

Note to Colloquium participants: this is very much a working draft for discussion. The paper was originally being drafted as a contribution to a proposed collection of essays on the protection of non-traditional marks under U.K and European law, but I am now seeking to draw some broader conceptual lessons from the case law that I would have analysed in that Chapter. The detailed parsing of the UK and EU law that would have been covered in the Chapter remains in this draft, but the conceptual lessons are presently somewhat bare-boned, tentative and a trifle random (and lacking full footnotes). I look forward to our discussion, which I hope can connect to some of the themes of the Colloquium and will help move my thinking forward. Thanks. Graeme. PS Apologies for any alternation between British and American spellings; still transitioning back.

NON-TRADITIONAL MARKS IN EUROPE: CONCEPTUAL LESSONS FROM THEIR APPARENT DEMISE?

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The adoption of the European Trade Mark Directive in 1989 represented an endorsement of a broad conception of trade mark subject matter.¹ Under that Directive, whether a sign could potentially be registered as a trade mark was formally defined as much by the capacity of that individual sign to identify the source of a product—by its distinctiveness—as by its ontological status.² This approach was very much in line with developments elsewhere around that time; 1992 probably represents the high-water mark for protection of non-traditional marks in the United States,³ and the TRIPS Agreement followed two years later with a set of provisions that likewise embraced an open-ended approach to what could be registered as a trade mark.⁴ And from 1996 this liberal vision applied not only under national laws in Europe, but also at the EU level as the same approach was embodied in the Regulation creating unitary EU-wide trade mark registrations (so-called Community Trade Marks, since renamed European Union Trade Marks).⁵ For several

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¹ See First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks, 1990 O.J. (L 40) 1, art. 2 (“1989 Trade Mark Directive”). See generally Annette Kur, Harmonization of Trademark Laws in Europe, 28 I.I.C. 1 (1997). Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008, 2008 O.J. (L 299) 25 (the “2008 Trade Mark Directive”), later consolidated and replaced the 1989 Trade Mark Directive and its intervening amendments, without any substantive change on the matters covered in this Chapter. In December 2015, a new Trade Mark Directive was adopted, amending some of the 2008 Directive in important respects. See Directive (EU) 2015/2436 to approximate the laws of the Members States relating to trade marks, O.J. (L 336/1) (23 December 2015) (“2015 Trade Mark Directive”).

² Cf. *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 163-64 (1995); Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 Iowa L. Rev. 611 (1999).

³ See *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); see also Graeme B. Dinwoodie, *Reconceptualizing the Inherent Distinctiveness of Product Design Trade Dress*, 75 North Carolina L. Rev. 471 (1997).

⁴ Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Results of The Uruguay Round, vol. 31, 33 I.L.M. 1197 (1994), art. 15.

⁵ See Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, O.J. L 11/1 (Jan. 14, 1994). The 1994 Regulation was subsequently re-enacted in amended form in Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, O.J. L 78/1 (Mar. 24, 2009) (“CTMR”), and the current version of the unitary regulation is now Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June

European countries, including the United Kingdom, this involved a substantial revision of historical resistance to the registration of the shape of goods as trade marks.⁶

In the last four years, however, case law from the Court of Justice and the UK courts has called into question the viability of non-traditional marks, and shape marks in particular, in Europe. The UK case law reflects the skepticism that the UK courts and UK law had shown towards shape marks under pre-Directive law. This is revealed to some extent in the rhetoric used by the UK courts in discussing product shape marks. Mr. Justice Jacob (as he then was) coined the concept of a “limping mark” in the *Philips* case in 1998, where the claimant sought to register the clover-leaf shape of a three-headed shaver.⁷ A “limping mark” is a mark (in that case, the shape of the shaver) that needs the crutch of another mark (there, the word marks on the Philips shaver) in order to be regarded by the public as a source-identifier. In essence, Jacob J was cautious about allowing protection for a shape separate and apart from another mark without which he did not think the shape would be truly distinctive. When the *Philips* case reached the Court of Appeal, the judges were less enamoured of the “limping mark” metaphor.⁸ Despite that, this rhetoric has been part of the recent UK case law retrenching on protection for product shape marks.

This Chapter considers that case law, not only in terms of the future protection of such marks in the European Union, but also for what it says about the conceptual and analytical structure of trade mark law (and its relationship with other forms of intellectual property). In this latter endeavour, the Chapter draws briefly on developments from the United States, and concludes that a more coherent structure would take into account the empirical and normative dimensions of core concepts, and would allow conclusions regarding one concept to inform the application of another. Such an approach would allow trademark law transparently to reflect a broader range of policies and allow for a more nuanced approach to balancing competing concerns.

I. The Challenge of Protecting Non-Traditional Marks

There are good reasons for extending trademark protection to non-traditional marks. If consumers distinguish products and identify their source by reference to their shape or colour, protecting those indicia of source secures the same benefits as flow from protecting conventional marks such as

2017 on the European Union trade mark (codification), O.J. L 154/1 (16 June 2017) (“EUTMR”), reflecting changes made most recently by Regulation (EU) 2015/2424 amending Council Regulation (EC) No 207/2009 on the Community trade marks. See O.J. L 341/21(24 December 2015).

⁶ See Annette Kur, *Yellow Dictionaries, Red Banking Services, Some Candies and a Sitting Bunny: Protection of Colour- and Shape-Marks from a German and European Perspective*, in THE PROTECTION OF NON-TRADITIONAL MARKS: A CRITICAL PERSPECTIVE 89, 89 n.2 (Calboli and Senftleben eds. OUP 2018) (noting pre-Directive position in Germany, Austria, Italy and Greece). This was true also, to a lesser extent, of the containers of goods. As recently as 1986, the UK House of Lords had affirmed the refusal to register the iconic shape of the Co-Cola bottle as a trade mark. See *Coca-Cola Trade Marks* [1986] FSR 472 (HL). Despite this, there were circumstances where the British courts were open to the possibility of protection of such marks under passing off. See, e.g., *Reckitt & Colman Products Limited v Borden Inc.*, [1990] R.P.C. 341 (HL) (lemon-shape of container for lemon juice).

⁷ See *Philips Electronics NV v Remington Consumer Products* [1998] E.T.M.R. 124 (Ch D) (“what we have here is a kind of ‘limping mark’, always used with what is obviously a proper trade mark; it gains support from the ‘crutch’ of another, far stronger trade mark”).

⁸ Lord Justice Aldous noted that the “advertising has in general emphasised the trade mark Philips and the brand name Philishave, but the trade mark has been used. I would not have referred to it as ‘limping’,” whatever that may mean. Its use is better seen as supporting. [A] substantial portion of traders in electrical goods and the public recognise the trade mark as being a representation of the head of the Philips three headed rotary shaver.”

words or logos.⁹ Indeed, if such consumer understanding exists—and in a social climate that places greater reliance on visual stimuli this may be more likely—there are costs to *not* protecting non-traditional marks that identify source; consumers will be confused by rival traders using the same product shapes to identify their goods. Moreover, the attractiveness of non-verbal marks to producers is likely to increase because of the efficiencies that such marks offer in an era of global trade, with the resultant growth of multi-lingual marketplaces.¹⁰ And if protection is warranted, why not registration—a mechanism that enhances certainty and notice and which has historically been tied to the (largely beneficial) economic dynamic of market expansion and extended trade.¹¹

However, registration of non-traditional marks, and in particular marks consisting of the shape of a product, raises a number of concerns for trade mark law. It was not without reason that many national laws had only haltingly moved towards allowing their registration. As a conceptual matter, trade marks had long been seen as something separate and apart from the product, which were affixed to the product simply to identify source. And even if product features might identify source, registering those shapes as trade marks raises concerns for competition that were not implicated by affording exclusive rights with respect to word and figurative marks; an infinite supply of adequate alternative words and logos was thought to exist, which is more questionable for the shape of products.¹² And the potentially perpetual nature of trade mark protection for subject matter that was also protected more directly for finite periods by other forms of intellectual property gave rise to channeling doctrines designed to preclude opportunistic assertion of different intellectual property rights.

The two principal doctrines through which the Court of Justice has sought to reconcile these competing concerns and thus to control what might be seen as the potentially overbroad protection of non-traditional marks has been (1) the requirement that for protection, a mark must be distinctive, and (2) the rule that if a shape is “functional” it cannot be registered (even if distinctive). To be sure, the Court (and its UK counterparts) has relied on other doctrines too, most notably the requirement that a sign be capable of graphic representation in order to be registered,¹³ the (related) refusal to treat as registerable “signs” that are insufficiently certain to give rival traders unambiguous notice of their content,¹⁴ and the rule precluding registration of marks that are

⁹ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, ___ (1992); see also Dinwoodie, *supra* note 3, at ___.

¹⁰ Cf. Carma Gorman, *The Role of Trademark Law in the History of US Visual Identity Design, c.1860–1960*, 30 *Journal of Design History* 371 (2017).

¹¹ See Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law From the Nation-State*, 41 *Hous. L. Rev.* 885 (2004).

¹² Stephen L. Carter, *The Trouble With Trademark*, 99 *Yale L.J.* 759 (1990); William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 *J.L. & Econ.* 265 (1987). In fact, recent studies cast some doubt on the premise of adequate alternative words marks. See Georg Von Graevenitz et al., U.K. Intellectual Prop. Office, *Trade Mark Cluttering: An Exploratory Report* (2012), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2710618; Georg Von Graevenitz et al., U.K. Intellectual Prop. Office, *Cluttering And Non-Use Of Trade Marks In Europe 10* (2015), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/568675/TM_cluttering_report.pdf; see also Barton Beebe & Jeanne C. Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 *HARV. L. REV.* 945 (2018). This might most directly prompt a number of reforms aimed at ameliorating that problem within the realm of word marks. But at the margins it might also affect the ease with which one dismisses the importance of protecting non-word marks, which offer further alternatives.

¹³ See, e.g., *Sieckmann v. Deutsches Patent-und Markenamt* (Case C-273/00) [2003] ETMR 37 (CJEU) (olfactory mark); see also *Red Bull GmbH v. EUIPO* (Joined Cases T-101/15 and T-102/15) (General Court 30 Nov. 2017).

¹⁴ *Dyson Ltd v Registrar of Trade Marks* (Case C-321/03) [2007] ETMR 34 (vacuum cleaner bin); *JW Spear & Son Ltd & Ors v Zynga Inc* [2013] EWCA Civ 1175 (scrabble tiles); *Société Des Produits Nestlé SA v Cadbury UK Ltd*

descriptive (which aims to keep marks free if these might be needed by competitors).¹⁵ But distinctiveness and functionality are the two principal vehicles that the Court has chosen for vindicating concerns about overbroad protection for non-traditional marks. This Chapter focuses on recent case law on each of those points, while commenting favourably in Part IV on the potential for other doctrines to play a more significant role.

