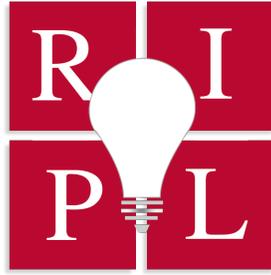


# UIC

## REVIEW OF INTELLECTUAL PROPERTY LAW



### LOUBOUTIN HEELS AND THE COMPETITION GOALS OF EU TRADE MARK LAW

CESAR J. RAMIREZ-MONTES

#### ABSTRACT

This article critically examines the judicial applications of the EU functionality doctrine and argues that recent CJEU decisions are at odds with the EU legislator's declared intention to give functionality a much greater role in promoting product market competition. As a statutory ground for refusing registration even in the presence of consumer association and established goodwill, EU functionality serves to avoid undue competitive advantages by refusing protection in support of freedom to compete. EU functionality represents a significant obstacle to registration for purely natural, technical and value adding signs representing the shape of the goods. As of 2015, the wording now includes not only the shape but also another product "characteristic" such as colour, sounds, scents, texture, etc. Thus, these tripartite criteria underpinning EU functionality are likely to affect the registration of unconventional marks or product trade dress brands. This article undertakes a deeper examination into each of these non-functionality criteria, highlighting problematic interpretations and suggesting ways to improve existing practice. Unlike existing narratives, this article places the competition goals of EU trade mark law at the centre of the debate and within a much broader context beyond functional signs exclusions, which also includes the general eligibility conditions and non-distinctiveness requirements.

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*Cite as* Cesar J. Ramirez-Montes, *Louboutin Heels and the Competition Goals of EU Trade Mark Law*, 19 UIC REV. INTELL. PROP. L. 38 (2019).

LOUBOUTIN HEELS AND THE COMPETITION GOALS OF EU TRADE MARK  
LAW

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## LOUBOUTIN HEELS AND THE COMPETITION GOALS OF EU TRADE MARK LAW

CESAR J. RAMIREZ-MONTES\*

### I. INTRODUCTION

This article begins with a tricky question. What does the recent high-profile litigation involving the red sole of Louboutin shoes<sup>1</sup> have in common with other disputes involving the shape of the Philips three-headed rotary shaver,<sup>2</sup> the Lego toy brick,<sup>3</sup> the Bang & Olufsen pencil-shaped loudspeaker,<sup>4</sup> the G-star Elwood jeans,<sup>5</sup> the Yoshidine knife,<sup>6</sup> the Rubik's cube,<sup>7</sup> the Kit-Kat four-fingered chocolate biscuit,<sup>8</sup> the Tripp-Trapp children's chair,<sup>9</sup> the London taxi cab,<sup>10</sup> the Lego manikins,<sup>11</sup> and the gold and pink bottles of Bottega Gold's sparkling wines?<sup>12</sup> They all involved registered trade marks, the validity of which was challenged on the basis that they were utilitarian designs. Where the validity claims succeeded, the registration rights immediately ended notwithstanding strong public association and significant reputation owing to their proprietors' long-standing investments. In those successful instances, the effect was to permit defendant companies to freely market identical or very similar products that were in direct competition with the brand owner, which may arguably cause confusion. What may seem even more striking is that protecting brand owners against unfair competition and preventing consumer confusion crucially underpin EU trade mark law.<sup>13</sup> What then was the ground upon which some of these famous registrations were lost? That ground was the EU trade mark functionality criteria under ex-Art.3(1)(e) (now Art.4(1)(e) recast) Trade Marks Directive (TMD)<sup>14</sup> and Art.7(1)(e) Community Trade Marks Regulation (as amended

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\*© Cesar J. Ramirez-Montes 2019. Intellectual Property Lecturer, Leeds University. Many thanks to all participants at the WIPs Lunch hosted by University College London in February 2019.

<sup>1</sup> Case C-163/16, *Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423.

<sup>2</sup> Case C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd*, 2002 E.C.R. I-377.

<sup>3</sup> Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516.

<sup>4</sup> Case T-508/08, *Bang & Olufsen A/S v. OHIM*, 2011 E.C.R. II-06975.

<sup>5</sup> Case C-371/06, *Benetton Group SpA v. G-Star Int BV*, 2007 E.C.R. I-542.

<sup>6</sup> Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360; Cases C-337/12 to C-340/12, *Pi-Design AG v. Yoshida Metal Industry Co*, 2014 E.C.R. I-129.

<sup>7</sup> Case C-30/15, *Simba Toys v. Seven Towns*, 2016 E.C.R. I-849.

<sup>8</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604.

<sup>9</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233.

<sup>10</sup> *The London Taxi Co v. Frazer-Nash Research Ltd* [2017] EWCA (Civ) 1729 (Eng.).

<sup>11</sup> Case C-452/15, *Best-Lock (Europe) v. Lego Juris A/S*, 2016 E.C.R. I-270.

<sup>12</sup> Case T-324/18 and Case T-325/18, *Vinicola Tombacco (VI.TO.) Srl v. EUIPO*, 2019 E.C.R. II-297, 2019 E.C.R. II-299.

<sup>13</sup> Cesar Ramirez-Montes, *A Re-Examination of the Original Foundations of Anglo-American Trademark Law*, 14 MARQ. INTELL. PROP. L. REV. 91 (2010).

<sup>14</sup> Directive 2015/2436, of the European Parliament and of the Council of 16 December 2015 to Approximate the Laws of the Member States Relating to Trade Marks (Recast), 2015 O.J. (L 336)

by European Trade Mark Regulation 2015/2424 or ETMR<sup>15</sup>). Functionality assumes that certain shapes or product features are so important for the absolute freedom of all traders to compete that they must remain in the public domain and unencumbered by exclusive rights. When that is the case, functionality represents an insurmountable obstacle to registration as functional marks are prevented by law ever fulfilling the general requirement of indicating a commercial source to consumers or, if registration exists, acts as a ground for invalidating the registration even if proving that extensive market use has resulted in the functional mark successfully acquiring source significance. EU functionality serves to avoid undue competitive advantages by refusing protection in support of freedom to compete. The greater public interest in enhancing product competition overrides the public interest in preserving reputation and avoiding consumer confusion. Examining functionality *matters*, and European scholars are increasingly paying close attention to the doctrine.<sup>16</sup> The limits of the functionality doctrine are therefore of great interest to brand owners across markets but its normative content and appropriate scope has much wider implications for society and the public, and this article examines each functionality criterion in order to challenge problematic interpretations and assumptions with a view to making a contribution to the field but going beyond ongoing debates in calling for a change in the way EU functionality is developing.

This article argues that the European functionality doctrine is currently at a crossroads, and some would point out that recent decisions have left it in “an unfortunate conundrum.”<sup>17</sup> On the one hand, the 2015 legislative reforms have resulted in the expansion of the statutory criteria for permanently refusing (or invalidating) the registration of product trade dress brands on functionality grounds. According to Art.4(1)(e) TMD and Art.7(1)(e) EUTMR, functional signs are excluded if they consist exclusively of the shape or “another characteristic” which results from the nature of the goods (natural signs), are necessary to achieve a technical result (technical signs), or give substantial value to the goods (ornamental signs). These non-functional registration requirements operate independently of each other and together form the EU “functionality” doctrine. Prior to 2015, (ex-)Art.3(1)(e)TMD<sup>18</sup> and Art.7(1)(e) CTMR<sup>19</sup> referred solely to functionality in terms of “the shape of

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1, 7. The (recast) Directive entered into force on January 12, 2016, and Member States had three years (deadline of January 14<sup>th</sup>, 2019) to transpose it into national law.

<sup>15</sup> Regulation 2015/2424, 2015 O.J. (L 341) 21, 28 (EU). The new EUTMR came into force on 23<sup>rd</sup> March 2016 but certain provisions which require implementing legislation will enter into force on October 1<sup>st</sup>, 2017. *See also*, Regulation 2017/1001, of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark, 2017 O.J. (L 154) 1, 8 (EU).

<sup>16</sup> Maeve Lynch, *Product Configuration Marks: The Shape of Things to Come*, 12 J. INTELL. PROP. LAW & PRAC. 465, 465 (2017); Apostolos Chronopoulos, *De Jure Functionality of Shapes Driven by Technical Considerations in Manufacturing Methods* 3 INTELL. PROP. Q. 286, 286 (2017); Gabriele Engels & Claire Lehr, *Sweets, Cars and Bottles - Three Dimensional Trade Marks?*, 12 J. INTELL. PROP. LAW & PRAC. 797 (2017); Antoon Quaadvlieg, *Shapes with a Technical Function: An Ever-Expanding Exclusion?*, 1 ERA FORUM 101, 101 (2016).

<sup>17</sup> Lavinia Brancusi, *Trade Marks' Functionality in EU Law: Expected New Trends After the Louboutin Case*, 2 EUR. INTELL. PROP. REV. 98, 105 (2019).

<sup>18</sup> 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, 2008 O.J. (L 299) 25, 26.

<sup>19</sup> Council Regulation 207/2009 of 26 February 2009, on the Community Trade Mark, 2009 O.J. (L 78) 1, 3 (EU).

goods.” Non-shape functionality cases were not included. Given the enlargement of the universe of registrable marks under the 2015 reforms, the EU legislature considered it appropriate to enable functionality to have a much greater role in the exclusion of product features that, whilst being source-identifiers in the eyes of consumers, may nevertheless cause serious distortions of competition. On the other hand, recent Court of Justice of the EU (CJEU) decisions interpreting (ex-)Art.3(1)(e) TMD appear to run counter to the clear legislative intent to *expand* rather than restrict the scope of functionality. Whilst the CJEU appears to take a teleological approach (looking beyond the literal wording) to the normative content of the undefined functionality criteria, it takes a more formalistic (restricted to the literal wording) viewpoint of the category of marks that may be subject to a functionality examination. The recent *Louboutin* opinion illustrates this formalistic view insofar as the Court concluded that Louboutin’s red colour mark for the outer sole of high-heeled shoes cannot constitute exclusively a “shape” within the meaning of (ex-)Art.3(1)(e).<sup>20</sup> Since non-shape mark cases cannot formally fall within this provision, the CJEU’s narrow interpretation automatically excludes a competition enquiry into the ability of rivals to meet consumer demand for equally competing products in the women’s shoes market on the potential ground that the Louboutin mark adds substantial value to the goods (or is aesthetically functional in US law).

More recently, the CJEU affirmed its restrictive *Louboutin* interpretation of “shape” by excluding the revocation of a registered decorative pattern mark on functionality grounds notwithstanding the existence of copyright protection for the pattern as an artistic copyright work.<sup>21</sup> These are not however isolated instances of a formalistic approach to the statutory functionality criteria. In *Apple*, the Court excluded a functionality analysis of a 3D representation of a store design for retail service mark because (ex-)Art.3(1)(e) explicitly refers to the shape of *goods*, not *services*.<sup>22</sup> Despite the wider implications of allowing registration of store designs as trade marks, the effect of *Apple* is to leave the examination of any competition concerns within distinctiveness assessments even though this a flexible barrier that evidence of consumer acceptance (or secondary meaning) may easily overcome.<sup>23</sup> The formalistic view that the statutory wording concerns only the shape of “goods” (not the shape of “services”) seems counter-intuitive and unconvincing, particularly in the light of the Court’s own case-law according to which European law “must not be interpreted solely on the basis of its wording but also in the light of the overall scheme and objectives of the system of which it is a part.”<sup>24</sup> In other rulings, the CJEU has consistently stated that the overwhelming aim of the functionality exclusions concerns the problem of anti-competitive protection rather than cumulation of rights *per se*.<sup>25</sup> However, if the overriding aim of European functionality is to avoid distortions of competition arising from permanent trade mark exclusivity, it is hard to see why the exclusion of aesthetically ornamental

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<sup>20</sup> Case C-163/16, *Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423.

