Non-Functional Elements**

First, the Court adopts the approach of the *Philips* case, rejecting the notion that the word “exclusively” in Article 7 (1)(e) means that the ground for refusal is inapplicable in any case where the shape includes any non-functional elements. The Court adopts the approach of the (lower instance) General Court that the "condition [for refusal] is fulfilled when all the essential characteristics of a shape perform a technical function" and that "the presence of non-essential characteristics with no technical function" is irrelevant. By contrast, the Court confirms that "a sign cannot be refused registration as a trade mark under that provision if the shape of the goods at issue incorporate a major non-functional element, such as a decorative or imaginative element which plays an important role in the shape."

Accordingly, for the functional product design to be suitable for registration as a trade mark it is necessary to demonstrate that a major element of the product shape is an arbitrary or aesthetic design element.

**Identification of the Essential Characteristics**

The *Philips* and *Lego* decisions introduce a key term which, to some extent, overshadows the original text of the legislation. In considering whether the shape sought to be registered as a trade mark "consists exclusively of a shape of goods which is necessary to achieve a technical result" trade mark registry offices and the courts are required to apply the test examining whether all the "essential characteristics” of the shape are purely functional. An important stage in the examination, therefore, is to identify the “essential characteristics” of the shape.

In that context, Lego relied on survey evidence in support of its submission that some of the essential characteristics of the mark applied for were not functional (possibly - although this is not clear from the case report - the colour and the dimensions of the LEGO brick). The applicant argued that the notion of “essential characteristics” is equivalent to "dominant and distinctive elements" and the point of view of the consumer is relevant in that respect.

OHIM's Grand Board of Appeal refused to consider the survey evidence holding that it was irrelevant to the question at hand. The General Court, on appeal, agreed with this view holding that "the perception of the target consumer is not relevant to the analysis of the functionality of the essential characteristics of a shape." This was also the view stated in Advocate General Mengozzi's opinion which regarded the question of functionality as a preliminary issue for OHIM to consider. The A-G’s view was that it was undesirable to expand the examination process in relation to such matters to include survey evidence, which are only appropriate in relation to questions of likelihood of confusion and acquired distinctiveness. Where (as in this case) the shape applied for was the subject of patents, according to the Opinion, the description of the patents provides strong evidence as to which elements of the shape are functional. Where there are no relevant patents, expert evidence can be useful, but not surveys.

The ECJ, however, refused to rule out the use of survey evidence in the identification of the “essential characteristics” of the shape. The Court refrained from offering further interpretation to the notion of "essential characteristics" holding that this matter must be examined on a case-by-case basis and that "there is no hierarchy that applies systematically between the various types of elements of which a sign may consist." The Court added that the registry office (or the court examining an invalidation claim) can rely on the overall impression produced by the sign or on a detailed examination of each of its component or element and, depending on the complexity of the case, it may reach a conclusion as to the “essential characteristics” based on a simple visual analysis of the sign, or, where appropriate, on evidence such as surveys, expert opinions or relying on data contained in the patent or design registrations that applied to the shape in question. All manner of evidence may be relevant, but the Court held that the decision of OHIM in this case was not open to criticism on the basis that it refused to have regard to survey evidence. The perception of the average consumer, the Court says, may be a relevant criterion in identifying the essential characteristics of a sign, but it is not a decisive element.

In view of this decision, OHIM and other registry offices are unlikely to ignore survey evidence in similar cases in the future although they will have much flexibility in attributing weight to surveys (or indeed to expert opinions) in identifying the essential characteristics of a shape mark, particularly if the matter appears to be sufficiently simple to determine on the basis of a simple visual examination of the sign.

**Colour**
The applicant argued, in this context, that the image of the brick in question included an aesthetic design element in the form of the colour of the brick (red, in the case of the mark applied for). Indeed, the red colour of the LEGO bricks would appear to many consumers to be one of the product’s distinctive elements (notwithstanding that LEGO bricks come in a number of different colours). OHIM’s Grand Board of Appeal regarded the colour as a minor element and the appeal courts (both the General Court and the ECJ) either agreed with this finding or at least did not seek to interfere with it.

An important question remains unresolved, however, whether a product design which in all other respects is purely functional (that is, all its characteristics serve a technical purpose) can nevertheless be registered as a trade mark on the basis of its distinctive colour. The decision in the LEGO case does not clearly determine the issue but applicants may struggle to persuade OHIM and other registry offices that colour alone can save an application for a purely functional shape, given that it was held to be a minor feature of the mark in the LEGO brick case.

The Availability of Alternative Shapes to Achieve the Technical Result

Next, the ECJ addressed the argument advanced by the applicant that the shape should not be deemed “necessary” to obtain a technical result if there are other shapes that can achieve the same result. Lego argued that a distinction should be drawn between a “technical result” (the words used in Article 7(1)(e)(ii)) and a “technical solution.” According to the argument, if it can be demonstrated that there are different alternative “solutions” to achieve a “technical result” the shape of the product should not be deemed to be “necessary” to achieve that result. The applicant’s point was directed at the specific dimensions of the LEGO brick, arguing that designing the brick in those exact dimensions is not necessary to achieve the technical result (of play bricks that connect through a system of studs on the top of the bricks and corresponding grips at the bottom). Bricks of other dimensions are available, it was argued.

The argument, however, was rejected by the Court. Again, the ECJ goes back to the policy underlying the provisions on functional shapes which is grounded in the system of competition. That there are other alternative shapes, incorporating different dimensions, capable of achieving the same technical result, the Court said, does not mean that registering the product shape as a trade mark would have no effect on the availability of the technical solution incorporated in that shape to competitors. The Court gives the example of several different alternative shapes being registered as trade marks, thereby eliminating, or limiting, the choice of design solutions available to competitors. Further, the Court alluded to the scope of trade mark protection, which extends to similar signs (where there is likelihood of confusion) as well as to signs identical to the registered mark, which means that the registration could render a significant number of alternative shapes unusable by competitors.

The Court added, however, that this does not necessarily mean that competitors should be allowed to put on the market slavish copies of the product shape incorporating the exact dimensions and solution incorporated in the applicant’s product, where other solutions or variations are available. Whilst trade mark registration is unavailable for purely functional shapes, national laws of unfair competition (which are not governed by EU legislation and were not considered in these proceedings) could intervene to protect against such unfair copying.

The outcome on this point is significant. A technical solution can take many shapes and forms. Variations are possible in dimensions, configuration and other design elements. It appears, however, from the decision of the ECJ that the design freedom available to competitors in achieving the technical result obtained through a particular product design is not a consideration that comes into play in deciding whether that shape or design can be registered as a trade mark. If all the essential elements of the shape are dictated by, or serve only, a functional purpose, the shape is unsuitable for registration as a trade mark even if other design solutions are available.

1 All ECJ decisions are preceded by an opinion of the Advocate General, but the court is not bound to follow the opinion.

Disclaimer
©2010 Dorsey & Whitney LLP. This article is intended for general information purposes only and should not be construed as legal advice or legal opinions on any specific facts or circumstances. An attorney-client relationship is not created or continued by reading this article. Members of the Dorsey & Whitney LLP group issuing this communication will be pleased to provide further information regarding the matters discussed therein.