II. Background: Pre-2014 Case Law

Marks can be protected on the basis of inherent distinctiveness or acquired distinctiveness (based on use). The Court of Justice has nominally taken the view that assessing whether non-traditional subject matter has come to serve as a trade mark—that is, whether it has come to be distinctive—should involve the same test as applied to conventional subject matter (to which courts sometimes refer as the principle of “equal treatment”).¹⁶ Prior to the mark being used, in determining the *inherent* distinctiveness of marks, that assessment involves what I have called a “predictive inquiry:” are consumers likely to think of the mark as an identifier of source. However, the Court has also recognized that in practice non-traditional marks will not be inherently distinctive because they are less likely to be seen as source-identifiers by consumers.¹⁷ Indeed, reflecting that declared empirical reality, the Court has held that “[o]nly a trade mark which departs significantly from the norm or customs of the sector” will avoid a distinctiveness refusal.¹⁸

[2013] EWCA Civ 1174 (colour of chocolate packaging); Glaxo v Sandoz [2017] EWCA Civ 335 (colour of medical device).

¹⁵ Cf. *Libertel Group BV v Benelux-Merkenbureau* (Case C-104/01), [2003] E.T.M.R. 63. Under EU law, the question of distinctiveness is formally assessed separately from descriptiveness, even though the two questions inevitably overlap. Cf. *Starbucks (HK) Ltd v. British Sky Broadcasting Group plc*, [2013] EWCA Civ 1465 at [8]-[9] (Mummery LJ) (discussing the line between marks that are descriptive and those that are distinctive). Descriptive marks will not be distinctive. The distinctiveness objection is, however, broader than that of descriptiveness; even marks that are not descriptive may fail the distinctiveness analysis. In contrast, under U.S. law descriptiveness is subsumed within the distinctiveness inquiry. See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). As a result, distinctiveness doctrine in the US encompasses concern for both public interests that are separately dealt with by the lack of distinctiveness and the descriptiveness exclusion in the European Union. Cf. *Dinwoodie*, supra note 3, at 500 (discussing the two “lenses” of consumer association and competitive effects through which distinctiveness is assessed in U.S. law). [Note: maybe less overt normativity in US distinctiveness analysis than EU given greater emphasis on use in US??]

¹⁶ See *Henkel v OHIM* (C-456/01), [2005] E.T.M.R. 44 at [38] (ECJ 2004) (“the criteria for assessing the distinctive character of three-dimensional shape-of-products marks are no different from those applicable to other categories of trade mark”). Likewise, even though shape marks alone are subject to functionality provisions (discussed below) designed to ensure that other traders have access to marks that are necessary to competition, the Court has stressed that non-conventional marks must also be considered under the descriptiveness objection (which implements the public interest in the availability of marks for competitors). The only formal analytical difference that the Court has been willing to countenance is that in the assessment of the distinctiveness of colours, the Court has been open to consider questions of competition. See *Libertel Group BV v Benelux-Merkenbureau* (Case C-104/01), [2003] E.T.M.R. 63. In contrast, with other types of mark, public interest can be considered by courts as regards descriptiveness but not distinctiveness. See *Nichols plc v Registrar of Trade Marks* (Case C-404/02), [2005] 1 W.L.R. 1418 (CJEU 2004).

¹⁷ *Libertel Group BV v Benelux-Merkenbureau* (Case C-104/01), [2003] E.T.M.R. 63 at [66] (“inconceivable [that colour would be distinctive] without prior use save in exceptional circumstances”); *Henkel v OHIM* (C-456/01), [2005] E.T.M.R. 44 at [38] (ECJ 2004) (“average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element and it could therefore prove more difficult to establish distinctiveness in relation to such a three-dimensional mark than in relation to a word or figurative mark”).

¹⁸ *Henkel v OHIM* (C-456/01), [2005] E.T.M.R. 44 at [39] (ECJ 2004); cf. *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A.1977).

Thus, although the Court has as a formal matter endorsed “equal treatment” or ontological neutrality, it has allowed distinctiveness doctrine to acknowledge empirical reality (and perhaps some normative preference), though without imposing a formal *requirement* of secondary meaning on non-traditional marks (as the United States Supreme Court did in 2000).¹⁹ The result is that it is harder (and close to impossible) to prove that non-conventional marks are inherently distinctive,²⁰ and thus the test for acquired distinctiveness becomes even more important in the context of non-traditional marks.²¹

A. Acquired Distinctiveness

Acquired distinctiveness has aptly been called distinctiveness “by nurture”; inherently distinctive marks possess that distinctive by virtue of their “nature,” and thus without use. The doctrinal test for acquired distinctiveness was set early in the jurisprudence of the Court of Justice under the Directive in the *Windsurfing* case. The Court there articulated both the public interest underlying the descriptiveness objection to registration—the need to keep certain marks free for use by competitors—and the circumstances in which that objection could be overcome by acquired distinctiveness. The Court’s test was clearly stated: “If . . . the competent authority finds that the relevant class of persons, or at least a *significant proportion* thereof, *identifies goods as originating from a particular undertaking because of the trade mark*, it must hold” that distinctiveness has been acquired and the initial objection based on a lack of inherent distinctiveness overcome.²²

This test of acquired distinctiveness raises at least two subsidiary issues. First, for what segment of the relevant consumer community must the mark be distinctive? The legal standard announced

¹⁹ See *Wal-Mart Stores, Inc. v. Samara Bros.* 529 U.S. 205 (2000); see also *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159 (1995). Of course, as a practical matter, the nature of the sign does affect the way that the trade mark applicant could be required graphically to represent the mark for which it sought registration, which in turn imposed some ontological restriction. See *Sieckmann v. Deutsches Patent-und Markenamt* (Case C-273/00) [2003] ETMR 37 (CJEU) (smell marks); *Heidelberger Bauchemie* (Case C-49/02) [2004] ECR I-6129 (combination of colours); cf. Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification), O.J. L 154/1 (16 June 2017), art. 4 and recital 10; 2015 Trade Mark Directive, art. 3 and recital 13. And the Court of Justice clearly saw greater concern for anti-competitive claiming practices with respect to non-traditional marks, leading to a further line of restrictive case law around the concept of “sign”. See *Dyson Ltd v Registrar of Trade Marks* (Case C-321/03) [2007] ETMR 34.

²⁰ The Court has extended this approach beyond three dimensional marks to figurative marks consisting of a two-dimensional representation of the product designated as well as some product packaging and even a sign consisting of a design applied to the surface of the product. See *Louis Vuitton Malletier v OHIM* (Case C-97/12 P), [2014] E.T.M.R. 42 (CJEU 2014); *K-Swiss v. OHIM*, Case T-85/13 (GC 2014) at [17]; *P Glaverbel v OHIM* (Case C-445/02) [2004] ECR I-6267; cf. Robert G. Burrell et al., *Three-Dimensional Trade Marks: Should the Directive be Reshaped in 7 Perspectives on Intellectual Property* 139 (N. Dawson & A. Firth eds. 2000) (arguing that packaging raises similar concerns).

²¹ And the EUTM system contains an in-built bias against marks securing registration based on acquired distinctiveness. While this applies to certain word marks, it applies to *all* non-traditional marks. Efforts by the Court of Justice to ameliorate this problem, *Chocoladefabriken Lindt & Sprüngli v OHIM*, C-98/11 P, EU:C:2012:307 at [62] (CJEU 2012) (noting in dicta that it would be unreasonable to require proof of such acquisition for each individual Member State), appear to have had limited success. See *Joined Cases C-84/17 P, C-85/17 P and C-95/17 P, Société des produits Nestlé SA v. Mondelex Holdings UK*, ECLI:EU:C:2018:596 (CJEU 2018); cf. Max Planck Inst. For Intellectual Prop. & Competition Law, *Study on The Overall Functioning of The European Trade Mark System* ¶ 3.74 at 147 (2011) [hereinafter *Max Planck Study*] (proposing that “acquired distinctiveness should be considered to be present if distinctiveness can be shown for the majority of the markets making up the respective territory”).

²² *Windsurfing Chiemsee Produktions v Walter Huber* (Cases C-108/97 & 109/97) [1999] ETMR 585 (CJEU) at [52] (emphasis added).

consistently by the Court of Justice in (and since) *Windsurfing* is clear, even if it leaves plenty of room for dispute on the facts: if a “significant proportion” see the sign as a mark, that is sufficient.

An early (pre-*Windsurfing*) decision from the UK courts interpreting the Directive (*British Sugar*) appeared to require that “the mark has really become accepted by a substantial majority of persons as a trade mark”.²³ But that standard is arguably too stringent and inconsistent with *Windsurfing*, especially if “majority” is understood as connoting a numerical threshold of 50%.²⁴ The Court of Justice has consistently resisted efforts to reduce the test to a purely quantitative assessment by the use of numerical thresholds; indeed, it has chastised national courts who have sought to implement the “significant proportion” test in that manner (especially if such thresholds also appear inconsistent with the Court’s professed ontological neutrality by imposing higher thresholds for non-conventional marks).²⁵ Since the Court of Justice decision in *Windsurfing* the UK courts have thus adopted the language of “substantial proportion” rather than “substantial majority”. But (as discussed below) arguably they have not rejected all of Jacob J’s approach in *British Sugar* in ways that might be relevant to an assessment of the *Nestle* case discussed in Part III of this Chapter.

Second, what type of understanding among those consumers is required to demonstrate acquired distinctiveness? *Windsurfing* spoke of consumers “identifying” goods as originating from a particular undertaking because of the mark. Since then, however, different courts and scholars have described acquired distinctiveness somewhat loosely as a measure of consumer “recognition”, consumer “perception”, consumer “identification” or consumer “association”, without any clear effort to explain how these metrics might differ (if they do). The majority view outside the United Kingdom, also reflected in case law of the Court of Justice and practice of the EUIPO, asked whether the relevant consumers “recognized” or “associated” the mark as pointing to a single source.²⁶ But, as discussed below in Part III, recent UK case law has embraced a stricter standard.

B. Functionality

Since the adoption of the EU trade mark legislation, shape marks that are “functional” have been denied registration.²⁷ Unlike lack of inherent distinctiveness, this defect is not one that can be overcome by proof of acquired distinctiveness.²⁸ The Court of Justice has tackled the functionality

²³ See *British Sugar Plc v. James Robertson & Sons*, [1996] R.P.C. 281, 306 (Jacob J). In *British Sugar*, Jacob J appeared to regard a finding of 60% recognition as insufficient for acquired distinctiveness. See *id.* at ____.

²⁴ See *Fine & Country Ltd v Okotoks Ltd (formerly Spicerhaart Ltd)* [2013] EWCA Civ 672 at [99] (“The *British Sugar* case was, of course, decided before *Windsurfing* . . . In my judgment to some extent it has been overtaken in this respect by subsequent developments in the law. In *Windsurfing* the ECJ rejected the argument that acquired distinctiveness is to be measured by percentages: a significant proportion of the relevant class of person is sufficient”).