<sup>21</sup> Case C-21/18, *Textilis Ltd v. Sveskt Tenn AB*, 2019 E.C.R. I-199.

<sup>22</sup> Case C-421/13, *Apple Inc. v. Deutsches Patent- und Markenamt*, 2014 E.C.R. I-2070 (¶ 24).

<sup>23</sup> Cesar J. Ramirez-Montes, *Trade Marking the Look and Feel of Business Environments in Europe*, 25 COLUM. J. EUR. L. 75 (2019).

<sup>24</sup> Case C-292/00, *Davidoff & Cie SA v. Godkit Ltd*, 2003 E.C.R. I-9 (¶ 24); Case C-408/81, *Adidas-Salomon AG v Fitnessworld Trading Ltd*, 2003 E.C.R. I-582 (¶¶ 19-20).

<sup>25</sup> See *infra* II.A. (“The Ration Legis of the European Functionality Criteria”).

shapes has no application to a decorative pattern mark or a trade dress mark for retail services. Moreover, commentators seem to exacerbate this bewildering state of affairs in their criticisms that the CJEU's decisions have starkly *expanded* the ambit of functionality to address competitors' interests at the expense of reduced transparency and legal certainty.<sup>26</sup> In fact, given the unprecedented expansions of the definition of a trade mark, it is puzzling to see only the partial expansion of grounds for refusing registration or the creation of defenses to permit relevant uses in the interest of competition or other expressive uses.<sup>27</sup> Functionality therefore deserves closer attention and this article critically examines its judicial applications in the case-law, highlighting shortcomings and suggesting ways to improve current practice.

This article re-examines the (unsettled) boundaries of the European functionality by reviewing the relevant case-law and the literature, but it goes beyond existing narratives in placing the competition goals of EU trade mark law within a broader context which includes *both* distinctiveness evaluations and functionality. Commentary usually focusses on the functionality provision without considering the law's wider function of promoting market competition that is inherent in the *other* grounds for refusing registration.<sup>28</sup> Furthermore, this paper is ambitious in promoting a more rigorous academic debate around the growing importance of competition-based considerations in EU trade mark law and in offering arguments for adopting a more consistent policy that enhances, rather than limits the reach of functionality. Accordingly, Part I identifies unrestrained product competition as the *leitmotif* in EU trade mark functionality and then goes on to discuss tactical behavior in the classification of marks that may be subject to a functionality examination as a way to escape a functionality attack. This is then contrasted with the over-inclusive approach to categories of marks that fall within the strict analytical criterion for predicting consumer reaction to shapes or any other unconventional mark as source-identifiers (also known as 'distinctiveness evaluation'). Part II then turns to each of the functionality criteria, highlighting shortcomings in the case-law and making the case for a much broader view of technical functionality. It also challenges some suggestions in the literature, particularly regarding the problematic criterion excluding functional features that add substantial value to the goods. Part III finally challenges recent suggestions about the way the value-adding criterion should be interpreted and draws upon US scholarship to argue for a more nuanced approach to this criterion.

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<sup>26</sup> ANNETTE KUR & MARTIN SEFTLEBEN, *EUROPEAN TRADE MARK LAW, A COMMENTARY* 152 (2017). Cf. Uma Suthersanen, *Excluding Designs (and Shape Marks): Where Is the EU Court of Justice Going?*, 50 INT'L REV. INTELL. PROP. & COMPETITION L. 157, 159 (2019) ("the CJEU is not merely aligning the interpretations of the functionality clauses, but may be embarking on a far more ambitious policy programme in relation to all three-dimensional objects.").

<sup>27</sup> Irene Calboli, *Chocolate, Fashion, Toys and Cabs: The Misunderstood Distinctiveness of Non-Traditional Trade Marks*, 1 INT'L REV. INTELL. PROP. & COMPETITION LAW 1-2 (2018).

<sup>28</sup> Maeve Lynch, *Product Configuration Marks: The Shape of Things to Come*, 12 J. INTELL. PROP. LAW & PRAC. 465, 465 (2017); Apostolos Chronopoulos, *De Jure Functionality of Shapes Driven by Technical Considerations in Manufacturing Methods* 3 INTELL. PROP. Q. 286, 286 (2017); Gabriele Engels & Claire Lehr, *Sweets, Cars and Bottles - Three Dimensional Trade Marks?*, 12 J. INTELL. PROP. LAW & PRAC. 797 (2017); Antoon Quaevlieg, *Shapes with a Technical Function: An Ever-Expanding Exclusion?*, 1 ERA FORUM 101, 101 (2016).

## II. PART I

*A. The Ration Legis of the European Functionality Criteria*

Functional features offer utilitarian advantages that consumers are likely to seek in the products of competitors. European law thus assumes that reserving such features to one single trader may confer abnormal advantages and reduce rather than enhance competition in the market. In *Lego*, the CJEU identified the pro-competition considerations that the EU legislature sought to balance in the wording of the functionality provision. Firstly, in explaining the rules laid down by the legislature, the Court affirmed the two-fold rationale underpinning the public interest behind European functionality, namely the “anti-monopoly” criterion and the “demarcation” criterion. Under the anti-monopoly criterion, functionality seeks “to prevent trade mark law granting an undertaking a monopoly on technical solutions or functional characteristics of product,” particularly where those solutions have been previously protected by another IP right.<sup>29</sup> This anti-monopoly criterion runs through all the three forms of functionality in ex-Art.3(1)(e).<sup>30</sup> Furthermore, under the “demarcation” criterion, functionality seeks to keep separate the subject-matter of trade mark protection from that afforded by other time-limited IP rights. The concern behind this demarcation criterion is to avoid limiting the freedom of competitors supplying products incorporating a technical solution or reducing permanently their choices. However, the central aim of this criterion is not to prevent cumulation of rights *per se*. EU law in fact allows for the possibility of several forms of IP protection over the same object.<sup>31</sup> Rather, the additional aim of EU functionality doctrine is much broader.<sup>32</sup> Its purpose is “overwhelmingly to protect competition,”<sup>33</sup> and this overriding aim percolates through all the sub-categories of functionality, i.e. natural, technical and aesthetic shapes. Its rationale is far removed from the essential source-indicating function of the trade mark.

The CJEU sees the freedom of traders to compete in absolute terms and the rationale of the statutory provision “is tied to the problem of anti-competitive protection in relation to ‘technical solutions’ and ‘functional characteristics’ of a product.”<sup>34</sup> On the other hand, the CJEU in *Lego* held that the terms “exclusively” and “necessary” serve to restrict the scope of functionality as the legislature acknowledged that “any shape of goods is, to a certain extent, functional and that it would therefore be inappropriate to refuse to register a shape of goods as trade mark

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<sup>29</sup> Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶¶ 43, 45).

<sup>30</sup> Case C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd*, 2002 E.C.R. I-377 (¶ 78) (‘The rationale of the grounds for refusal of registration laid down in Art.3(1)(e)...’).

<sup>31</sup> Council Regulation 6/2002 of Dec. 12, 2001, On Community Designs, 2001 O.J. (L 003) 4 (EC).

<sup>32</sup> Uma Suthersanen, *The European Court of Justice in Philips v Remington – Trade Marks and Market Freedom*, 3 INTELL. PROP. Q. 257, 275 (2003).

<sup>33</sup> *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (Opinion of AG Mengozzi, at ¶ 74).

<sup>34</sup> Uma Suthersanen, *The European Court of Justice in Philips v Remington – Trade Marks and Market Freedom*, 3 INTELL. PROP. Q. 257, 268 (2003).

solely on the ground that it has functional characteristics.”<sup>35</sup> Therefore, the limiting effect of these terms is that functionality solely covers product shapes which only incorporate a technical solution; the presence of one or more minor arbitrary element cannot alter the conclusion that they are purely functional. Conversely, utilitarian functionality cannot apply if a product shape incorporates “a major non-functional element, such as a decorative or imaginative element which plays an important role in the shape.”<sup>36</sup> Taken together, therefore, the wording “necessary” and “exclusively” strike a balance between permanent exclusion of purely functional signs and potential protection of arbitrary signs merely having some functionality.

### *B. Does Classification of Marks Really Matter?*

Recent high-profile cases such as the *Louboutin* red-soled shoes litigation and other ongoing disputes demonstrate that classification *does* really matter.<sup>37</sup> There are significant legal consequences in determining the type of mark concerned. Indeed, under EU trade mark law, the distinction between different types of marks has a significant influence not only on their subject-matter of protection but also on the type of assessments *and* the policy considerations underpinning the applicable grounds.<sup>38</sup> Given that by express desire of the EU legislature functional shapes (or another characteristic, as of 2016) can never be protected *even* after acquiring source significance or secondary meaning, avoiding functionality’s mortal blow constitutes tactical behavior.<sup>39</sup> This paper argues that this has created two illogical approaches. While the CJEU adopts an over-inclusive approach to its modified analytical framework for distinctiveness evaluations, it takes a far more under-inclusive (formalistic) approach to functionality. For instance, the undefined concept of “shape” is usually understood as “a set of lines or contours that outline the product concerned,” and cannot extend to a position mark comprising the application of a colour per se to a specific part of a product as in *Louboutin*’s red outsole mark.<sup>40</sup> Nor can “shape” cover a pattern mark comprising decorative motifs *and* words, which is

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<sup>35</sup> *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶ 48). *See also*, Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360 (¶ 26).

<sup>36</sup> *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶ 52). *See also*, Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360 (¶ 27).

<sup>37</sup> Case C-21/18, *Textilis Ltd v. Sveskt Tenn AB*, 2019 E.C.R. I-199; Case C-578/17, *Oy Hartwall Ab v. Patentti-ja rekisterihallitus*, 2019 E.C.R. I-261; Case C-163/16, *Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423; Case C-26/17, *Birkenstock Sales GmbH v. EUIPO*, 2018 E.C.R. 714; Case T-447/16, *Pirelli Tyre SpA v. EUIPI*, 2018 E.C.R. II-709, *appeal pending* (Case C-818/18 and Case C-6/19); Case T-68/16, *Deichmann SE v. EUIPO*, 2018 E.C.R. II-7, *appeal pending* (Case C-223/18 P).

<sup>38</sup> Case C-578/17, *Oy Hartwall Ab v. Patentti-ja rekisterihallitus*, 2019 E.C.R. I-261 (¶ 35). *See also*, Dev Gangjee, *Paying the Price for Admission: Non-Traditional Marks Across Registration and Enforcement*, in *THE PROTECTION OF NON-TRADITIONAL MARKS: CRITICAL PERSPECTIVES* 59, 63 (Irene Calboli & Martin Senftleben eds., Oxford Univ. Press 2018).

<sup>39</sup> Dev Gangjee, *Paying the Price for Admission: Non-Traditional Marks Across Registration and Enforcement*, in *THE PROTECTION OF NON-TRADITIONAL MARKS: CRITICAL PERSPECTIVES* 59, 63 (Irene Calboli & Martin Senftleben eds., Oxford Univ. Press 2018) (outlining the scope for applicants’ tactical behaviour at the characterisation stage.).