²⁵ See *Oberbank AG & Ors v Deutscher Sparkassen und Giroverband (C-217/13 & C-218/13)* [2014] ETMR 56 (CJEU).

²⁶ *Philips Electronics NV v Remington Consumer Products Ltd (C-299/99)* [2002] ETMR 81 at [65] (“extensive use of a sign which consists of the shape of those goods may be sufficient to give the sign a distinctive character for the purposes of Article 3(3) of the Directive in circumstances where, as a result of that use, a substantial proportion of the relevant class of persons *associates that shape with that trader and no other undertaking or believes that goods of that shape come from that trader.*”) (emphasis added).

²⁷ Functionality was addressed in Article 3(1)(e) of the 1989 and 2008 Trade Mark Directives and Article 7(1)(e) of the 1994 and 2009 Regulations.

²⁸ *Philips Electronics NV v Remington Consumer Products Ltd (C-299/99)* [2002] ETMR 81; *Benetton Group SpA v. G-Star Int’l BV (C-371/06)* [2008] ETMR 5. As a result, in a case involving a sign consisting exclusively of the shape of goods, the Court typically first analyzes functionality before considering whether the sign has acquired a

doctrine in a relatively small number of cases. But prior to the two recent cases highlighted in this Chapter (*Hauck* and *Nestle*), a structured framework for analyzing such claims was apparent (if not entirely coherent).

The functionality provision sets out three separate functionality grounds (sometime called the functionality “indents” because of the typographical format of the provision in the first Directive), denying registration to signs which consist exclusively of:

- (i) the shape which results from the nature of the goods themselves;
- (ii) the shape of goods which is necessary to obtain a technical result; or
- (iii) the shape which gives substantial value to the goods.²⁹

The Court of Justice has identified the public interest underlying this provision as “to prevent trade mark law granting an undertaking a monopoly on technical solutions or functional characteristics of a product.”³⁰ Such a monopoly would result in adverse effects on competition. The Court has also recognised the integrity of the patent system as a related concern, noting that “in the system of intellectual property rights developed in the European Union, technical solutions are capable of protection only for a limited period, so that subsequently they may be freely used by all economic operators.”³¹ It is with these dual public purposes in mind that the Court has approached the legislative text.

The first functionality indent (what might be called “natural functionality”) had been thought to have almost no application. The classic example often given of natural functionality was a trader who sought to register the shape of a banana as a trade mark for a banana; this would have been denied.³² But because the courts required that for this exclusion to bite, there could be only one single shape that the goods could take, it almost never applied.

The application of this functionality exclusion is particularly tied to how a court defines “goods” in connection with which a shape is used; the shape of a banana might not be the only possible shape for the product if the goods were defined as “fruit”. Even under the narrow conventional reading of this exclusion, the specification of goods for which the mark is supposedly registered

distinctive character. See *Société des Produits Nestlé SA v Cadbury UK Ltd (KitKat shape)* (C-215/14) [2015] ETMR 50 at [40].

²⁹ Consistent with proposals in the Max Planck Study, the 2015 reforms expanded the scope of the exclusion beyond shapes to “other characteristics”. The amended provisions are now found in Article 4(1)(e) of the 2015 Trade Mark Directive and Article 7(1)(e) of the EUTMR. The EUTMR amendments went into effect in March 2016; the Directive provisions required transposition by January 14, 2019, and UK national law was recently amended to implement the changes as of that date. See *The Trade Marks Regulations 2018 (UK)*, S.I. 2018 No. 825. The 2015 expansion is not central to the discussion in this Chapter, although it might suggest a slightly different emphasis on the competing public interests at stake. See *infra* text accompanying notes ___-___.

³⁰ Case C-48/09P, *Lego v. OHIM* [2010] E.T.M.R. 63 at ¶ 43 (CJEU 2010).

³¹ Case C-48/09P, *Lego v. OHIM* [2010] E.T.M.R. 63 at ¶ 46 (CJEU 2010). Indeed, in recent cases, that preference for intellectual property rights of finite duration has been extended beyond patents. See *Société des Produits Nestlé SA v Cadbury UK Ltd (Kit Kat shape)* (Case C-215/14) [2015] ETMR 50 at [45] (“The aim is to prevent the exclusive and permanent right conferred by a trade mark from serving to extend indefinitely the life of other rights which the EU legislature has sought to make subject to limited periods”).

³² See *Philips Electronics NV v. Remington Consumer Products Ltd* 1999 RPC 809, 820 (Aldous LJ); *OHIM Guidelines Part B Section 4, § 2.5.2* (2013); cf. *Reckitt & Colman Products Limited v Borden Inc.*, [1990] R.P.C. 341 (shape of lemon container for lemon juice).

or used will heavily determine the outcome.³³ As we shall see below, this may be even more important post-*Hauck*.

The second indent (“technical functionality”) was given a more robust reading by the Court of Justice from the outset. Consistent with the US Supreme Court in *TrafFix*, the Court of Justice in *Philips* refused to read the word “necessarily” to mean that the availability of alternative designs would be enough to save a shape from invalidity; it read the term as denoting a causative, not mandatory, relationship between shape and function.³⁴ Moreover, in this context the Court gave most obvious voice to concerns about cumulation. In *Lego* in particular, the presence of a patent on the product whose shape was the subject of the trade mark application suggested a finding of functionality.³⁵

The third indent is the European equivalent of what US courts call “aesthetic functionality” and is drawn from language previously found in Dutch law.³⁶ The Court has struggled to offer clear guidance about the scope of this exclusion. And this may not be surprising given the US experience with aesthetic functionality. The problems started in the *Benetton v. G-Star* judgment where G-Star claimed rights in a particular stitching design that it used on its jeans, and which Benetton copied.³⁷ The Dutch courts referred questions on the meaning of the “substantial value” exclusion. The Court of Justice suggested that the substantial value exclusion applied, even though the intermediate appellate court in Amsterdam had held that “the reputation of the [G Star] trousers was largely attributable not to the aesthetic attractiveness of the shape but to the attractiveness resulting from recognition of the trademark.”³⁸ This is not the type of value or advantage that is meant to be caught by the exclusion, which is well expressed in the language of US doctrine which restricts the aesthetic functionality exclusion to shapes that would confer a substantial “non-reputation related” competitive advantage.³⁹

In large part, the Court’s broad reading of the exclusion flowed from a conflation of the questions referred. The Dutch court had asked not only about the reasons for the shape being attractive to

³³ Mr Justice Jacob (as he then was) was reluctant to give dispositive weight to the specification. See *Philips Elec. BV v. Remington Consumer Prods.* [1998] R.P.C. 283 (Ch. D. 1997) (U.K.) (“Philips suggest that the exclusion is very narrow—something like the shape of an American football for a registration of a trade mark for American footballs. I doubt it can be that narrow, and even that suggestion has difficulties. Suppose the registration was for ‘balls’ and not just American footballs? . . . I do not think one can simply go by the specification of goods . . . I think one must ask what the goods are as a practical business matter. The answer depends on how they are viewed in practice as articles of commerce.”); see also *Unilever plc’s Trade Mark Application* [2002] EWHC 2709 (Jacob J). But the Court of Appeal in *Philips* gave the specification greater weight.

³⁴ See *Philips Electronics NV v Remington Consumer Products Ltd* (C-299/99) [2002] ETMR 8 at [81]-[83]; *Lego Juris v OHIM, Mega Brands* (C-48/09) [2010] ETMR 63; see also Graeme B. Dinwoodie, *Federalized Functionalism: The Future of Design Protection in the European Union*, 24 *AIPLA QJ* 611 (1996) (using that terminology in context of design protection).

³⁵ *Lego*, at [46], [85].

³⁶ Charles Gielen, *Substantial Value Rule: How it Came Into Being and Why It Should be Abolished* [2014] *Eur. Intell. Prop. Rev* 164.

³⁷ *Benetton Group SpA v. G-Star Int’l BV* (Case C-371/06) [2008] ETMR 5

³⁸ *Id.* at [14].

³⁹ See *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159 (1995). UK and EU courts have also recognized this. See *Philips Electronics NV v Remington Consumer Products* [1998] E.T.M.R. 124 (Ch D) (Jacob J); *Christian Louboutin v Van Haren Schoenen BV* (Case C-163/16) (Szpunar AG 22 June 2017) at [72] (“The application of the provision is not justified where the advantage does not result from the intrinsic characteristics of the shape, but from the reputation of the mark or its proprietor. Indeed, the possibility of acquiring such a reputation is an important aspect of the system of competition which trade mark law helps to maintain”).

the public (question 1), but also the relevance of the fact that the attractiveness resulting from recognition of the trademark had arisen prior to the application for registration (Question 2). The Court of Justice was concerned primarily to affirm that acquired distinctiveness could never overcome the application of the aesthetic functionality exclusion. Arguably, in emphasizing the irrelevance of timing, it ignored or misread the context of the Dutch case and failed directly to address the nuance of the first question (and simply assumed that the value of the mark in question fell within the exclusion).

But the language of the judgment appeared to doom the applicant's mark and thus implicitly answer the first question in a way that excluded designs that added value because of their recognition as a mark. And the General Court read the exclusion broadly in that fashion in its subsequent *Bang & Olufsen* case, when the Court denied protection to the shape of the iconic Bang & Olufsen speaker, noting in support of the holding of aesthetic functionality that "the applicant admits that design is an essential element of its branding and increased the appeal of the product."⁴⁰

Bang & Olufsen illustrates the problems with a broad application of this exclusion. In the first trip to the Court of Justice, the applicant overturned the denial of its application by showing that its loudspeaker design was highly distinctive; it was a unique and novel design for speakers. But that very design achievement was the consideration that caused the General Court subsequently to conclude that the shape gave substantial value to the goods and thus could not be registered because it was thus functional.⁴¹

III. Recent Case Law

The Court of Justice and the UK courts have recently handed down decisions on both acquired distinctiveness and functionality that further limit the ability of producers to secure trade mark protection for shape marks in Europe.

A. Acquired Distinctiveness: The Four-Fingered KIT KAT

In *Nestle v. Cadbury*, the applicant sought to register the shape of the best-selling four-fingered KIT KAT chocolate bar:



⁴⁰ *Bang & Olufsen* (T-508/08) [2012] ETMR 10 at [74] (General Court).

⁴¹ The same dynamic is seen in the effort of a chocolate producer to register the shape of the sitting bunny. See Case R 2450/2011 G, *Chocoladefabriken Lindt & Sprüngli AG* (Grand Board of Appeal, 7 July 2017).

The KIT-KAT is not sold unwrapped; it is sold in a distinctive red and white wrapper, which is opaque. Moreover, even when the chocolate bar is removed from its wrapping, the word KIT KAT is embossed on the chocolate.