<sup>40</sup> Case C-163/16, *Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423 (¶ 21).

affixed to fabric or paper.<sup>41</sup> This formalistic view of ‘shape’ contrasts with the more permissive approach to regarding a stitching pattern in the design of trousers as an aesthetically functional “shape.”<sup>42</sup> More importantly, this formalistic view bypasses the articulated policy concerns underpinning EU functionality. In *Textilis*, the CJEU held that the existence of time-limited copyright protection for the MANHATTAN pattern mark was irrelevant for the purpose of characterizing the mark as consisting ‘exclusively of the shape,’<sup>43</sup> without even discussing functionality’s broader policy of preventing the use of trade mark law to extend indefinitely other time-limited IP rights. Nor did the Court’s formalistic reasoning in *Louboutin* consider the risk of permanent market foreclosure by excessively restricting competitors’ freedom in a market where economic development is based on a cyclical use of earlier aesthetic innovations and materials within a limited number of appealing colours.

Neither *Louboutin* nor *Textilis* is easy to reconcile with *Dyson*. In *Dyson*, functionality provided “a broader interpretative framework”<sup>44</sup> to prevent registration of the novel concept of a bagless Hoover that would result in undue monopolies within the eligibility requirement of “a sign.” Dyson attempted to register a mark that consisted of “a transparent bin or collection chamber forming part of the external surface of a vacuum cleaner as shown in the representation.”<sup>45</sup> Along with this description, it submitted images of two bagless vacuum cleaners with external bins as mere examples and specifically stated that the mark was *not* for a shape but for a non-specific transparent bin.<sup>46</sup> This strategy meant that the (then) functionality objections could not apply. This however did not prevent the CJEU taking a broader view to hold that the application did not satisfy the definitional requirement that a mark must be “sign” under (ex-)Art.2 TMD (now Art.3 recast Directive) in the sense of being a particular type of subject-matter. Instead, the application was “capable of taking on a multitude of different appearances and [was] thus not specific.”<sup>47</sup> The Dyson mark was also insufficiently defined, lacking clarity and precision underpinning the (then) requirement of graphic representation.<sup>48</sup> The Dyson application however was more than a simple specificity problem. The Court interpreted other eligibility requirements in accordance with the logic and policy concerns underpinning functionality when it stated that the purpose of a “sign” requirement is “to prevent the abuse of trade mark law in order to obtain an unfair competitive advantage.”<sup>49</sup> Thus, “it [was] the prevention of undue monopolies which the court [saw] as the key problem with the application.”<sup>50</sup> The CJEU expressed concern that the exclusivity inherent in trade mark rights would entitle Dyson “to prevent its competitors from marketing vacuum cleaners having any kind of

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<sup>41</sup> Case C-21/18, *Textilis Ltd v. Sveskt Tenn AB*, 2019 E.C.R. I-199 (¶ 36).

<sup>42</sup> Case C-371/06, *Benetton Group SpA v. G-Star Int BV*, 2007 E.C.R. I-542 (the shape marks consisted of an oval kneepad and two lines of sloping stitching from hip height to crotch height.).

<sup>43</sup> *Textilis Ltd v. Sveskt Tenn AB*, 2019 E.C.R. I-199 (¶ 45).

<sup>44</sup> Vlotina Liakatou & Sypros Maniatis, *Lego – Building a European Concept of Functionality*, 12 EUR. INTELL. PROP. REV. 653, 653 (2010).

<sup>45</sup> Case C-321/03, *Dyson v. Registrar of Trade Marks*, 2007 E.C.R. I-51 (¶ 10).

<sup>46</sup> *Id.* (¶ 19).

<sup>47</sup> *Id.* (¶ 37).

<sup>48</sup> *Id.* (Opinion of AG Léger, at ¶¶ 62-63).

<sup>49</sup> *Id.* (¶ 34).

<sup>50</sup> Edward Smith, *Dyson and the Public Interest: An Analysis of the Dyson Trade Mark Case*, 11 EUR. INTELL. PROP. REV. 469, 472 (2007).

transparent collecting bin on their external surface, irrespective of its shape.”<sup>51</sup> It thus internalized competition concerns within general eligibility criteria using functionality’s broader aims. Indeed, AG Léger purposively argued that the general competition interest underpinning (ex)Art.3(1)(e) militated against registration of a technical feature *notwithstanding* the provision’s reference to “exclusively of the shape.”<sup>52</sup>

By contrast, a wide range of unconventional marks such as colours, colour combinations, packaging, position marks, surface patterns, surface decoration, and sounds are treated as “shapes” for the purpose of the rigorous “departs significantly” test to gauge potential consumer predisposition to source.<sup>53</sup> Under this modified distinctiveness test, average consumers are normally assumed not to be in the habit of making assumptions about the origin of goods on the basis of “their shape or the shape of their packaging”<sup>54</sup> in the absence of any graphic or word element. Thus, “the more closely the shape for which registration as a mark is sought resembles the shape most likely to be taken by the product in question, the greater the likelihood of the shape being devoid of any distinctive character.”<sup>55</sup> In contrast, “only a sign which departs significantly from the norm or customs of the sector and thereby fulfills its essential function of indicating origin”<sup>56</sup> is not devoid of any distinctiveness. The combined effect of the normative presumption and the modified test is to make it harder for applicants to claim inherent source significance for those unconventional categories of marks than it is regarding word/figurative marks. Strictly speaking, however such unconventional marks are not “shapes.” On the other hand, settled case-law states that the formal categorization of a sign as a figurative mark, be it three-dimensional or otherwise, a positional colour mark or “other” undefined category, is not a decisive factor for assessing its inherent source-identifying capacity in the eyes of average consumers.<sup>57</sup> The CJEU has accepted the principle that the decisive factor is not so much a mark’s formal classification as its intrinsic characteristics of being indistinguishable or indissociable from the appearance of the designated goods. This indissociability criterion implies “the existence of a resemblance between the sign and the products, or some of the products, it covers,” and the connection must be perceptible by the relevant public.<sup>58</sup> This is not an abstract evaluation; it requires a close examination of the nature of the goods. Nor is that connection dependent upon an objective impossibility of technical separation.<sup>59</sup> Indissociability is therefore a central criterion for applying the case-law and principles developed around three-dimensional marks, particularly the empirical rule

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<sup>51</sup> *Dyson v. Registrar of Trade Marks*, 2007 E.C.R. I-51 (¶ 38).

<sup>52</sup> *Id.* (Opinion of AG Léger, at ¶ 88).

<sup>53</sup> For a discussion of this unexplored distinctiveness test, see Cesar J. Ramirez-Montes, *Trade Marking the Look and Feel of Business Environments in Europe*, 25 COLUM. J. EUR. L. 75, 103-109 (2019).

<sup>54</sup> Case C-417/16, *August Storck KG v. EUIPO*, 2017 E.C.R. I-340 (¶ 34) (packaging mark); Case C-26/17, *Birkenstock Sales GmbH v. EUIPO*, 2018 E.C.R. I-714 (¶ 32) (wavy patter mark).

<sup>55</sup> Case C-445/13, *Voss of Norway ASA v. OHIM*, 2015 E.C.R. I-303 (¶ 91).

<sup>56</sup> Case C-417/16, *August Storck KG v. EUIPO*, 2017 E.C.R. I-340 (¶ 35); Case C-26/17, *Birkenstock Sales GmbH v. EUIPO*, 2018 E.C.R. I-714 (¶ 33).

<sup>57</sup> Case C-429/10, *X Technology Swiss GmbH v OHIM*, 2011 E.C.R. I-307 (¶ 33). *See also*, *Birkenstock Sales GmbH v. EUIPO*, 2018 E.C.R. I-714 (¶ 36).

<sup>58</sup> Case C-26/17, *Birkenstock Sales GmbH v. EUIPO*, 2018 E.C.R. I-714 (¶ 37).

<sup>59</sup> *Id.* (Opinion of AG Szpunar, at ¶ 49).

about consumer perception underpinning the “departs significantly” test. Moreover, the Court has recently confirmed the lower threshold for the application of the indissociability criterion to surface pattern marks that enhance the aesthetic appearance of goods, largely on the policy concern that the applicant’s categorization of the mark as submitted should not escape the more demanding conditions for assuming source identification.<sup>60</sup>

This technique enables EU tribunals to capture instances where the applicant’s tactical move is “to claim that a mark belongs to a more conventional category” and thus “bypass substantive examination criteria based upon policy concerns.”<sup>61</sup> The normative rules underpinning the “departs significantly” criterion have proved a significant obstacle for a broad range of unconventional product trade dress brands.<sup>62</sup> The CJEU has yet to articulate the policy concerns underpinning its modified distinctiveness test. Yet as I have argued elsewhere, the normative presumption about consumer visual habits constitutes a control device in the sense of being the Court’s unarticulated policy as a (temporary) measure for maintaining unrestricted access to basic or fundamental design standards and ordinary features common to the trade, thereby supporting product market competition.<sup>63</sup> This pro-competition policy makes it difficult for trade dress claims to succeed simply on the basis of novelty or unusualness. This is by no means a permanent or insurmountable measure as applicant can always invest in developing source significance.<sup>64</sup> While in practice unconventional marks (including “shapes”) *usually* need market use before producing evidence of secondary meaning for protection, distinctiveness is not

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<sup>60</sup> *Id.* (¶ 40) (upholding the ‘mere possibility’ criterion that the figurative mark—displaying a repetitive sequence of elements—will be used as a surface pattern for the relevant goods and thus indissociable from their appearance.).

<sup>61</sup> Dev Gangjee, *supra* note 39, at ¶ 73.

<sup>62</sup> It is clearly applicable beyond the traditional categories of product shapes and product packaging. For instance, single colour marks, *see Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423 (Second Opinion of AG Szpunar, at ¶ 64); For position marks, *see also* Case C-521/13, *Think Schuhwerk GmbH v. OHIM*, 2014 E.C.R. I-2222 (red aglets on shoe laces); Case C-429/10, *X Technology Swiss GmbH v. OHIM*, 2011 E.C.R. 307 (orange colouring of the toe of a sock); Case T-433/12, *Margarete Steiff GmbH v. OHIM*, 2014 E.C.R. II-8 (metal button in the middle section of the ear of a soft toy); Case T-331/12, *Sartorius Lab Instruments GmbH & Co. KG v. OHIM*, 2014 E.C.R. II-87 (yellow curve at the bottom edge of an electronic display unit); Case T-152/07, *Lange Uhren GmbH v. OHIM*, 2009 E.C.R. II-324 (geometric shapes on a watch-face). For designs applied to the surface of the goods, *see* Case C-445/02, *Graverbel v. OHIM*, 2004 E.C.R. 393, (surface decoration); Case C-307/11, *Deichmann SE v. OHIM*, 2012 E.C.R. I-254 (stitching applied to shoes). For pattern marks, *see* Case T-359/12, *LVM v. Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG*, 2015 E.C.R. II-215; Case T-360/12, *LVM v. Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG*, 2015 E.C.R. II-214 (chequerboard patterns applied to leather goods) *aff’d* Case C-363/15 & C-364/15, *LVM v. Nanu-Nana Handelsgesellschaft mbH für Geschenkartikel & Co. KG* 2016 E.C.R. I-595 (court order without decision as parties settled amicably); Case T-376/10, *V. Fraas GmbH v. OHIM*, 2012 E.C.R. II-436 (¶ 64) (tartan pattern in dark grey, light grey, black, beige, dark red and light red). For the presentational method of the surface of bottles, *see* Case C-344/10, *Freixenet SA v. OHIM* 2011 E.C.R. I-680; Case C-345/10, *Freixenet SA v. OHIM* 2011 E.C.R. I-680 (joined with Case C-344/10).