The UK Registrar denied registration on a number of grounds.⁴² Most importantly, he concluded that the applicant had not shown that the shape had acquired distinctiveness. The applicant submitted surveys suggesting that over 50% of UK consumers would recognise the shape as a KIT KAT biscuit.⁴³ Even with the standard critiques of survey methodologies, such numbers would typically have supported a claim of acquired distinctiveness. However, the Registrar judged that this was irrelevant; what mattered, he said, was whether a substantial proportion of consumers would *rely* on the shape (as opposed to the red and white wrapper and the word Kit Kat) to identify and purchase the KIT KAT product rather than merely *recognise* the product as a KIT KAT.

This test was consistent with lower court authority in the United Kingdom,⁴⁴ though the Court of Justice had declined to answer questions referred to it by the UK courts regarding the correctness of that test.⁴⁵ The Registrar concluded that consumers would not rely on the shape because the

⁴² The Registrar concluded that all the features of the shape were functional, albeit under two different indents in the functionality provision. See *infra* text accompanying notes ___ - ___.

⁴³ O-257-13, Trade Mark Application No. 2552692 by Société des Produits Nestlé S.A. at [38] (June 20, 2013) (UK Registrar); see also *id.* at [103] (“the survey evidence . . . shows that at least half the people surveyed thought that the picture shown to them depicted a KIT KAT product”). Kitchin LJ might have shaded the stated conclusion slightly in his rendition of the Hearing Officer’s reasoning. See also *Société des Produits Nestlé SA v Cadbury UK Ltd*, [2017] EWCA Civ 358 at [34] (Kitchin LJ) (“The heart of the hearing officer’s reasoning lies in this last paragraph. It had been shown only that consumers recognised and associated the shape of the four-finger Kit Kat with Nestlé.”). That is, “depicting a KIT KAT” looks a lot like source identification; but “associating the shape with Nestlé” seems to hedge on whether the shape might be associated with Nestlé because they (and many others) make biscuits in that shape, which obviously looks less like a source-identifier. The evidence appeared to suggest that they recognized the shape as indicating a KIT KAT as opposed to another chocolate bar.

⁴⁴ See *Vibe Technologies Ltd’s Application* [2009] ETMR 12 (Sir Richard Arnold QC, Appointed Person); *Unilever plc’s Trade Mark Application* [2002] EWHC 2709 (Jacob J).

⁴⁵ See *Dyson Ltd v Registrar of Trade Marks (C-321/03)* [2007] ETMR 34 (Question 1). The question was also referred in *Unilever* but that case settled before a judgement was handed down. See *Unilever plc’s Trade Mark Application* [2002] EWHC 2709 (Jacob J) (Questions 2-3).

shape of the product as such did not feature in KIT KAT promotions and because the chocolate bar was sold in the opaque wrapper with alternative markings on which the consumer would rely.⁴⁶

On appeal to the High Court, Arnold J decided to ask the Court of Justice whether it is “sufficient that a significant proportion of the relevant class of persons *recognise the mark and associate it* with the applicant’s goods in the sense that, if they were to be asked who marketed goods bearing that mark, they would *identify* the applicant; or must the applicant prove that a significant proportion of the relevant class of persons *rely upon the mark* (as opposed to any other trade marks which may also be present) as indicating the origin of the goods?”⁴⁷

To restate in breezy labels, Arnold J thus asked the Court to choose between “recognition” and “reliance” as the test of acquired distinctiveness. However, the Court of Justice reformulated the questions, such that the options from which it was picking were not obviously “recognition and association”, on the one hand, and “reliance,” on the other.⁴⁸ Instead, the latter option was phrased by the Court of Justice as whether consumers “*perceive* the goods or services designated exclusively by that mark, as opposed to any other mark which might also be present, *as originating* from a particular company.”⁴⁹

The Advocate-General explicitly rejected the “recognition and association” standard.⁵⁰ But the Court did not; it simply did not address it.⁵¹ And nor did the Court (or the Advocate-General) address the alternative test of reliance, which is perhaps not surprising given its reformulation of the question presented. Instead, drawing on language from prior judgments addressing distinctiveness generally (and the separate protectability of marks that formed parts of other marks), the Court in its formal answer held that an “applicant must prove that the relevant class of persons *perceive* the goods or services designated exclusively by the mark applied for, as opposed to any other mark which might also be present, as originating from a particular company.”⁵²

This left Arnold J with very little guidance. He attributed the apparent disregard of the choice posed to an unfaithful French translation of the question he had referred in English (the Advocate-

⁴⁶ The Registrar also noted that there was “no evidence—and it does not seem likely—that consumers use the shape of the goods post purchase in order to check that they have chosen the product from their intended trade source”, which appears to have been a slight liberalization of his reliance test. See O-257-13, Trade Mark Application No. 2552692 by Société des Produits Nestlé S.A. at [] (June 20, 2013) (UK Registrar).

⁴⁷ Société des Produits Nestlé SA v Cadbury UK Ltd, [2014] EWHC 16 (Ch) at [] (emphasis added).

⁴⁸ Compare Société des Produits Nestlé SA v Cadbury UK Ltd (KitKat shape) (C-215/14) [2015] ETMR 50, at [26] and [58].

⁴⁹ Société des Produits Nestlé SA v Cadbury UK Ltd (KitKat shape) (C-215/14) [2015] ETMR 50 at [58].

⁵⁰ See Société des Produits Nestlé SA v Cadbury UK Ltd (KitKat shape) (C-215/14) [2015] ETMR 50 at [AG 42] and [AG 55] (AG Wathelet).

⁵¹ To be sure, the Court did cite to the opinion of the Advocate-General. But the Court did not cite to the paragraph where he rejected the “recognition and association” standard. Instead, the Court cited to the paragraphs of the Advocate-General’s opinion where he suggested that the Court should read narrowly its earlier decisions in *Have a Break* and *Colloseum*, which the Court clearly did not do in the operative parts of its judgment. See *id.* at [66] (citing paras 48-52 of the Advocate-General’s opinion). Moreover, Advocate-General Wathelet did not adopt a reliance standard.

⁵² Para 67 (emphasis supplied). Indeed, the only alternative paraphrasing of this standard in the Court’s judgment is even less remarkable and mainstream: “regardless of whether the sign is used as part of a registered trade mark or in conjunction with the registered trade mark, the fundamental condition is that, as a consequence of that use, the sign for which registration as a trade mark is sought may serve to identify, in the minds of the relevant class of persons, the goods to which it relates as originating from a particular undertaking.” See *id.* at [65]. [Indeed, the “identification” language comports more with the “recognition and association” option.]

General was Belgian).⁵³ But the question quoted early in the Court’s judgment accurately recited the question referred. The later reformulation by the Court might instead reflect an effort by the Court to tie the standard to language in its prior case law, and in particular to decisions such as *Nestle* (HAVE A BREAK) where the “mark within a mark” issue had been prominent. That the Court moved in this direction may be the result of the addition of the parenthetical to the second choice offered by Arnold J—“as opposed to any other trade marks which may also be present.”

This framing of the question no doubt reflects a skepticism among UK courts regarding the protectability of “limping marks”, as the UK courts have come to deride marks that start their life in secondary use. But to the extent that the Court of Justice was indeed focused on that dimension to the question, it cited case law largely supportive of a liberal approach to such marks (which sits awkwardly with the premise behind the injection of that issue into the questions sent from the UK courts).⁵⁴ This blending of questions inevitably intrudes upon the clarity of the choice with which the Court was confronted (and may inform the scope of application of the answer the Court gave).

On return to the UK courts, Arnold J concluded (perhaps because of concessions by the parties) that the Court of Justice had clearly rejected the “recognise and associate” standard for acquired distinctiveness.⁵⁵ While acknowledging that the Court had not explicitly endorsed the alternative “reliance” test, neither had it rejected that test.⁵⁶ As a result, and giving great weight to language in the opinion of the Advocate-General (even where not explicitly endorsed by the Court), he thought reliance was a legitimate consideration for a court to take into account in assessing consumer “perception”, which was the test that the Court *had* endorsed. Arnold J thus appeared to treat the Court’s judgement as close, while not fully embracing, the approach he had tentatively suggested in referring questions.

The Court of Appeal affirmed the approach adopted by Arnold J. In particular, Kitchin LJ (as he then was) reasoned that the distinction between “recognition and association”, on the one hand, and “a perception that the goods designated by the mark originate from a particular undertaking” (which was the formulation of the Court of Justice), on the other hand, was “elusive” but “important.”⁵⁷ As a result, the test of perception announced by the Court of Justice could not be the same as “recognition and association”.⁵⁸ Moreover, although acknowledging that the Court of Justice had not used the term “reliance”, “Kitchin LJ reasoned that “[p]erception by consumers that goods or services designated by the mark originate from a particular undertaking means they

⁵³ The Advocate-General did quote the question referred in English as it was posed early in his opinion. See [AG 33] and [AG35].

⁵⁴ See at [65] (“regardless of whether the sign is used as part of a registered trade mark or in conjunction with the registered trade mark . . .”) (citing *Colloseum Holding v. Levi Strauss & Co.* (C-12/12) [2013] ETMR 34, C-12/12, EU:C:2013:253); see also *id.* at [67].

⁵⁵ See at [44].

⁵⁶ Arnold J adopted this approach in part because he felt that the Court’s judgment had tracked the opinion of the Advocate-General. See *id.* at [43], [49]-[50] and [53]. He also placed some weight on the fact that the Advocate-General judgement used the *Windsurfing* language that suggested that consumers had to form the requisite association “because” of the mark. See *id.* at [53]-[54], [57]. This has caused some writers to describe the test as a “because of” test. See Joseph Jones, *Can’t Get a Break, Can’t Have a Kit-Kat: Court of Appeal Rejects Acquired Distinctiveness for Kit Kat Shape*, __ *Eur. Intell. Prop. Rev.* 783, 784 (2017). But this seems a rather thin linguistic reed on which to support the reliance argument given how dramatically that consideration alters the likely conclusion.

⁵⁷ *Id.* at [77]; elaborated at 78)

⁵⁸ See *id.* at [77] (“[T]he CJEU has held that it is not sufficient for the applicant to show that a significant proportion of the relevant class of persons recognise and associate the mark with the applicant’s goods.”)

can rely upon the mark in making or confirming their transactional decisions. In this context, reliance is a behavioural consequence of perception”.⁵⁹

As a result, while applying the “perception” language of the Court of Justice, Kitchin LJ also came close to endorsing the choice suggested by Arnold J in referring the questions, namely, requiring reliance rather than mere recognition and association. He thus appeared to accept the argument of the Hearing Officer that “if consumers place no reliance on the shape of the goods at any stage of the selection process in order to identify the trade origin of the goods, no one will actually be confused by the defendant’s use of the shape. The protection provided by registration would therefore be unjustified because it would protect a function that the trade mark does not in fact have.”⁶⁰

Kitchin LJ’s reasoning (and that of the Hearing Officer) arguably overstates the connection between perception and reliance. To be sure, absent perception that the goods designated by the mark originate from a particular undertaking there can be no reliance on such a mark. But the reverse is not true. Reliance is not an *inevitable* “consequence” of perception, such that absence of actual reliance proves a lack of perception. Consumers may well perceive that a mark is an indication of source but not in fact rely on that particular mark in making a purchase. Their perception that a shape identifies source means that they *could* rely on that shape to identify source, not that they necessarily will do in every particular setting. Thus, a bottle of diet COKE probably contains several marks, all of which would properly be regarded as possessing acquired distinctiveness: the word mark COKE, the cursive script combined with the colour red, the shape of the bottle. Yet, different consumers might in particular settings rely on different marks. Indeed, in some settings, consumers may actually rely on no marks in making a purchase; the acquired distinctiveness means only that they *could* do so.