<sup>63</sup> Cesar J. Ramirez-Montes, *Trade Marking the Look and Feel of Business Environments in Europe*, 25 COLUM. J. EUR. L. 75, 106 (2019).

<sup>64</sup> *See* EU Directive 2008/95/EC, art. 3(3), 2008 O.J. (L 299) 25 (EU), which is now Art.4(4) (recast) Directive 2015/2436, art. 4(4), 2015 O.J. (L 336) 1 (EU); Regulation 2017/1001, art. 7(3), O.J. (L 154) (EU).

intended to play the greatest role in safeguarding competition. That is the role of functionality, and under EU law the tripartite functionality criteria constitute “a preliminary obstacle” that may permanently prevent registration of shapes.<sup>65</sup> The next section examines each of these criteria under (ex)Art.3(1)(e)(now Art.4(1)(e)) Directive and Art.7(1)(e) ETMR.

### III. PART II

#### *A. Shape (or Another Characteristic) that Results from the Nature of the Goods Themselves*

The first criterion for excluding functional signs—shapes resulting from the nature of the goods themselves—has not featured prominently in reported decisions. Up until the CJEU’s ruling in *Hauck*, the precise meaning and normative content of this criterion was for all intents and purposes unknown. Isolated decisions at OHIM (now EUIPO) described it as prohibiting “unavoidable shape” marks in the sense of excluding “the shape imposed by the nature of the goods themselves and without which those goods would not exist.”<sup>66</sup> Unavoidable shapes meant the “the shape of natural goods or those which have become standardized in trade and in consumer opinion.”<sup>67</sup> In other words, shapes created by nature or standardized by law. For commentators, the banning of natural shapes of the goods themselves was initially understood to constitute “the purest example of the principles that trade mark protection shall not be used to foreclose markets.”<sup>68</sup> It was thus interpreted as precluding protection only if there was evidence of no other shape available for products of the same species. Examples of the concerns underpinning this permanent foreclosure situation included applications for an oval shape designating balls or natural shapes such as the shape of a banana for bananas. However, in the wake of *Hauck*, it has become clear that the normative content of this criterion has a much broader scope. *Hauck* concerned the design of a children’s high chair called the “Tripp-Trapp” chair that was protected both as a registered mark and as an artistic copyright work. In an infringement action, defendant Hauck counterclaimed raising functionality as an invalidity ground. In its reply to several referred questions, the CJEU ruled that the natural signs criterion is not limited to shapes that are indispensable to the function of the goods but “may [also] apply to a sign which consists exclusively of the shape of a product with one or more essential characteristics which are inherent to the generic function or functions of that product

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<sup>65</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604 (¶ 38).

<sup>66</sup> *Salvatore Ferragamo Italia*, Case R-272/1999-3, 3<sup>rd</sup> Board of Appeal, May 3, 2000, OFF. HARMONIZATION INTERNAL MKT. ¶ 24 (unreported); *Salvatore Ferragamo Italia*, Case R-395/1999-3, 3<sup>rd</sup> Board of Appeal, May 3, 2000, OFF. HARMONIZATION INTERNAL MKT. ¶ 24 (unreported).

<sup>67</sup> *Salvatore Ferragamo Italia*, Case R-272/1999-3, 3<sup>rd</sup> Board of Appeal, May 3, 2000, OFF. HARMONIZATION INTERNAL MKT. ¶ 24 (unreported); *Salvatore Ferragamo Italia*, Case R-395/1999-3, 3<sup>rd</sup> Board of Appeal, May 3, 2000, OFF. HARMONIZATION INTERNAL MKT. ¶ 24 (unreported).

<sup>68</sup> ANNETTE KUR & MARTIN SEFTLEBEN, *EUROPEAN TRADE MARK LAW, A COMMENTARY* 163 (2017).

and which consumers may be looking for in the products of competitors.”<sup>69</sup> The Court clarified that the three functionality exclusions share the same unifying rationale, namely to keep in the public domain essential characteristics of products which are reflected in their shape and which rivals need to compete effectively.<sup>70</sup> EU functionality doctrine is therefore largely underpinned by the same competition concerns as US functionality.<sup>71</sup>

*Hauck* therefore clarified that the natural shapes exclusion covers three situations: a) “natural” products which have no substitute, i.e. the shape of a banana for bananas; b) “regulated” products which are prescribed by legal standards, i.e. a rugby ball, and c) “generic” designs, that is, “shapes with essential characteristics which are inherent to the generic function or functions of such goods . . .”<sup>72</sup> The Court’s reasoning follows very closely the Opinion of the AG, who took the view that the natural signs criterion cannot be limited to standard shapes or shapes which are determined by regulation. According to the AG, such a regulated shape of the goods is likely to be non-distinctive which would fail under (ex-)Art.3(1)(b) and it cannot have been the intention of the legislator to duplicate the same exclusionary ground. Some commentators are critical of the Court’s interpretation. They complain that it raises the question of how the first criterion (natural shapes) relates to the second criterion (shape necessary to achieve a technical result).<sup>73</sup> This allegedly causes particular uncertainty because the generic function(s) that consumers expect the shape of the branded product to perform comes very close to the normative content of the shape whose essential functional characteristics are all linked to a technical solution that consumers may look for in the products of competitors. Their second complaint is that *Hauck* blurs the distinction between shapes that are merely non-distinctive (for which protection may be temporarily denied until a showing of secondary meaning) and those that may fall under the criterion’s scope (for which protected is denied indefinitely).<sup>74</sup> As discussed in Part I, non-inherently distinctive shapes are excluded if they fail to depart significantly from the norm or customs of the sector. However, according to these critics, “shapes conforming to the norms and customs of the sector are exactly those that consumers will be looking for in the products of competitors.”<sup>75</sup> Thus, the borderline between permanent and (potentially) temporary exclusions is blurred.

There are several problems with these criticisms. Firstly, the absolute grounds for refusing registration share a high degree of internal overlap,<sup>76</sup> which reflects the wider function of trade mark law to protect the marketplace in several ways. Thus, if a shape mark is descriptive of the artefact, it infringes not only descriptiveness in

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<sup>69</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (¶ 27).

<sup>70</sup> *Id.* (¶ 20) (citing with approval Opinion of AG Szupnar, at ¶ 28).

<sup>71</sup> *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 339 (7<sup>th</sup> Cir, 1985) (Hon. J. Posner stating that the characteristic oval shape of an American football may be functional for the same reasons, i.e. it would be found in all or most brands of the product.).

<sup>72</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (¶¶ 24-25).

<sup>73</sup> ANNETTE KUR & MARTIN SEFTLEBEN, *EUROPEAN TRADE MARK LAW, A COMMENTARY* 163 (2017).

<sup>74</sup> *Id.* at 164.

<sup>75</sup> *Id.*

<sup>76</sup> Case C-51/10, *Agencja Wydawnicza Technopol sp. z o.o. v. OHIM*, 2011 E.C.R. I-139 (¶ 47); Case C-363/99, *Koninklijke KPN Nederland NV v. Benelux-Merkenbureau*, 2004 E.C.R. I-86 (¶ 67) (Postkantoor).

(ex-)Art.3(1)(c) but also the natural shapes exclusion in (ex-)Art.3(1)(e)(i).<sup>77</sup> Similarly, shape-of-product marks that are necessary to achieve a technical result under (ex-)Art.3(1)(e)(ii) may also be excluded under the grounds that they indicate the purpose of the goods (descriptive), are generic (customary) and/or cannot function as source-identifiers for consumers (non-distinctive). Secondly, according to settled case-law, the absolute grounds for refusal are broadly divided into two categories, namely those that view non-registrability from the perspective of average consumers (general distinctiveness criterion) and those that protect market competition by keeping certain signs free in the public domain because their permanent registration may affect the ability of others to offer competing products (functionality criteria).<sup>78</sup> The latter grounds require an objective assessment, for which consumer perception is not decisive but, at most, may be one factor amongst many others.<sup>79</sup> The perception of the target consumers is taken as a basis for assessing the significant departure of the shape mark and whether, by way of a prognosis decision, the shape or design claimed as a mark correlates to what consumers would expect the designated goods to take. By contrast, the identification of the essential characteristics of the shape to appraise whether they are all inherent to the generic function(s) that the goods are intended to perform is an objective appraisal. Secondly, whilst it is true that the broader interpretation endorsed in *Hauck* focuses upon the practical generic function(s) of the goods, this is not the same as the need for a “technical effect” as required for utilitarian shapes in (ex-)Art.3(1)(e)(ii). Indeed, in his “instructive”<sup>80</sup> Opinion, the AG stressed that certain generic characteristics of a shape may have a particularly significant effect upon the function that a product performs. Thus, “[t]hey can also be characteristics of a shape which are difficult to identify as necessary to obtain a ‘technical effect’ within the meaning of the second indent” of (ex-)Art.3(1)(e)(ii).<sup>81</sup> This is a central distinction often overlooked in opinions suggesting that *Hauck*’s interpretation creates an overlap in which the first exclusionary criterion arguably contains a much broader concept than the second.<sup>82</sup>

Nevertheless, those generic characteristics affecting substantially the function of the product concerned are also features which consumers are likely to seek in the products of all competitors. Echoing an economic effects assessment, the AG Opinion highlighted that “they are features of a shape for which there is no equally good substitute” and their monopolization by a single trader “would make it difficult for competing undertakings to give the goods a shape which was equally suitable for

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<sup>77</sup> Uma Suthersanen, *supra* note 32, at 275 (“Art.3(1)(e) and the distinctiveness criterion are two facets which combine to ensure the proper functioning of the marketplace by excluding shapes which, if protected, would ‘function’ physically and/or conceptually to narrow the choices available to other market traders.”).

<sup>78</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (¶ 33) (citing *Lego Juris v OHIM*, at ¶ 75, and Opinion of AG Szpunar, at ¶ 88).

<sup>79</sup> *Id.* (¶¶ 34-35)

<sup>80</sup> LIONAL BENTLY ET AL., *INTELLECTUAL PROPERTY LAW* 964 (5th ed. 2018).

<sup>81</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 56)

<sup>82</sup> Anton Quaadvlieg, *Shapes With a Technical Function: An Ever-Expanding Exclusion?*, 1 ERA FORUM 101, 115 (2016) (arguing that the generic function criterion underpinning the CJEU’s interpretation of the natural shapes exclusion could have a far broader reach than the technical necessity exclusion itself.); KUR & SENFTLEBEN, *supra* note 68, at 164.

use.”<sup>83</sup> The CJEU agreed, evoking the criterion’s public interest aim in preventing the trade mark proprietor obtaining a significant advantage.<sup>84</sup> It is entirely unclear why the potential for a (negative) overlap between the natural shapes criterion and the non-distinctiveness objections should cause significant uncertainty. To start with, where several of the absolute grounds for refusal may apply it is mandatory to undertake *a priori* functionality assessment of the proposed trade dress mark. Indeed, functionality *is* a preliminary obstacle to the registration of all shapes despite its position within the legislation and, once there is a functionality finding, there is no need to consider further the potential for source-identifying potential since functional shapes can never be saved by demonstrating source significance.