This less determinative character of actual reliance is, however, reflected later in the operative part of Kitchin LJ’s opinion, and also in the opinion of Floyd LJ. Thus, consistent with the approach of Arnold J, the Court of Appeal held only that *it is legitimate* in assessing acquired distinctiveness to consider whether consumer would rely upon the sign.⁶¹ Thus, reliance is sufficient to prove acquired distinctiveness,⁶² but it is not necessary.⁶³ Acquired distinctiveness requires only that consumers perceive a mark as an indication of origin.

The Court of Appeal did seem to rule out placing any weight on evidence of *any form of* recognition and association. But the line between perception and recognition is, as Kitchin LJ recognized, elusive; indeed, it may be non-existent. In particular, the short-forms of the test bandied around in debate are incomplete renditions of the test and to some extent distract from the

⁵⁹ Id. at [82]

⁶⁰ Id. at [33] (quoted Hearing Officer at [108]).

⁶¹ Id. at [84]. Kitchin LJ asked whether consumers “would rely upon the sign as denoting the origin of the goods or services if it were used on its own.” But this can be a hypothetical question; the mark need not actually be used on its own, as such a requirement would be inconsistent with the HAVE A BREAK line of case law explicitly endorsed in the HAVE A BREAK opinion.

⁶² Id. at [84].

⁶³ Id. at [87] & [98] (Kitchin LJ); see also id. at [108] (Floyd LJ) (“If it is the case that consumers have in fact come to rely on the shape as an indicator or trade origin, that would certainly be sufficient for acquired distinctiveness. It is, however, not a necessary precondition that consumers should have in fact so relied, and regarding it as such a precondition could conceivably lead to error. The ultimate question is whether the mark, used on its own, has acquired the ability to demonstrate exclusive origin.”).

essence of the proper test. The crucial part of the formulation of the Court of Justice is *what* the consumers perceive or recognise (not whether they “perceive” or “recognise”). That is to say, do consumers see the shape as telling you that the biscuit is a KIT-KAT (that is, identify source) or that the biscuit is a four-fingered chocolate bar of indeterminate origin?

Floyd LJ captured this well when he proposed a thought exercise to help answer the acquired distinctiveness question (the early part of the hypothetical is designed to deal with the challenge of marks normally used in combination with other marks):

“I have found it helpful to have in mind a basket of unwrapped and otherwise unmarked chocolate bars, in the shape of the mark applied for, available for selection in a shop or supermarket. For there to be acquired distinctiveness, the consumer must perceive these goods as being Kit Kats, or as originating from the people who make Kit Kats, and not from others. A perception that they looked like Kit Kats is not enough. Acquired distinctiveness carries with it an indication of exclusive trade origin”.⁶⁴

But it is not clear that this inquiry makes anything of the semantic distinction between “perception” and “recognition”. Rather it draws a line based on *the content* of the consumer understanding. This was also evident in Kitchin LJ’s discussion of the types of public reaction to the shape that might warrant protection (or not). He explained that “[consumers] might simply regard the shape as a characteristic of products of that kind or they might find it brings to mind the product and brand name with which they have become familiar. *These kinds of recognition and association* do not amount to distinctiveness for trade mark purposes, as the CJEU has now confirmed in its decision in this case.”⁶⁵ But the sufficiency of the recognition or association by consumers of the shape *as a source-identifier* had not been ruled out by the Court of Justice. Despite this, the Court of Appeal appears to have allowed the Registrar to dismiss survey evidence because the survey was framed in terms of “recognition” or association”—even though that recognition was clearly of the shape as mark.

Adoption of a reliance standard would not allow trade mark protection to achieve its purposes. It would largely foreclose protection of product shapes (and is certainly at odds with the rest of Europe).⁶⁶ If one looks at one context where “reliance” had for some time been said to be the threshold for protection—namely, UK law of passing off—it is clear that this will be a very hard test to pass. Almost no product shape (other than perhaps the “Henry the Hoover” vacuum) has received protection under English passing off law since the adoption of the reliance test in passing off, and in that case Floyd J (as he then was) had applied a test properly grounded in recognition.⁶⁷

⁶⁴ Id at [105] (Floyd LJ). This way of thinking was endorsed by Sir Geoffrey Vos, the third member of the appellate bench. See id. at [123].

⁶⁵ Id at [78] (Kitchin LJ) (emphasis added).

⁶⁶ Annette Kur and Martin Senftleben, *European Trade Mark Law* at ¶ 4.267 (OUP 2017) (rejecting UK reading); Annette Kur and Martin Senftleben, *European Trade Mark Law* at ¶ 4.264 (OUP 2017) (explaining the reliance test as whether consumers “can” rely, not whether they “do”).

⁶⁷ See *Numatic International Limited v. Qualtex UK Limited* [2010] EWHC 1237 (Ch). In *Numatic*, the goodwill encompassed word and surface decoration. Floyd J noted that protection of shapes by passing off might be difficult, but he did not discuss reliance. See id. at [39] (“It is recognised that it is more difficult to acquire a sufficient reputation and goodwill in the shape or get-up of a product. . . . The claimant must prove that the shape of its goods has come to denote a particular source to the relevant public”). Indeed, in finding protectable goodwill he asked quite explicitly whether the public would “recognise” the isolated feature as indicating source even though never used in that isolated form by the claimant. See id. at [83]-[85] (“The public are perfectly capable of recognising a Henry without the smiley face, although I accept that their degree of confidence may be rather less than if the smiley face and name were there.

Of course, the Court of Appeal, like Arnold J, drew back from *requiring* reliance. However, the rejection of the sufficiency of association/recognition of the type Nestle were able to demonstrate may achieve the same result.⁶⁸ Despite the legitimate concern expressed by Kitchin LJ about a formulation that would “protect a function that the trade mark does not in fact have”, the *Nestle* case itself shows that protecting a shape that a majority of consumers recognise as indicating that a biscuit *was a KIT KAT* serves the purpose of trade mark law.

A mark must be distinctive before receiving protection because, absent a mark being distinctive, the use of a similar mark by a competitor would not give rise to confusion; there would be no harm to the first trader. But this reasoning can operate in reverse. If the use of a similar mark by a second trader causes confusion between the source of the goods of that trader and those of an earlier trader who used the same mark, that suggests that the first mark *must* be distinctive. Indeed, U.S. secondary meaning doctrine reflects this reasoning; proof of actual confusion is often said to be circumstantial evidence of the distinctiveness of the earlier mark.⁶⁹

To make this concrete, let us return to the facts of *Nestle* and consider three hypothetical defendants. The first defendant, a rival chocolate manufacturer, follows the strategy of Nestle and markets a competitive four-fingered chocolate biscuit in an opaque wrapper with its own trade mark (say, “Cadbury”) prominently displayed on the exterior packaging, and does not emphasise the shape of its rival chocolate in its advertising. There would likely be no confusion created by such use, and little reason to enjoin the later use.

But assume that the second hypothetical rival manufacturer sells its four fingered biscuits in transparent wrappers, with no prominent distinguishing marks. In such a context, given the survey evidence adduced in *Nestle*, it is at least possible that some consumers might believe those goods to be KIT KATs (not just the same shape as KIT KATs); this is source confusion, a core harm sought to be remedied by trade mark protection.

As a third possibility, consider a hypothetical manufacturer who markets its rival biscuits in opaque wrappers with its own name on the packaging, but advertises those biscuits prominently using the

It is true that, in creating this recognition, Numatic have used a combination of the overall shape, the shiny bowler hat, the name and the smiley face. . . The public have been educated to recognise the overall shape combined with the black bowler hat as indicia of a genuine Henry. Once consumers think they recognise a product they do not necessarily conduct an analysis of all the reasons which have led them to that belief”). Indeed, the protectability of the get up of the product was not challenged. See *id.* at [49] (“There is no real dispute that Numatic have a protectable goodwill and reputation in the combination of features of the Henry vacuum cleaner: that is to say the name Henry coupled with the black bowler hat top, a brightly coloured base, the smiley face and the nose.”). Nor was there an effort to claim goodwill in a separate feature of the product (the overall shape) separate and apart from the other product features, even though the defendant has copied only the overall shape. In some respects, the *Numatic* case implicates modes of infringement analysis found in cases of so-called composite marks. Cf. *id.* at [53]; see also [cites from OHIM]. For Floyd J, the case turned more on whether the particular uses by the defendant would avoid confusion.

⁶⁸ *Id.* at [87].

⁶⁹ See Restatement (Third) of Unfair Competition, Section 13, Comment (e) (1995) (“Proof of actual consumer confusion caused by another’s use of the designation is also evidence of secondary meaning, since if the designation is not distinctive, use by another will not result in confusion....”). It should be noted that the US doctrine talks of “actual confusion”, but the logic applies (with perhaps less evidentiary weight) to an assessment of likely confusion. Moreover, this doctrine is not without its critics. But that criticism arguably reflects a suspicion that the type of confusion being detected in such cases may not be actionable confusion as to source; but that is a critique not of the reasoning, but its application in particular cases.

shape of the four-fingered biscuits in its advertising and thus interferes with the association that consumers previously made between the four-fingered biscuit and KIT-KAT. Advertising use is actionable use. Although less clear than the second hypothetical trader, this plausibly states a claim for confusion and possibly dilution.

Distinguishing between these different forms of conduct, and the range of harms that they may or may not generate, can only be done at the stage of infringement, or determining scope of protection, or applying defences. If the first trader is denied any rights, no relief will be granted, and trade mark law will lack any ability to distinguish among the different defendants.