This is not to say that post-*Hauck* the CJEU’s articulation has resulted in “a useful guideline on which courts and offices can base their decision.”<sup>85</sup> Kur and Sentfleben have referred to the *Nestlé SA v Cadbury* reference and the *Best-Lock (Europe) v Lego Juris A/S* appeal as examples where, had the *Hauck* criteria for excluding natural shapes been properly applied, a different set of results might have emerged. In *Nestlé SA v Cadbury*, the contested shape of the Kit-Kat four-fingered chocolate bar was found to contain three essential features, the slab form (which resulted from the nature of the goods themselves) and the V-shaped grooves separating the four fingers (which were necessary to achieve a technical result).<sup>86</sup> For these authors, pursuant to the *Hauck*’s expansive interpretation of the natural shapes criterion, both the slab shape and the presence and number of grooves are inherent in the generic function of the product, i.e. to be eaten in portions.<sup>87</sup> Similar considerations might apply to the shape of the little Lego man or “manikins” registered as EUTMs. In this case, Best-lock requested the cancellation of the registration on the basis that the shape of the Lego man was determined by the nature of the goods themselves and it was also necessary to provide the technical solution of joining the toy figures (through holes under its feet) to Lego toy bricks. The Board rejected the request, largely on the ground that the applicant Best-lock had neither offered evidence of functionality nor developed arguments properly.<sup>88</sup> The GCEU dismissed the appeal, agreeing that the essential characteristics of the Lego man trade mark (i.e. head, body, arms and legs which are necessary to confer a human appearance) did not serve any technical result. Moreover, “the result of that shape [was] simply to confer human traits on the figure” and “the fact that the figure ha[d] technical qualities ha[d] no influence in the context of applying Art.7(1)(e)(ii).”<sup>89</sup> However, according to Kur and Senfleben, had it been considered that the stylized shape of the Lego man shape displayed the very features that consumers expect of such toy figures, the result would most likely have been different. Indeed, the essential characteristics may be inherent to the generic function of the manikins, i.e.

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<sup>83</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 57-58).

<sup>84</sup> *Id.*

<sup>85</sup> KUR & SENFTLEBEN, *supra* note 68, at 163.

<sup>86</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604 (¶ 72).

<sup>87</sup> KUR & SENFTLEBEN, *supra* note 68, at 164.

<sup>88</sup> Case T-395/14, *Best-Lock (Europe) v. Lego Juris A/S*, 2015 E.C.R. II-379 (¶ 7).

<sup>89</sup> Case T-395/14, *Best-Lock (Europe) v. Lego Juris A/S*, 2015 E.C.R. II-379 (¶¶ 35, 38). A further appeal to the CJEU was dismissed by a [brief] reasoned order, *see* Case C-452/15, *Best-Lock (Europe) v. Lego Juris A/S*, 2016 E.C.R. I-270.

to confer human traits on the toy figures, contrary to the natural shapes exclusion. Moreover, it is common in EU law to find cases where distinctiveness rather than functionality is called upon to refuse registration of shape marks resulting from the nature of the goods themselves.<sup>90</sup>

### *B. Shape (or Another Characteristic) Necessary to Obtain a Technical Result*

The criterion for excluding technical shapes is by far the most common obstacle for product trade dress marks. It was also the first criterion to offer the CJEU the initial opportunity to articulate the policies underpinning the European functionality doctrine, the assessment method and the doctrine's relationship with the other general requirements of distinctiveness. Unsurprisingly, there is far more case-law around technical functionality than on any other of the criteria in indents (i) and (iii). The Court nonetheless has yet to interpret the new wording of functional "characteristics" in cases involving non-shape functionality. The leading judgements on essentially functional shapes are *Remington*<sup>91</sup> and *Lego*,<sup>92</sup> both of which concerned challenges to the registrations of shape marks that had previously been protected by other IP rights. Since these two rulings, there have been more recent cases that have shed more light onto the proper application of the utilitarian functionality criteria and the doctrine's limits. According to *Remington*, a sign consists exclusively of a shape necessary to achieve a technical result "where the essential functional characteristics of the shape of a product are attributable solely to the technical result . . . even if that result can be achieved by other shapes."<sup>93</sup> *Lego* affirmed this interpretation, clarifying further that technical functionality applies "only where *all* the essential characteristics of the sign are functional."<sup>94</sup>

*Lego* overwhelmingly confirmed the principle first articulated in *Remington* that European functionality is not grounded upon competitive necessity. The policy concern of the EU functionality doctrine is not the competitive need of traders to copy functional product features for effective competition in the market concerned but on a much broader principle of avoiding undue competitive advantages which are unrelated to competition based upon price and quality.<sup>95</sup> This is so despite the potential for availability of alternative designs, consumer confusion and loss of business goodwill. This echoes the same approach adopted by the US Supreme Court in *Traffix*.<sup>96</sup> Thus, the CJEU rejected *Lego's* complaint that its competitors need not offer slavish copies of its *Lego* bricks incorporating exactly the same technical

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<sup>90</sup> Case C-476/15, *Grupo Bimbo v. OHIM*, 2016 E.C.R. I-165 (application to register the shape of a Mexican tortilla for snacks.).

<sup>91</sup> Case C-299/99, *Koninklijke Philips Electronics NV v. Remington*, 2002 E.C.R. I-377.

<sup>92</sup> Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516.

<sup>93</sup> Case C-299/99, *Koninklijke Philips Electronics NV v. Remington*, 2002 E.C.R. I-377 (¶ 83) (emphasis added).

<sup>94</sup> Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶ 52) (emphasis added).

<sup>95</sup> Case C-205/13, *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 79).

<sup>96</sup> In fact, the Opinion of the AG and the Grand Board of Appeal at the EUIPO cited *Traffix* in their functionality assessments. See Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (Opinion of AG Mengozzi, at ¶ 67).

solution.<sup>97</sup> Claims of mere slavish imitation by competitors cannot alter the “particular strictness” of the legislature’s policy choice.<sup>98</sup> Furthermore, *Lego* provides more guidance on the criteria for identifying the essential characteristics of a shape mark.<sup>99</sup> The first step is to identify all the essential characteristics of the 3D mark, that is, “the most important elements of the sign” on a case-by-case basis without any hierarchy between its constituent elements.<sup>100</sup> Thus, depending on the degree of difficulty, the essential characteristics can be identified either by a simple visual analysis or a more detailed examination consisting of surveys or expert reports including information about other IP rights previously granted. However, unlike distinctiveness evaluations, for functionality assessments the presumed perception of the average consumer “is not a decisive element . . . but, at most, may be a relevant criterion of assessment” for the tribunal when it identifies the design’s essential characteristics.<sup>101</sup> An additional step still requires the tribunal to ascertain “whether all [the essential characteristics identified] perform the technical function of the goods at issue.”<sup>102</sup> This is where the presence of a major (non-technical) decorative or imaginative element becomes relevant but only to the extent that it plays an important role in the intended technical result.

In *Lego*, although the colour red was a non-functional element of the design, this was a minor arbitrary element in its technical result, namely the assembly of toy-bricks.<sup>103</sup> The CJEU therefore endorsed the functionality findings that the most important element of the Lego brick mark consisted of two rows of studs on the upper surface of the brick and that element was necessary for the assembly result. Similarly, in *Yoshida* the mere fact that the pattern mark with an array of black dots for knife handles had ornamental and fanciful aspects did not preclude a functionality finding where such aspects played a minor role in the shape of the designated goods.<sup>104</sup> The CJEU thus endorsed the finding that those black dots were not merely colouring painted onto the handles but actual dents on the surface of the handles, which constituted an essential characteristic of the non-skid technical solution of the shape. Moreover, *Lego* and *Yoshida* highlight the relevance of the evidence regarding patent and design protection for a functionality finding. For instance, in *Lego* the CJEU approved the reliance upon prior patents in assessing the functionality of the characteristics of the Lego brick.<sup>105</sup> Yet the prior Lego patents were not treated as irrefutable evidence of the Lego brick’s utilitarian functionality but as “a simple, yet very powerful, presumption that the essential characteristics of

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<sup>97</sup> *Id.* (¶ 59).

<sup>98</sup> *Id.* (¶ 47). *See also*, Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360 (¶ 34).

<sup>99</sup> *Lego*’s two-step test has been subsequently applied and confirmed in other decisions; *see* Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360 (¶ 29); Case C-30/15, *Simba Toys v. Seven Towns*, 2016 E.C.R. I-849 (¶ 40); Cases C-337/12 to C-340/12, *Pi-Design AG v. Yoshida Metal Industry Co*, 2014 E.C.R. I-129 (¶¶ 47-48).

<sup>100</sup> *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶¶ 69-70).

<sup>101</sup> *Id.* (¶ 76).

<sup>102</sup> *Id.* (¶ 72).

<sup>103</sup> *Id.* (¶¶ 73-74).

<sup>104</sup> Case C-421/15, *Yoshida Metal Industry Co v. EUIPO*, 2017 E.C.R. I-360 (¶ 30).

<sup>105</sup> *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (¶ 85).

the shape . . . perform a technical function.”<sup>106</sup> Similarly, in *Yoshida* all the essential characteristics identified by the Board at the EUIPO were disclosed in two American and European Patents that the proprietor had previously obtained.<sup>107</sup> This too was a strong presumption of utilitarian functionality.

Case-law has also thwarted traders’ attempts to circumvent the fatal blow of functionality by classifying the sign as a figurative mark representing a two-dimensional label or omitting a more detailed description of the mark as filed. As discussed in Part I, this tactical behavior enables traders to assert that their marks do not constitute the “shape of goods” and cannot therefore be excluded on functionality grounds. However, the CJEU has ruled that a correct application of the policies pursued by functionality (anti-monopoly and freedom to compete) requires consideration, where appropriate, of information about the function of the actual goods *in addition* to the graphic representation and any descriptions filed at the time of the grant of registration.<sup>108</sup> The representation of the mark as filed cannot restrict the examiner’s evaluation of a potential functionality objection in such a way as might undermine the public interest underlying that provision.<sup>109</sup> Thus, in *Pi-Design*, the CJEU rejected the interpretation that “only the shape as reproduced in the registration application may be the subject-matter of the [functionality] examination.”<sup>110</sup> Instead it endorsed the possibility that examiners may carry out a form of reverse engineering, i.e. finding out what the trade mark really represents on the basis of representations of the knives actually marketed by the proprietor.<sup>111</sup> In a recent appeal involving cancellation proceedings against registration of the famous Rubik’s Cube as a EUTM, the CJEU had opportunity to clarify further the relevance of additional circumstances relating to the function of the actual goods *beyond* the requisite representation of the mark as submitted for registration, which is essential for the application of functionality. In reversing the non-functionality findings, the CJEU in *Simba Toys* held that the assessment of the essential characteristics identified (i.e. the grid structure on each surface of the cube) must refer to “the technical function of the actual goods concerned.”<sup>112</sup> It was therefore contrary to settled case-law to disregard knowledge of the rotating capability of the vertical and horizontal lattices of the Rubik’s Cube, notwithstanding the fact that this invisible mechanism internal to that cube could not be inferred objectively from the graphical representation of the mark as registered. *Simba Toys* affirmed the principle supported in *PI-Design* that, though the shape as represented graphically should be the basis for a functionality assessment, the analysis cannot proceed in the abstract “without using additional information on the actual goods.”<sup>113</sup> In determining the

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<sup>106</sup> Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-516 (Opinion of AG Mengozzi, at ¶ 67).