Of course, one may argue that such harms can be remedied as a matter of passing off. Passing off may capture harms similar to those at issue in trade mark law, but caused by use of source-indicators not meeting the technical requirements for a trade mark registration.⁷⁰ Passing off (like unfair competition in civilian countries) might be the fact-sensitive doctrinal vehicle to help us differentiate among the three hypothetical rival traders discussed above. And, indeed such an argument seems consistent with some of the concerns expressed by the Registrar and the Court of Appeal in *Nestle*, namely that the availability of the double-identity cause of action might render all three hypothetical defendants liable; the so-called “monopoly rights” conferred by trade mark law would sweep up too much conduct.⁷¹

But those concerns ignore the fact that the Court of Justice has for almost twenty years now constrained the scope of the double identity action by requiring an adverse effect on the functions of the mark.⁷² This should allow a more targeted cause of action that enables us to differentiate among the three hypothetical traders. To be sure, the (unfortunate) extension of double-identity claims to protect functions beyond origin introduces some degree of risk that this limitation on protection may be too weak. But this can perhaps be obviated by a strict approach to defining the “sign” being used by the defendant in a double-identity claims, or by further liberalizing the use of context in which both marks are used in assessing infringement (which might be thought of as incorporating unfair competition methods within trade mark law).⁷³ The dilution cause of action—which might be in play if the shapes have a “reputation”, as they probably do in *Nestle*—also extends protection beyond classic confusion-based harms. But here too the Court of Justice has offered us tools with which to avoid over-protection. In *Interflora*, the Court of Justice expressly differentiated (for purposes both of assessing “due cause” and “unfairness”) between contexts where the defendant was offering a choice and an imitation.⁷⁴

⁷⁰ One classic example of this involves other chocolate biscuit manufacturers. See *United Biscuits (U.K.) Limited v Asda Stores Limited*, [1997] R.P.C. 513 (PENGUIN and PUFFIN).

⁷¹ This context of double identity claim informs the Hearing Officer’s argument. See Hearing Officer at [108] (“If the mark is registered the applicant will be entitled to an exclusive right in the registered shape mark. In the case of identical marks/goods, there would be no need to show a likelihood of confusion about the origin of a defendant’s goods because, subject to certain defences, confusion is normally presumed in cases of ‘double identity’”). This also framed the concerns expressed by Jacob J in *Unilever plc’s Trade Mark Application* [2002] EWHC 2709 (Jacob J) at [32], quoted by Kitchin LJ in *Nestle* at [79].

⁷² See, e.g., *Adam Opel AG v Autec AG* (Case C-48/05), [2007] E.T.M.R. 33 (CJEU).

⁷³ *Specsavers International Healthcare Ltd v Asda Stores Ltd* (Case C-252/12), [2013] ETMR 46 (CJEU); see also *J.W. Spear & Sons Ltd v. Zynga, Inc.*, [2015] EWCA Civ 290; Graeme B. Dinwoodie and Dev S. Gangjee, *The Image of the Consumer in European Trade Mark Law*, in *The Image(s) of the Consumer In EU Law* 339 (D Leczykiewicz and S. Weatherill eds. Hart Publishing 2015).

⁷⁴ See *Specsavers International Healthcare Ltd v Asda Stores Ltd* (No. 2) [2012] EWCA Civ. 24; *Whirlpool Corp. v. Kenwood*, [2009] EWCA Civ. 753 (CA)

Thus, trade mark law probably has the doctrinal tools to achieve the same nuance as passing off. And it would do so as a matter of European law, rather than achieving a patchwork of national solutions. The uncertain nature of national protection is indeed illustrated by the fact that English passing off has only rarely offered protection to product shapes.⁷⁵

Of course, the Court of Justice may yet disabuse the UK courts of its views of the standard for acquired distinctiveness. And the judgment of Floyd LJ in the Court of Appeal in *Nestle* did appear to offer a slightly different emphasis than Kitchin LJ. In particular, Floyd LJ does appear to hint at a slightly more liberal approach to establishing the relevant consumer perception. He emphasized that it would be “unwise to attempt a list of the ways” in which to prove that the mark standing alone is a source-identifier.⁷⁶ He acknowledged helpfully that the question must inevitably be hypothetical where the mark for which registration has been sought has only been used in combination with other marks.⁷⁷ Surveys become an important part of proving distinctiveness in such cases because it is the perception of the “isolated” mark for which registration is sought; asking the question of such an isolated mark parallels what U.S. courts call a “separate commercial impression.”⁷⁸

Floyd LJ’s opinion appeared to be shaped by a deferential level of review, as to whether the Hearing Officer had any basis to make his decision. In that regard, he held that the Hearing Officer’s mention of past reliance did not suggest that he had imposed a *requirement* of past reliance, but rather that was all (a permissible) part of the evidentiary context. Given the lack of promotional material highlighting the shape, the way in which the product had been sold, and the fact that consumers did not use the shape to check what they had purchased was from the intended source.⁷⁹

Yet, Floyd LJ reached the same conclusion as Kitchin LJ, reasoning that the Hearing Officer was entitled to conclude that the surveys in this case were not dispositive as they only showed consumer “recognition”.⁸⁰ Thus, any difference between Kitchin LJ and Floyd LJ would appear to be very

⁷⁵ See, e.g., *Hodgkinson & Corby v Wards Mobility* [1994] 1 WLR 1564. Notable exceptions are the protection of the shape of packaging for lemon juice and the protection of the shape of a vacuum cleaner that included a strong surface image. The former case suggests that where the shape is essentially devoid of alternative marks protection may be available. That is to say, the producer must avoid alternative forms of source-identification. But do we wish to force traders to pick a single mark, and impose a one mark per product rule? This seems unlikely to be an efficient solution. The latter case suggests some importance of the extent of functional features in the shape, and may also reflect the fact that the court did not employ a reliance test. See *supra* note 67; see also *Numatic* at [82] (“I am satisfied that this is not a case like the cushion case (*Hodgkinson & Corby v Wards Mobility*) where it is simply the shape of a functional article which is relied on. As both sides recognise, the Henry vacuum cleaner is seen by the public as having the appearance of a small person. To that extent, the shape has a secondary meaning.”)

⁷⁶ *Nestle*, at [108].

⁷⁷ *Id.* at [103]-[104] (Floyd LJ). Floyd LJ did suggest that the judge might himself or herself contemplate that hypothetical. See *id.* at [105] (“I have found it helpful to have in mind a basket of unwrapped and otherwise unmarked chocolate bars, in the shape of the mark applied for, available for selection in a shop or supermarket.”); see also *id.* at [123] (Voss J).

⁷⁸ See *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342, 1344 (C.C.P.A. 1977) (“In determining whether a design is arbitrary or distinctive this court has looked to whether it was a “common” basic shape or design, whether it was unique or unusual in a particular field, whether it was a mere refinement of a commonly adopted and well-known form of ornamentation for the goods, or whether it was capable of creating a commercial impression distinct from the accompanying words.”). The concept of “separate commercial impression” has received little judicial attention in the United States.

⁷⁹ *Id.* at [107] & [109] (Floyd LJ).

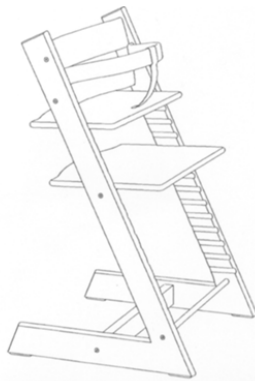
⁸⁰ *Id.* at [105]-[106] (Floyd LJ).

slight. Both judges appeared to accept that recognition or association did not amount to perception, [though only Kitchin LJ stated this expressly]. Floyd LJ’s elaboration of what he was looking for to make out the perception standard would appear to have been satisfied by the second survey in *Nestle*.⁸¹ Thus, he argued that “for there to be acquired distinctiveness, the consumer must perceive these goods as being Kit Kats, or as originating from the people who make Kit Kats, and not from others. A perception that they looked like Kit Kats is not enough. Acquired distinctiveness carries with it an indication of exclusive trade origin”.⁸²

The Court of Appeal appeared to have been distracted by the debate before the Court of Justice about the abstract concepts of “recognition,” “perception”, “association” and “identification”. The real inquiry should focus on the content of the consumer understanding of the shape, which is apparent from the reasoning of both Floyd LJ and Kitchin LJ, but which is not reflected in the decision of the Court.⁸³

B. Functionality

This restrictive approach to proving the distinctiveness of product shapes has been accompanied by an increasingly expansive reading of the functionality exclusion by the Court of Justice and the UK courts. In *Hauck v. Stokke* the applicant sought to register the shape of the well-known “Tripp Trapp” children’s high chair as a trade mark.⁸⁴



The Dutch courts invalidated the registration because inter alia the shape of the chair was determined by the nature of the product: “a soft, comfortable, reliable, children’s chair.” But the Dutch Supreme Court sought guidance from the Court of Justice on whether the first (natural functionality) exclusion applied (as had been conventionally understood) only to “a shape which is indispensable to the function of the goods,” or whether it might also be triggered by “the presence of one or more substantial functional characteristics of goods which consumers may possibly look for in the goods of competitors?”⁸⁵

⁸¹ Kitchin LJ’s elaboration of the distinction likewise turns on whether the shape was a source identifier. See supra text accompanying notes ___ - ___.

⁸² Id. at [105] (Floyd LJ).

⁸³ To consider the question posed by Sir Geoffrey Vos, what more could Nestle have done? Although the court does not provide an answer, it would appear that promoting the shape in advertising might have helped.

⁸⁴ *Hauck GmbH v. Stokke* (C-205/13) [2014] ETMR 60.

⁸⁵ Id. at [14].

The Court of Justice supported a broad reading of the exclusion. The conventional narrow reading of the provision gave it almost no application.⁸⁶ As the Court explained, that reading “would exclude only ‘natural’ products (which have no substitute) and ‘regulated’ products (the shape of which is prescribed by legal standards), even though signs consisting of the shapes formed by such products could not be registered in any event because of their lack of distinctive character.”⁸⁷

The alternative formulation that the Court announced is potentially expansive. The Court of Justice held that the “nature of goods” exclusion “may 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 and which consumers may be looking for in the products of competitors.”⁸⁸ This sounds like a competition-grounded functionality exclusion detached from the intrinsic nature of the goods, akin to what U.S. law would exclude as “aesthetically functional.”⁸⁹

The Dutch court also referred questions regarding the third (substantial value) functionality exclusion because the trial court had concluded that the attractive shape of the chair gave it substantial value.⁹⁰ The Court of Justice plainly also supported a broad reading of this exclusion. But the precise significance of the Court’s answer is uncertain because of ambiguities and inconsistencies in the phrasing of the question posed by the Dutch court and the answer given by the Court of Justice. In particular, it is not always clear what the Court of Justice is referring to when it uses the terms “characteristics” and “values.”⁹¹

According to the Court of Justice, the Dutch court’s reference stemmed from the fact that although the shape of the chair gave “it significant aesthetic value, at the same time it has other characteristics (safety, comfort and reliability) which give it essential functional value.”⁹² Given that the legislation excludes protection for a sign that consists *exclusively* of a shape that gives substantial value to the product, the court sought guidance on whether this functionality exclusion applied “only if that shape [was] the main or predominant value in comparison with other values (such as, in the case of high chairs for children, safety, comfort and reliability) or can it also [apply] if, in addition to that value, other values of the goods exist which are also to be considered

⁸⁶ Id. at [23].