<sup>107</sup> Cases T-331/10 to T-416/10, *Yoshida Metal Industry Co v. OHIM*, 2015 E.C.R. II-302 (¶ 46).

<sup>108</sup> Cases C-337/12 to C-340/12, *Pi-Design AG v. Yoshida Metal Industry Co*, 2014 E.C.R. I-129 (¶ 54).

<sup>109</sup> *Id.* (¶ 58).

<sup>110</sup> Case T-331/10, *Yoshida Metal Industry Co v. OHIM*, 2015 E.C.R. II-302 (¶ 31); Case T-416/10, *Yoshida Metal Industry Co v. OHIM*, 2015 E.C.R. II-302 (¶ 31).

<sup>111</sup> Cases C-337/12 to C-340/12, *Pi-Design AG v. Yoshida Metal Industry Co*, 2014 E.C.R. I-129 (¶ 61).

<sup>112</sup> Case C-30/15, *Simba Toys v. Seven Towns*, 2016 E.C.R. I-849 (¶ 46).

<sup>113</sup> *Id.* (¶ 48).

true scope of the EU functionality doctrine, it is necessary always to consider the overriding policy concerns of (ex)Art.3(1)(e)/Art/7(1)(e). Thus, the narrow view adopted by the lower tribunals imposed “an excessively high standard on the assessment of functional shapes which makes it possible to circumvent the prohibition on monopolization” under the statutory provision.<sup>114</sup>

There are other problematic decisions however where the expression “technical result” in the EU functionality doctrine has not been interpreted as broadly as one might expect. In considering the alleged utilitarian functionality of the shape of the Kit Kat four finger chocolate-coated bar, the evidence before the examiner indicated that the angle of the sides of the product (and of the breaking grooves) was constrained by the specific method of manufacture.<sup>115</sup> That manufacturing method is the most common and efficient chocolate molding process for multiple finger chocolate bar products.<sup>116</sup> This prompted the national court to ask the CJEU whether the scope of the utilitarian shapes exclusion is restricted to the manner in which the relevant goods function or whether it also extends to the *method* of manufacturing the goods. That is, whether utilitarian functionality covers *both* kinds of technical results, i.e. signs that are causally associated with the functionality of the branded goods as well as signs that are the expression of a particular manufacturing method. Following a strict reading of the statutory text, the CJEU replied that extending utilitarian functionality to the manufacturing method for producing the goods is unsupported by the wording itself and by the overriding policy of the provision. Functionality’s overriding aim is to prevent a monopoly on technical solutions which a user is likely to seek in the goods of competitors. Thus, “from the consumer’s perspective, the manner in which the goods function is decisive and the method of manufacture is not important.”<sup>117</sup>

The CJEU’s strict interpretation is in stark contrast with the proposed interpretation in the Opinion of its own Advocate General. For AG Wathelet, a teleological interpretation of the provision could not logically ignore the contribution of the manufacturing process to the technical result attributed to the shape of the goods. Accordingly, “it is possible . . . that that technical result may be obtainable only by means of a specific manufacturing process,” as was the case in *Nestlé*.<sup>118</sup> The Advocate General recalled that the Court’s own description of the aim of the grounds in (ex)Art.3(1)(e) speaks of concerns that the exclusivity inherent in trade mark rights would “limit the possibility of competitors supplying a product incorporating [a technical] function *or at least limit their freedom of choice in regard to the technical solution they wish to adopt in order to incorporate such as function in their*

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<sup>114</sup> Case C-30/15, *Simba Toys v. Seven Towns*, 2016 E.C.R. I-849 (Opinion of AG Szpunar, at ¶ 95).

<sup>115</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604 (Opinion of AG Wathelet, at ¶ 75); *Id.* (¶ 67).

<sup>116</sup> Apostolos Chronopolous, *De Jure Functionality of Shapes Driven by Technical Considerations in Manufacturing Methods*, 3 IP QUARTERLY 286, 289-291 (2017) (explaining the efficiencies of this moulding process that Nestle uses for its Kit Kat four-finger chocolate bar).

<sup>117</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604 (¶ 55); *Id.* (¶ 56) (In support of this narrow view, the CJEU further noted that the manufacturing method is not decisive to the assessment of the essential functional characteristics of a product shape).

<sup>118</sup> *Société des Produits Nestlé SA v. Cadbury UK*, 2015 E.C.R. I-604 (Opinion of AG Wathelet, at ¶ 75).

*product*.”<sup>119</sup> In his view, the conjunction “or” implies that utilitarian functionality covers two distinct situations, the latter of which paraphrases “manufacturing process.”<sup>120</sup> There is support amongst European scholars for this teleological argument. For some scholars, the term “technical result” may include “different types of technical results including manufacturing efficiencies.”<sup>121</sup> A purposive interpretation that excludes shapes that are associated with a specific manufacturing method is, apart from being teleologically justified, within the textual limits of the provision.<sup>122</sup> To support their purposive arguments, European scholars draw attention to US law, which “explicitly takes into account the effect of trade dress protection on the practice of unpatented manufacturing processes within the context of functionality analysis.”<sup>123</sup> Indeed, under US law, a product feature is functional and cannot serve as a trade mark “if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.”<sup>124</sup> In particular, a functional feature affects the cost or quality of the article where “it permits the article to be manufactured at a lower cost” or “constitutes an improvement in the operation of the goods.”<sup>125</sup> Therefore, if the overriding aim of EU functionality is to preserve the absolute freedom of competitors, it is then hard to see why “technical result” cannot cover shapes that are closely associated with a manufacturing process that is the superior method for producing the relevant goods, as was the case with the Kit Kat chocolate bar.

### *C. Shape (or Another Characteristic) that Adds Substantial Value to the Goods*

This criterion has been described as “arbitrary and difficult to apply,”<sup>126</sup> having the same sort of “over-breadth problem”<sup>127</sup> as the *Pagliari* approach to aesthetic functionality. In a recent Opinion, AG Szpunar put it bluntly by complaining that it “is not worded clearly,” largely due to a lack of uniform views as to its true meaning and purpose.<sup>128</sup> Indeed, it raises difficult questions of interpretation such as what is the “value” prohibited, which assessment criteria render the value “substantial,” and

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<sup>119</sup> *Id.* (Opinion of AG Wathelet, at ¶ 76) (AG Opinion’s own emphasis).

<sup>120</sup> *Id.* (Opinion of AG Wathelet, at ¶ 77).

<sup>121</sup> Apostolos Chronopolous, *supra* note 116, at 297.

<sup>122</sup> *Id.*

<sup>123</sup> *Id.* at 296 (discussing the *Morton-Norwich* factors for determining utilitarian functionality, one of which specifically asks whether ‘a particular design results from a comparatively simple or cheap method of manufacturing the article.’).

<sup>124</sup> *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 28 (2001) (*quoting* *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U. S. 844, 850, n. 10 (1982)).

<sup>125</sup> *Christian Louboutin v. Yves Saint Laurent America Holding, Inc.*, 696 F.3d 206, 219 (2<sup>nd</sup> Cir. 2012).

<sup>126</sup> Charles Gielen, *Substantial Value Rule: How It Came into Being And Why It Should Be Abolished*, 3 EUR. INTELL. PROP. REV. 164, 168 (2014).

<sup>127</sup> Justin Hughes, *Non-Traditional Trade Marks and the Dilemma of Aesthetic Functionality*, in *THE PROTECTION OF NON-TRADITIONAL MARKS: CRITICAL PERSPECTIVES* 107, 111 (Irene Calboli & Martin Senftleben eds., Oxford Univ. Press 2018). *See also*, Justin Hughes, *Cognitive and Aesthetic Functionality in Trade Mark Law*, 36 CARDOZO L. REV. 1227 (2015).

<sup>128</sup> *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 69) (outlining the opposite views that originated in German case-law and scholarship, and in the case-law of the EUIPO).

what is the importance of consumer perspective expressed in consumer needs/preferences.<sup>129</sup> Many have questioned its unclear rationale calling for its abolition or amendment.<sup>130</sup> Nonetheless, in the wake of the 2015 legislative revision, these hostile opinions went unheeded as EU policy-makers tacitly approved its important role within the trade mark system. Prior to *Hauck*, the teleological premise widely adopted was that this criterion (also described as “aesthetic functionality”) seeks to demarcate trade mark protection and the protection offered by other time-limited IP rights such as copyright and designs. However, this widely-held view resulted in different interpretative approaches. While one purposive interpretation treated the criterion as solely applying to works of art and applied art which permits the registration of product shapes that could *also* perform a utilitarian function (i.e. the design of a chair or an armchair), another purposive view argued that a finding that the shape gives substantial value to the goods does not preclude other characteristics (i.e. technical qualities of a loudspeaker) from *also* adding substantial value to those goods.<sup>131</sup> For the latter view, the fact that a product performs a decorative as well as a practical function does not automatically rule out the possibility of applying the criterion. Underlying this more inclusive view is a recognition that product features may perform multiple functions; apart from their practical function, they can also satisfy other consumer needs.<sup>132</sup> In *Hauck*, the AG Opinion proposed adopting the more inclusive purposive interpretation as this permits the overriding aim of the statutory provision to be fulfilled, namely to prevent the misuse of trade mark law exclusively for purposes which other IP regimes serve to attain.<sup>133</sup> More broadly, to prevent the registration of non-functional aesthetic features that are essential for effective competition in the relevant market in the sense that consumers may seek them in the products of competitors.

The CJEU ruling in *Hauck* closely follows the Opinion of its AG. According to the ruling, the concept of “shape which gives substantial value to the goods” cannot “be limited 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.”<sup>134</sup> This goes beyond what was argued before, i.e. that the criterion’s rationale serves to demarcate between design, copyright and trademarks, and affirms “the competition *leitmotiv*” within all three functionality criteria.<sup>135</sup> According to this view, an artefact may be protected under different rights without much ado *as long as* it satisfies specific protection criteria, which are underpinned with “an aligned supra-rationale, i.e. ensuring

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<sup>129</sup> The London Taxi Co v. Frazer-Nash Research Ltd [2017] EWCA (Civ) 1729 [76] (Eng.) (Floyd LJ identifying some difficulties).

<sup>130</sup> Charles Gielen, *supra* note 126, at 167; MAX PLANK INSTITUTE, *Study on the Overall Functioning of the European Trade Mark System*, § 2.34 (2011) [http://ec.europa.eu/internal\\_market/indprop/docs/tm/20110308\\_allensbach-study\\_en.pdf](http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf).

<sup>131</sup> *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶¶ 72-77).

<sup>132</sup> *Id.* (Opinion of AG Szpunar, at ¶ 85).

<sup>133</sup> *Id.* (Opinion of AG Szpunar, at ¶ 79).

<sup>134</sup> *Id.* (¶ 32).

<sup>135</sup> Uma Suthersanen, *Excluding Designs (and Shape Marks): Where Is the EU Court of Justice Going?*, 50 INT’L REV. INTELL. PROP. & COMPETITION L. 157, 159 (2019).

protection under these regimes does not restrict market freedom and competition.”<sup>136</sup> This permanent exclusion may thus cover out-of-copyright artworks (i.e. visual works and sculptures)<sup>137</sup> and certain collector’s items<sup>138</sup> but this is not the only situation envisaged. It also extends to “all other practical objects in respect of which design is one of the fundamental elements which determine their attractiveness, and thus the market success of the goods concerned.”<sup>139</sup> Obvious examples are jewelry or fine cutlery but also products in relation to which the external aesthetics of the shape play an essential role in a certain segment of the market, i.e. designer furniture and certain designer goods.<sup>140</sup> In *Hauck*, the shape of the Tripp-Trapp children’s chair was found to give significant aesthetic value in addition to having other characteristics (safety, comfort and reliability), which gave it essential functional value.<sup>141</sup> The ruling therefore offered an interpretation of a “blended shape,” i.e. one with “several characteristics.” As regards the relevance of the motive(s) underlying the target public’s decision to purchase the shape, the CJEU simply repeated what it had already established in *Lego*, namely *how* the target public perceives the product shape cannot constitute a decisive element.<sup>142</sup> The perspective of consumer motivation/need is merely one of several factors in identifying the “value” that the shape confers upon the goods. Therefore, in addition to consumer perception, the CJEU went on to endorse other criteria proposed in the Opinion of the AG for determining whether the aesthetic value of a shape becomes “substantial” and thus ineligible for registration.<sup>143</sup>

*Hauck* undoubtedly represents an expansion of the criteria for applying the legal test of aesthetic functionality under (ex-) Art.3(1)(e)(iii). The ruling nonetheless leaves several important questions answered. Firstly, the CJEU did not articulate a positive definition of the “shape that gives substantial value to the goods” concept. Nor did it define what type of “value” tribunals must look for in the shape. Is it “monetary” value or some other quality? Is it the “value” derived from the proprietor’s reputation, or is it the intrinsic value of the design alone irrespective of

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<sup>136</sup> *Id.* at 160.

<sup>137</sup> Case E-5/16, Municipality of Oslo v. Norwegian Board of Appeal for Industrial Property Rights, 2017 E.F.T.A. 6<sup>th</sup> April 2017, (unreported) <https://eftacourt.int/download/5-16-judgment/?wpdmdl=1649>. For comment on this dispute, see European Copyright Society, *Trade Mark Protection for Public Domain Works: A Comment on the Request for an Advisory Opinion of the EFTA Court: Case E-5/16 –Norwegian Board of Appeal for Industrial Property Rights –Appeal from the Municipality of Oslo*, 9 EUR. INTEL. PROP. REV. 535 (2017).

<sup>138</sup> *Bacardi & Co v. Occhi Blu Foundation*, Case R-1313/2012-1, 2<sup>nd</sup> Board of Appeal, OFF. HARMONIZATION INTERNAL MKT. ¶ 17 (unreported) (diamond-shaped bottle for alcoholic beverages).

<sup>139</sup> *Hauck GmbH & Co. KG v. Stokke A/S*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 81).

<sup>140</sup> *Id.* (Opinion of AG Szpunar, at ¶¶ 82-85). Under this CJEU’s interpretation, this value-conferring criterion may also cover motor car shapes (see, *The London Taxi Co v. Frazer-Nash Research Ltd* [2017] EWCA (Civ) 1729 [73] (Eng.)) and the shape of a loudspeaker (see Case T-508/08, *Bang & Olufsen v. OHIM*, 2011 E.C.R. II-575).

<sup>141</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (¶ 29)

<sup>142</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (¶ 34) (Consumer perception may, at most, be a relevant criterion in identifying the essential characteristic of the sign.).

<sup>143</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (¶ 35) (the nature of the category of goods concerned, the artistic value of the shape in question, its dissimilarity from other shapes in common use on the market concerned, a substantial price difference in relation to similar products, and the development of a promotion strategy which focuses on accentuating the aesthetic characteristics of the product in question.).

brand reputation? If so, how are tribunals to separate one from the other? There are references to “attractiveness,” “appeal” and “aesthetic qualities” as strongly influencing consumer’s decision to purchase and thus as proxies for increasing the economic “value” of the goods in the Opinion of AG Szpunar.<sup>144</sup> This dangerously echoes *Pagliari*’s “important ingredient” test of aesthetic functionality widely criticized in US law.<sup>145</sup> Secondly, the CJEU is ambivalent about the relevance of consumer preferences and consumer needs in determining whether a shape mark confers substantial value to the goods. Is it a purely objective test? These uncertainties are deeply problematic, not least because the Court endorsed the AG view’s that objects are capable of fulfilling multiple *consumer needs* in addition to their practical functions.<sup>146</sup> This recognition served as basis for not disapplying the exclusion when the object performs a decorative as well as a practical function. Consumer motivation/preferences therefore *do* have a far greater role in aesthetic functionality than the CJEU is prepared to acknowledge. In *Hauck*, the AG highlighted that consumer perception might be of greater relevance in aesthetic functionality than in cases of utilitarian functionality, beyond merely identifying the essential characteristics of the shape.<sup>147</sup> In what specific circumstances he did not elaborate. Nonetheless, he went on to add an important qualification that nudges European aesthetic functionality away from *Pagliari*. In his Opinion, the substantial value assessments must consider consumer perception in a much broader context. In particular, the need to consider also “the economic effects which will result from reserving the sign concerned to a single undertaking” in order to answer the criterion’s ultimate question, i.e. “whether or not registration[] will have a negative impact on the placing of competing goods on the market.”<sup>148</sup>

#### IV. PART III: TOWARDS AN EVOLVING APPROACH TO FUNCTIONALITY?

The opportunity to discuss further the relevance of consumer perception when excluding protection of shapes for adding substantial value to the goods arose in *Louboutin*. As stated above, in a brief decision the CJEU rejected the proposed interpretation in the two Opinions of AG Szpunar, ruling that “a sign consisting of a colour applied to the sole of a high-heeled shoe [such as the Louboutin mark], does not consist exclusively of a ‘shape’ within the meaning of [(ex-)Art.3(1)(e)(iii) Directive].”<sup>149</sup> The question arose because the restrictive wording of this provision permits functionality exclusions only for “shape,” and it was unclear whether “shape” is limited to 3D properties of products or can also include *other* non-3D properties

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<sup>144</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶¶ 80, 81, 84, 85).

<sup>145</sup> *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 340 (7<sup>th</sup> Cir, 1985); *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76, 79 (2<sup>nd</sup> Cir, 1990) (citing cases).

<sup>146</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (¶ 31).

<sup>147</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, ¶ 92).

<sup>148</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, ¶ 89).

<sup>149</sup> *Christian Louboutin v. Van Haren Schoenen BV*, 2018 E.C.R. I-423 (¶ 27). The CJEU appears to consider the description attached by Louboutin when filing for registration as highly relevant for its decision. However, this is incompatible with the much broader views it adopted in *Pi-Design* and *Simba Toys*.

such as colour.<sup>150</sup> In stark contrast to US law that requires non-functionality of *all* types of trade dress marks, European tribunals have to engage in this sort of mental gymnastics which the new wording of Art.4(1)(e) (recast) Directive arguably addresses. In both Opinions, AG Szpunar argued for a more flexible interpretation of the undefined concept of “shape” in order to classify the Louboutin red sole mark as one consisting of “the shape of the goods and seeking protection for a colour in relation to that shape, rather than one consisting of a colour *per se*.”<sup>151</sup> The suggested interpretation would permit applying an aesthetic functionality examination to a mark combining colour and shape (i.e. the Louboutin mark). AG Szpunar considered several issues for adopting a teleological rather than a literal interpretation of the aesthetic functionality criterion, but his discussion of the “dynamic” nature of consumer aesthetic preferences merits close consideration. According to the AG, there is an important distinction among the types of functionality prohibited in (ex-)Art.3(1)(e). While functionality excluding natural and technical shapes “relates to characteristics which have been pre-determined with lasting effect, namely those which exist by virtue of the goods themselves,”<sup>152</sup> functionality excluding value-adding shapes would “relate to [aesthetic] characteristics which are dependent on external factors”<sup>153</sup> and in particular evolving consumer preferences. In the case of utilitarian shapes, for example, the public’s perception of the goods is incapable of altering that state of affairs even when alternative shapes may achieve the same technical result.<sup>154</sup> In contrast, when it comes to the “substantial value” criterion, its proper rationale allows “a characteristic to remain available for all market participants over the period during which that characteristic has a particular effect on the value of the goods.”<sup>155</sup> However, “from the point at which that is no longer the case—inter alia . . . because the public’s preferences have changed and that characteristic is no longer sought and valued by the public”—the proposed shape mark would no longer potentially be rejected for being aesthetically functional.<sup>156</sup>

The AG accepted Louboutin’s arguments that, at least within the aesthetic field, there is no need to keep aesthetic characteristics that give substantial value to the goods available on a permanent basis because public preferences may change in line with fashion trends. This “evolutionary interpretation”<sup>157</sup> of aesthetic functionality acknowledges that “[aesthetic] characteristics do not have a sufficiently long economic lifetime to justify [permanent] protection”<sup>158</sup> and, where they no longer confer a strong competitive advantage upon one trader, a trade dress mark like that of Louboutin red sole should not be rejected under this provision. Consequently, an evolutionary interpretation of the EU doctrine of aesthetic functionality offers the

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<sup>150</sup> *Christian Louboutin v. Van Haren Shoenen BV*, 2018 E.C.R. I-423 (¶ 17).

<sup>151</sup> *Id.* (Opinion of AG Szpunar, First Opinion at ¶ 22, and Second Opinion ¶ 11).

<sup>152</sup> *Id.* (Second Opinion of AG Szpunar, at ¶ 50).

<sup>153</sup> *Id.* (Second Opinion of AG Szpunar, at ¶ 52).

<sup>154</sup> *Id.* (Second Opinion of AG Szpunar, at ¶ 50).

<sup>155</sup> *Id.* (Second Opinion of AG Szpunar, at ¶ 51).

<sup>156</sup> *Christian Louboutin*, 2018 E.C.R. I-423 (Second Opinion of AG Szpunar, at ¶ 51).

<sup>157</sup> Eleonora Rosatti, *AG Szpunar Confirms That There Is a Way Out of Invalidation for the Louboutin Red Sole Trade Mark*, 13 J. INTELL. PROP. L. REV. 518, 520 (2018).

<sup>158</sup> *Christian Louboutin*, 2018 E.C.R. I-423 (Second Opinion of AG Szpunar, at ¶ 46) (reporting Louboutin’s argument, which was similar to that of the German Government at the hearing.).

advantage of permitting registration where the initial aesthetic appeal becomes secondary to the source identification subsequently developed by the owner; thus, brand reputation becomes the conclusive factor for consumers' choice of the product, not the design itself.<sup>159</sup> There is support in academic literature for the AG's dynamic approach to consumer preferences for functionality. According to its supporters, it avoids the perceived harshness of permanently foreclosing the option of trade mark protection where consumer demand for the shape is no longer due to its intrinsic appeal but its strong reputation as a result of successful branding efforts.<sup>160</sup> This perceived harshness is also shared in US quarters.<sup>161</sup> A common example of these harsh consequences is the CJEU's ruling that the stitch pattern mark widely used by G-Star in the marketing of its famous Elwood design trousers still infringed the substantial value criterion where the design's popularity no longer derived from the shape itself but was largely attributed to consumers recognizing the shape as a G-Star product.<sup>162</sup> In *Benetton*, G-Star sought to prevent competitor Benetton selling trousers with similar distinctive stitching but Benetton raised functionality as a ground for revocation. In affirming *Remington*, the CJEU rejected the suggestion that a shape that at first added substantial value to the goods contrary to (ex-)Art.3(1)(e)(iii) might nevertheless be protected where, prior to the registration, consumers' desire for stitch-patterned jeans came largely from familiarity with the shape that G-Star made famous.<sup>163</sup>

Some regard *Benetton* as formally correct but at the same time, as "a policy-blind execution of black-letter law."<sup>164</sup> Kur complained that the criterion poses a problematic dilemma, namely if a shape is aesthetically appealing but also serves a source-related function and consumers purchase the branded product *precisely* for that reason then there is no longer any basis for claiming that its aesthetic appearance determines the substantial value of the product.<sup>165</sup> She argued that a strict application of the criterion leads to flawed results for another reason. Writing presciently prior to *Hauck* and *Louboutin*, Kur also identified a distinction between the different functionality criteria and stressed that consumer behaviour to buy the product under the substantial value criterion entails subjective evaluations that "make[] it a moving target—more often than not, such evaluations are bound to

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<sup>159</sup> Lavinia Brancusi, *Trade Marks' Functionality in EU Law: Expected New Trends After the Louboutin Case*, 2 EUR. INTELL. PROP. REV. 98,104 (2019).