⁸⁷ Id. at [24].

⁸⁸ Hauck GmbH v. Stokke (Case C-205/13) [2014] ETMR 60 at [27].

⁸⁹ Id. at [AG 57] (Szpunar AG); see also *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159 (1995). Competition concerns are most acute when the mark comes very close to defining a market. In a formalistic environment, the Dutch court brought the shape within the language of the first exclusion by defining the goods not as “high chairs” but “a soft, reliable, comfortable children’s chair”. As a policy matter, those features are clearly relevant to the ability to compete.

⁹⁰ Hauck GmbH v. Stokke (Case C-205/13) [2014] ETMR 60 at [12]

⁹¹ In the 2015 amendments to the trade mark directive, the term “characteristics” is used to refer to the nature of the sign; that is, whether a “shape,” “colour,” “sound” etc. See EUTMR, art. 7(1)(e). But the characteristics of the “sign” is used differently there than in the *Hauck* Court’s discussion of the “characteristics” of the shape or product.

⁹² Id. at [29]. “Characteristics” in this quote appears to be some benefit flowing from *either* the shape of the chair, and the court assumes that each of those benefits give what the court calls “essential functional value”. The Court of Justice did not aid comprehension in this passage through its use of multiple referents in explaining the Dutch court’s dilemma: “the doubts expressed by the referring court . . . stem from the fact that, according to that court, although the shape of the ‘Tripp Trapp’ chair gives *it* significant aesthetic value, at the same time *it* has other characteristics (safety, comfort and reliability) which give *it* essential functional value. In that regard, the fact that *the shape* of a product is regarded as giving substantial value to that product does not mean that *other characteristics* may not also give *the product* significant value.” Id. at [29]-[30] (emphasis supplied).

substantial?”⁹³ The Court of Justice reformulated the Dutch court’s question to ask whether the functionality exclusion “may apply to a sign which consists exclusively of the shape of a product with several characteristics each of which may give that product substantial value.”⁹⁴

The Court of Justice clearly thought that the fact that the value of the Tripp Trapp chair to consumers flowed partially from the aesthetic attractiveness of the shape and partially from the safety, comfort and reliability of the chair did not preclude the shape being denied protection as giving substantial value to the chair. But neither the Dutch Court nor the Court of Justice was clear whether those additional (valuable) benefits for consumers were also derived from the shape (which was the sign for which registration was sought),⁹⁵ or more generally from the chair (the goods).⁹⁶

And it is not clear from the Court’s judgment whether, even if the former (that is, the value stems from the reliability *which came from the shape*), that such value could itself be regarded as conferring “substantial value” and independently triggering the third functionality exclusion (as opposed to simply not negating the substantial aesthetic value that the shape gave). Most references in the Court’s judgment appear to assume that the sign contributes *some* aesthetic value (but quite how significant that must be as regards the other functional values is not addressed by the Court).⁹⁷

These ambiguities give rise to a least three subtly different readings of the substantial value exclusion. On one reading, if the shape of the product is attractive and gives substantial value to the goods, the shape is still within the exclusion even if the shape also offers other non-aesthetic benefits such as reliability, safety and comfort. As a textual matter, the provision demands simply that the sign must consist exclusively of the aesthetically attractive shape and not also some other feature (such as colour or word mark), not that the shape must be exclusively attractive and not also confer some other value.⁹⁸

This conclusion makes sense as a policy matter too. One of the reasons for increased attention to such exclusions in the era of modern design is the integration of multiple design values in a single shape. If the shape offers a competitive advantage because of its aesthetic superiority the fact that the shape also offers other consumer benefits does not detract from the potential competitive harm

⁹³ Id. at [14]. In this paragraph, the court appears to *contrast* the value flowing from the “shape” and the other values/benefits of the “goods”, such as “safety, comfort and reliability”.

⁹⁴ Id. at [28]. “Characteristics” in this quote may denote some benefit flowing from *either* the shape or the product, and the court assumes that each of those benefits give substantial value to consumers.

⁹⁵ Cf. id. at [12] (shape determined by the very nature of the product—a safe, comfortable, reliable children’s chair); id. at [15]. The Advocate-General’s recitation of the facts appears to connect those other benefits to the shape. See *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 16] (Szpunar AG).

⁹⁶ See id. at [30] (“the possibility of applying the third indent [should] not be automatically ruled out when, in addition to its aesthetic function, *the product concerned also performs other essential functions*”) (emphasis supplied); id. at [32] (exclusion “cannot be limited purely to the shape of products having only artistic or ornamental value, as there is otherwise a risk that *products which have essential functional characteristics* as well as a significant aesthetic element will not be covered”) (emphasis supplied); id. at [31]; id. at [36]; cf. *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 68] (Szpunar AG). The Advocate-General’s discussion of *Bang & Olufsen* would also appear to hint at this possibility. See *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 76 & AG 85] (Szpunar AG).

⁹⁷ See id. at [29] (“at the same time” it has other values) and [31] (“in addition to its aesthetic function”).

⁹⁸ That is to say, the adverb “exclusively” applies to “the shape” of which the sign consists and not to the (aesthetic) “value” which the shape confers.

(especially if those other benefits are also of the type that affect competition, such as the safety of children’s high chairs). But this is complex policy analysis if some of that additional value is connected to design-conscious branding, a challenge already raised by the language of *Benneton* and *Bang & Olufsen*.⁹⁹ As discussed below, one of the challenges that trade mark law has to confront more generally (and beyond shape marks) is how to regulate signs that embody both protected source-identifying and other unprotected signals.

An alternative reading might be that a shape will be denied protection if it is attractive and hence confers substantial value even if consumers see value in *the product* and that value is derived also from other characteristics (such as safety or reliability) that are not tied to the *shape*. For example, if the shape of the Tripp Trapp chair is attractive, but the reliability and comfort of the chair also adds substantial value, and that characteristic is the result of the choice of material with which to construct the chair, rather than the shape. Again, this can fit with the literal reading of the provision and its history; the sign would in such circumstances consist exclusively of a shape that confers substantial value even if consumers buy the product for values other than its attractiveness. In some respects, this reading asks quite how “substantial” the aesthetics of the shape must be in the consumer purchasing decision in order to trigger the exclusion.

This reading of *Hauck* could be unfortunate in certain circumstances. In the hypothetical posed, a competitor could compete on the nature of the materials, and hence on the reliability or comfort of the chair, without having to copy the source-identifying shape; competition would not be precluded until the attractiveness of the chair became a material part of the purchase decision. A focus on why a consumer purchases the good might warrant a narrower application of the exclusion.

A final reading of the language in the Court’s judgment might suggest that the shape may be treated as giving “substantial value” to the goods (and thus be denied trade mark protection because functional) if the value contributed by the shape is substantial not by reason of its aesthetic attractiveness but because of what it adds for consumers in terms of some other value (such as safety, reliability etc). This gives the provision—“shape giving substantial value”—its literal reading, divorced from its roots in national laws precluding the use of trade mark law to protect attractive appearances.¹⁰⁰ If read that way, then the functionality exclusion found in the third indent applies to deny protection to any feature that adds (non-source identifying)¹⁰¹ value, and that may include technical values (such as making the chair safer or more reliable) that were thought to be covered under the technical functionality exclusion. And this is true also if the Court requires only the addition of de minimis aesthetic value (which is not addressed by the Court).¹⁰²

⁹⁹ See supra text accompanying notes ___ - ___; infra text accompanying notes ___ - ___.

¹⁰⁰ See Charles Gielen, *Substantial Value Rule: How it Came Into Being and Why It Should be Abolished* [2014] *Eur. Intell. Prop. Rev.* 164.

¹⁰¹ See *Philips Electronics NV v Remington Consumer Products* [1998] E.T.M.R. 124 (Ch D) (Jacob J); *Christian Louboutin, Christian Louboutin SAS v Van Haren Schoenen BV* (Case C-163/16) (Szpunar AG 22 June 2017) at [72] (“The application of the provision is not justified where the advantage does not result from the intrinsic characteristics of the shape, but from the reputation of the mark or its proprietor. Indeed, the possibility of acquiring such a reputation is an important aspect of the system of competition which trade mark law helps to maintain”); *The London Taxi Corporation v Frazer-Nash*, [2017] EWCA Civ 1729 at [75] (Floyd LJ).

¹⁰² See *id.* at [29] (“at the same time” it has other values) and [31] (“in addition to its aesthetic function”). The question of substantiality by the Advocate-General who does not appear to suggest a high threshold. See *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 77-78] (Szpunar AG); *id.* at [AG 84] (“shape whose aesthetic characteristics constitute one of the principal elements determining the market value of the goods”).

If this reading were correct, it renders moot the Court's answer to the so-called combination question, which was posed to the Court in both *Hauck* and *Nestle*. In *Nestle*, the Registrar had also concluded that all the features of the shape were functional, albeit under two different indents in the functionality provision. The basic slab of the chocolate bar was in a rectangular shape because of the demands of the manufacturing process, which required a mold of that shape. As a result, he found that the rectangular shape of the chocolate bar resulted from the nature of the goods, namely, a molded bar of chocolate.¹⁰³ The Registrar also concluded that the shape of the grooves between the four fingers of the KIT KAT was "necessary to obtain a technical result" and thus unprotectable under the second functionality indent. The grooves had to be set a particular angle in order that a purchaser break the fingers easily in his or her hands, and could not be so wide that the chocolate bar might break in the course of shipping or manufacture. These features of shape were, the Registrar concluded, thus dictated by a technical function, i.e., the ability to break the Kit Kat easily in order to eat it.¹⁰⁴ Thus, every feature of the shape was functional (under one indent or another).

Arnold J asked whether a court could combine the different functionality objections such that the sign for which application is sought can be said to consist exclusively of functional features even though some features of shape (the slab shape) results from the nature of the goods themselves while others (the grooves) are necessary to obtain a technical result. The Court of Justice, as it did in *Hauck*, rejected the combination argument and held that all features of shape comprising the mark must be encompassed by one of the three different types of functionality.

This holding of the Court of Justice is made moot if all types of non-reputation related value—natural, technical or aesthetic—could all lead to a functionality conclusion under the third indent (or indeed the first indent). Indeed, the Advocate-General explicitly hinted that his comfort at denying the combination argument rested to some extent on the liberal readings of the scope of the first and third indents, such that reach might accommodate any argument that all features of any shape was functional.¹⁰⁵

This would be the final stage of a convergence that is evident in the way that the Court interprets the three grounds of functionality that are discretely identified in the legislation.¹⁰⁶ The Court has with some degree of fluidity drawn from one ground in developing both the public interests that underlie and doctrinal rules that implement the other grounds. In this regard, the Court of Justice has effected the same evolution that one finds in U.S. law of functionality. There, the courts have

¹⁰³ That conclusion highlights the importance of the specification of goods against which the assessment is made (if weight is to be given to the specification). See *supra* note 33.