<sup>160</sup> Annette Kur, *Too Pretty to Protect? Trade Mark Law and The Enigma of Aesthetic Functionality*, (Max Planck Inst. for Intell. Prop. & Competition L., Research Paper Series No. 11-16, 2011), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1935289](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1935289). See also, Annette Kur, *Too Common, Too Splendid, or "Just Right"? Trade Mark Protection for Product Shapes in the Light of the CJEU's Case-Law?*, (Max Planck Inst. for Intell. Prop. & Competition L., Research Paper Series No. 14-17, 2014), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2526124](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2526124).

<sup>161</sup> Mark McKenna, *(Dis) Functionality*, 48 HOUS. L. REV 823, 854 (2011) (observing that one of explanation for US courts' greater reticence about aesthetic functionality is that its consequences seem too harsh.).

<sup>162</sup> Case C-371/06, *Benetton Group SpA v. G-Star Int BV*, 2007 E.C.R. 542 (the shape marks consisted of an oval kneepad and two lines of sloping stitching from hip height to crotch height.).

<sup>163</sup> *Id.* (¶ 28).

<sup>164</sup> Annette Kur, *Too Pretty to Protect? Trade Mark Law and The Enigma of Aesthetic Functionality*, 21 (Max Planck Inst. for Intell. Prop. & Competition L., Research Paper Series No. 11-16, 2011), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1935289](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1935289).

<sup>165</sup> *Id.* at 15.

change with time.”<sup>166</sup> Others also endorse utmost caution and advocate including a “time factor” in *all* functional exclusions, which “may change the status of certain product characteristics over the years” as well as consumer expectations.<sup>167</sup> For other European commentators, however, “aspects such as beauty, prettiness or decorative aspects do not relate to functional characteristics of products” and there is therefore no compelling need for competitors to use a design like the Elwood jeans.<sup>168</sup>

It is beyond the scope of this article to scrutinize these arguments properly but suffice to state the following. Firstly, *Hauck* rejected a purely subjective consumer-based assessment of the substantial value exclusion in favor of “fundamentally objective facts,” which demonstrate that exclusivity over a product shape to a single trader hinders the ability of others to place competing goods and distorts competition on the market concerned.<sup>169</sup> US courts also conduct a “highly fact-specific” enquiry in aesthetic functionality cases, acknowledging that “aesthetic function and branding success can sometimes be difficult to distinguish.”<sup>170</sup> Secondly, functionality is not the opposite of source indication. US scholars argue that “aesthetic functionality cases frequently involve features that have both source-related and non-source-related significance” and this “dual significance” makes it difficult to know whether “the feature is either functional, on the one hand, or has source significance, on the other.”<sup>171</sup> It is nonetheless possible for product features to have secondary meaning *and* still be “competitively necessary in at least some context.”<sup>172</sup> Thirdly, US courts have long acknowledged that beauty *is* a form of function.<sup>173</sup> Some scholars thus question “the near uniform sense that aesthetic features generally are not competitively necessary,”<sup>174</sup> and even the most ardent critics of functionality acknowledge that “product market competition can be impaired by protecting aesthetic trade dress just as much as it can by protecting utilitarian trade dress.”<sup>175</sup> Fourthly, recent US scholarship backs up the AG’s proposal for adjusting the analytical framework for aesthetically functional features because of “the subjectivity

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<sup>166</sup> *Id.* at 18.

<sup>167</sup> Lavinia Brancusi, *Trade Marks’ Functionality in EU Law: Expected New Trends After the Louboutin Case*, 2 EUR. INTELL. PROP. REV. 98, 104-105 (2019).

<sup>168</sup> Charles Gielen, *Substantial Value Rule: How It Came into Being And Why It Should Be Abolished*, 3 EUR. INTELL. PROP. REV. 164, 167 (2014).

<sup>169</sup> *Hauck GmbH & Co. KG*, 2014 E.C.R. I-2233 (Opinion of AG Szpunar, at ¶ 93) (which the CJEU endorsed at ¶ 35).

<sup>170</sup> *Christian Louboutin S.A. v. Yves Saint Laurent America Holding Inc.*, 696 F.3d 206, 222 (2d Cir. 2012) (This requires balancing the claimant’s right to enjoy the benefits of source significance against the public’s right to competitive markets.).

<sup>171</sup> Mark McKenna, *(Dis) Functionality*, 48 HOUS. L. REV. 823, 855 (2011).

<sup>172</sup> *Id.*

<sup>173</sup> *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 343 (7th Cir. 1985). *See also*, *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 860 (7th Cir. 2010) (“Fashion is a form of function.”) (Easterbrook, J.); *Eco Manufacturing LLC v. Honeywell Int’l. Inc.*, 357 F.3d 649, 654 (7th Cir. 2004) (“Aesthetic appeal *can* be functional; often we value products for their looks.”).

<sup>174</sup> Mark McKenna, *(Dis)Functionality*, 48 HOUS. L. REV. 823, 846 (2011) (critiquing McCarthy’s views on aesthetic functionality, which are cited with approval by Charles Gielen, *supra* note 154, at 169)

<sup>175</sup> Robert Bone, *Trade Mark Functionality Re-Examined*, 7 J. LEGAL ANALYSIS 1, 56 (2015). *See also*, William McGeverman & Mark McKenna, *Confusion Isn’t Everything*, 89 NOTRE DAME L. REV. 253, 281 (2013).

and heterogeneity of aesthetic preference” among consumers.<sup>176</sup> However, this scholarship offers a more nuanced view of consumer tastes than that articulated by Kur, Brancusi and AG Szpunar. Justin Hughes argues that US “aesthetic” functionality cases are actually about cognitive or psychological responses in consumers, not aesthetics *per se*.<sup>177</sup> Such cognitive and psychological consumer responses are based “either on evolution or deeply rooted acculturation that may or may not be ‘aesthetic.’”<sup>178</sup> Courts should thus ask whether the aesthetic appeal of the claimed feature arises from *pre-existing* consumer biases *or* whether the preference arises from activities of the owner. Positive consumer responses to certain colours are usually the result of evolution or acculturation before (and regardless of) any branding efforts by the owner.<sup>179</sup> The focus on pre-existing aesthetic propensities enables Hughes to claim that courts should only find aesthetic functionality “when the product feature at issue triggers a positive cognitive, psychological, or aesthetic response among a substantial composite of the relevant consumers *and* that response predates the . . . owner’s activities.”<sup>180</sup> One (hypothetical) example of a feature that was once mechanically functional but became purely stylistic is the Lincoln Mark car boot hump.<sup>181</sup> Its aesthetic cue for luxury among American drivers is the creation of Ford Company’s marketing efforts; this consumer response should *not* be the basis for aesthetic functionality. Nonetheless, arguments about the potential for “technological change” to render ornamental what was once functional are not new.<sup>182</sup>

Features triggering pre-existing consumer disposition should remain free for all *despite* the dynamic nature of fashion trends. Indeed, in the fashion industry, “products and consumer taste are cyclical in nature.”<sup>183</sup> Some critique the *Hauck* substantial value factors for being temporary in nature (i.e. pricing and marketing campaigns) even though the ban is permanent.<sup>184</sup> What is strikingly missing in these critiques is the need for a more contextualized market-orientated examination that considers *both* industry practices and competitive necessity. That is, a crucial part of aesthetic functionality is played by evidence of whether competition in the specific industry is largely driven by visual appeal and the significant impact that protection

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<sup>176</sup> Robert Bone, *Trade Mark Functionality Re-examined*, 7 J. LEGAL ANALYSIS 1, 56 (2015) (also identifying the close connection between aesthetic value and source identification as a tricky aspect of aesthetic functionality); *See also*, Justin Hughes, *Non-Traditional Trade Marks and the Dilemma of Aesthetic Functionality*, *supra* note 127, at 115; Justin Hughes, *Cognitive and Aesthetic Functionality in Trade Mark Law*, 36 CARDOZO L. REV. 1227, 1248 (2015) (“‘Heterogeneity’ is certainly a characteristic—a fundamental characteristic of aesthetic preferences overall . . .”).

<sup>177</sup> Justin Hughes, *Cognitive and Aesthetic Functionality in Trade Mark Law*, 36 CARDOZO L. REV. 1227, 1230 (2015).

<sup>178</sup> *Id.* at 1248.

<sup>179</sup> *Id.* at 1253 (reviewing US case-law).

<sup>180</sup> *Id.* at 1230.

<sup>181</sup> *Id.* at 1274-1279 (offering further examples from actual US cases).

<sup>182</sup> *Eco Manufacturing LLC v. Honeywell Int’l. Inc.*, 357 F.3d 649, 653 (7th Cir. 2004) (accepting that claimant’s round dial for thermostats, which was once patented, might lose its utilitarian significance with the passage of time). It can also go the opposite way: what was intended to be ornamental might turn out to be utilitarian; *See Leapers Inc. v. SMTS, LLC*, 879 F.3d 731, 737 (6th Cir. 2018) (offering the example of a new windshield).

<sup>183</sup> Uma Suthersanen, *Function, Art and Fashion: Do We Need the EU Design Law?*, in *CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY* 355, 378 (Christopher Geiger ed., 2013).

<sup>184</sup> ANNETTE KUR & MARTIN SEFTLEBEN, *EUROPEAN TRADE MARK LAW, A COMMENTARY* 169 (2017).

may have upon the availability of acceptable alternatives.<sup>185</sup> That evidence must come from claimants, not tribunals. More importantly, it is highly questionable that the CJEU should adopt a permissible approach to the rationale of keeping functional signs free for all, especially when word marks, logos and labels remain available to distinguish products such as G-Star jeans, Lego toy-bricks, Louboutin shoes, and Tripp-Trapp chairs.

## V. CONCLUSION

The EU functionality doctrine remains highly controversial. It has gone from being a rarely used and obscure provision to being the primary tool for preventing socially unacceptable monopolies and preserving market freedom. Despite calls for reducing its scope, legislative reforms have endowed functionality with a far greater role in enhancing competition. The EU legislature however failed to articulate the policies and normative content that should guide any functionality analysis. The CJEU has been active in providing guidance by second-guessing the legislative intent in the light of the Common Market. Its case-law around functionality is gradually becoming more settled but it has yet to offer a more principled approach to some of the statutory provisions such as utilitarian and aesthetic functionality. In its pronouncements, however, the Court makes it clear that functionality *is* a truly European doctrine, and is not merely anti-accumulation measure.

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<sup>185</sup> Leapers Inc. v. SMTS, LLC, 879 F.3d 731, 739-740 (adopting this market-orientated approach.)