¹⁰⁴ This premise did not hold up before the Court of Justice. Arnold J also asked whether the technical functionality exclusion operate where the technical objective that determines the shape in question is not the way the product is used (here, eaten) by the consumer but rather the means by which the product had to be manufactured? The Court insisted that the "technical function" that results in the product being the shape in question must be the function of using the product rather than which was involved in its manufacture. This would make the EU functionality exclusion narrower than the US equivalent, which can deny protection to a feature that affects the cost or quality of the article. See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 850 n.10 (1982).

¹⁰⁵ *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 102-104] (Szpunar AG).

¹⁰⁶ *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 25 & 28] (Szpunar AG) ("The various grounds for refusal or invalidity listed in Article 3(1) . . . must be interpreted in the light of the public interest underlying each of those grounds. . . I have no doubt that the objective set out above underlies all three grounds laid down in Article 3(1)(e). All three grounds serve to keep in the public domain the essential characteristics of particular goods which are reflected in their shape.")

required all types of product feature—esthetic, utilitarian or any combination of the two—to pass its different functionality tests. The U.S. courts have articulated one core functionality test designed to prevent trade mark law controlling utilitarian features that are essential to the function of a product, but will also subject a claimed mark to a secondary (and related) test designed to prevent the control of a non-reputation related disadvantage.

The US jurisprudence has in recent years given greater weight in applying its functionality test to the existence of a prior patent, and the concern that the grant of a trade mark registration might extend the rights available under finite industrial property rights. But whereas the US case law has focused primarily on utility patents, which the Court of Justice had also incorporated into its analysis of the technical functionality, the decision of the Court of Justice in *Hauck* highlighted the parallel concern of extending copyright or design rights.¹⁰⁷ In *Hauck*, the claimant has successfully sued the defendants for copyright infringement in both Germany and the Netherlands. The Advocate-General’s endorsement of a robust approach to substantial value made explicit reference to the “purpose of prohibiting the registration of shapes which give substantial value to the product is to demarcate the protection conferred by trade marks and that conferred by other intangible assets (subject to protection on the basis of industrial designs and copyright).”¹⁰⁸ This has had purchase in the UK courts, where Arnold J. denied registration for the shape of a taxi on the basis of the substantial value exclusion because “it would prevent [the plaintiff] obtaining a permanent monopoly in respect of the shape of the [taxi], rather than a 25-year monopoly by virtue of the registered design.”¹⁰⁹

IV. Possible Conceptual Lessons

From one standpoint, the tightening of standards for protection of shape marks in the United Kingdom and the European Union may simply mirror developments in the United States (and to some extent elsewhere), as courts decide that despite theoretical plausibility, the competitive consequences of such protection are not worth the candle. On its own terms, therefore, legal scholars might regard such developments as salutary.

However, the struggle over the last quarter century to articulate workable principles for shape marks might also offer a window to some conceptual features of trademark law, both as a distinct intellectual property discipline and how it relates to adjacent or allied regimes (such as design law proper, or to the protection offered by torts of passing or unfair competition).

In this Part of the Chapter, I broach several lessons that we might draw from these developments. Some are not fundamentally new, but the developments canvassed in Parts I-III serve to emphasize their salience. For example, as discussed below, the overlapping but different roles of distinctiveness and functionality doctrine illustrate the importance of not subordinating all trademark questions to the supposedly empirical assessment of consumer understanding. Others might prompt us to further reconsider questions that have long been dormant in common law systems such as the United Kingdom (with apologies to Scottish nationalists) and the United States (with apologies to Louisianans). In this camp, in particular, on each side of the Atlantic there

¹⁰⁷ U.S. law has policed the copyright/trade mark interface largely through the *Dastar* doctrine. But design patents have tended not to shape the esthetic functionality doctrine, notwithstanding occasional scholarly suggestions that they should do so. [See Dratler 1996]

¹⁰⁸ *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 at [AG 70] (Szpunar AG).

¹⁰⁹ *The London Taxi Corporation v Frazer-Nash* [2016] EWHC 52 (Ch) at [214], *aff’d*, [2017] EWCA Civ 1729.

appears (for different reasons) to be a nascent desire to re-examine the ideal relationship between trademark law and passing off or unfair competition. In the European Union, this re-examination must account for the institutional allocation of legislative competence between the European Union and its constituent member states. In the United States, this review can occur in large part at the federal level, and thus focuses more directly on the substantive issues underlying protection.

A. Lessons from the Relationship Between Distinctiveness and Functionality:
Role of Empirical and Normative Assessments

Two different relationships between the doctrines of distinctiveness and functionality are evident in scholarship and jurisprudence over the years. On one view, functionality of a mark precludes a mark being distinctive; there is a suspicion that marks are declared to be functional and not protected because the signs at issue are not in fact distinctive of source. Alternatively, and a better view, is that functionality simply trump distinctiveness.¹¹⁰ This is the essence of contemporary functionality doctrine both in the United States and the European Union. Often, these marks are distinctive, perhaps because there has been a patent on the shape in question that has secured exclusivity of a single source for 20 years. But we deem the marks to be legally unprotected because another normative overriding reason (such as the preservation of competition or ensuring the ability to practice expired patents) warrants their non-protection.

One can see some of the conceptual confusion in, for example, the Court of Justice judgment in *Phillips*. The Court explained the rationale for the functionality exclusion partially as an “attempt to stop protection going beyond signs which served to distinguish a sign or service from those offered by competitors. . .”¹¹¹ Of course, the existing exclusions that deny protection to marks that lack distinctive character should achieve that goal. But this shows the tension between conceiving functionality as something mutually exclusive with distinctiveness or whether it reflects a feature that should override distinctiveness in order that “competitors [can] freely offer[] for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark”.

Indeed, the *Phillips* judgment explicitly draws an analogy—consistent with that driving the 2011 Max Planck proposed reform of the “substantial value” exclusion discussed below—between functionality and the descriptiveness doctrine in Article 3(1)(c), which preclude protection for marks that must be kept free for others. But that ground for denial of protection can be overcome by proof of acquired distinctiveness. In its judgement in *Phillips*, the Court of Justice makes clear that distinctiveness of the shape exists, but that distinctiveness is denied legally for normative reasons, namely, to ensure competition. Thus, in order to be a resilient barrier to the anti-competitive effects that are feared, the Court rests its decision on Article 3(1)(e). The Court thus delivers the answer to the conceptual question: functionality is about overcoming factual distinctiveness for (good) normative reasons.

This approach appears to suggest a simple conceptual structure in trademark law: namely, that distinctiveness is an empirical question of consumer association, the protection of which may be required to give way to effectuate other policy objectives via application of the functionality provision. But this would not fully explain the approach of the Court of Justice. Although

¹¹⁰ See Dinwoodie, Reconceptualizing Inherent Distinctiveness, *supra* note ___, at ___.

¹¹¹ See *Phillips* at [78].

concerns for competition have nominally been pushed (in large part)¹¹² into assessments of descriptiveness¹¹³ and the requirement of a sign capable of graphic representation,¹¹⁴ the settled approach to assessing the distinctive character of shapes and colors is, I would suggest, a normative rule embedded in what is supposedly simply an empirical assessment. In this respect, it mirrors the decision of the US Supreme Court in *Wal-Mart v. Samara*.

To some extent, a finding of acquired distinctiveness inverts this form of assessment. Terms that are not in the first instance sufficiently distinctive to warrant protection (whether because they lack distinctive character under what is now Article 4(1)(b) of the 2015 Directive or are descriptive under Article 4(1)(c)),¹¹⁵ are registered after use by the applicant because the empirical reality of consumer association in the marketplace requires adjustment to our normative default in order to protect the integrity of those developed associations.

B. Scope as a Policy Lever; Inter-connected doctrines

That there is a changing mix of normative and empirical assessments occurring is important. Ideally, when we over-ride our initial normative reluctance to protect for good empirically grounded reasons, we should not forget the initial normative reluctance to confer exclusive use on a single producer. Those normative reasons should inform the scope of protection conferred on those marks (which might be implemented either in the test for infringement or via defenses, or most radically by relegating such marks to an entirely different regime such as unfair competition that offers a weaker form of protection).¹¹⁶ Court of Justice case law somewhat constrains the possibility of allowing such considerations to inform assessment of infringement.¹¹⁷ In this regard, U.S. law—which (in theory) retains assessment of both inherent and marketplace strength as part of its likelihood of confusion analysis—has adopted a preferable approach.¹¹⁸

But recent reforms in the European Union may allow some room for ensuring that the meaning of the mark that we regarded as initially unprotectable will remain available for third parties. A defense permitting descriptive fair use of a registered mark has existed in all iterations of the European legislative instruments since their introduction in 1988. But the 2015 reforms augmented those defences in Article 14(1)(b) of the EUTMR by permitting use of “signs or indications which

¹¹² *Libertel Group BV v Benelux-Merkenbureau* (C-104/01), [2003] E.T.M.R. 63.

¹¹³ *SAT.1 Satellitenfernsehen GMBH v OHIM* (Case C-329/02 P), [2005] E.T.M.R. 20; *Nichols plc v Registrar of Trade Marks* (Case C-404/02), 2005] 1 W.L.R. 1418.

¹¹⁴ See, e.g., *Dyson Ltd v Registrar of Trade Marks* (Case C-321/03) [2007] ETMR 34; *JW Spear & Son Ltd v Zynga Inc* [2013] EWCA Civ 1175. In *Dyson*, the UK courts thought that the matter should be resolved as a matter of distinctiveness. The Advocate-General added the functionality provision to the mix, but the Court of Justice sidestepped all these questions and denied protection on the basis of the definition of what could be a protected ‘sign’. Indeed, the precise question on acquired distinctiveness eventually addressed by the Court in *Nestle* in 2016 had been one of the questions left unanswered in *Dyson*.

¹¹⁵ In the United States, the question of descriptiveness is formally subsumed within the distinctiveness analysis, which perhaps serves to highlight the existence of normative questions within US distinctiveness case law.

¹¹⁶ Of course, historically, this was the approach in the early twentieth century in the United States.

¹¹⁷ See *Adidas v. Marca Mode* (Case C-102/07), [cite] (declining to allow the prior descriptiveness of the mark to influence assessment of confusion).

¹¹⁸ It is not clear that the role of inherent strength is substantial in practice. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1636-37 (2006) (finding a strong correlation between market strength and the trademark owner’s success on likelihood of confusion); see also Barton Beebe and C. Scott Hemphill, *The Scope of Strong Marks: Should Trademark Law Protect the Strong More Than The Weak?*, 92 N.Y.U. Law. Rev. 1390 (2017).

are not distinctive” (provided consistent with honest practices in industrial and commercial matters). On its face this provision seems hard to understand. Signs that are “not distinctive” might seem entirely unprotected, and thus an affirmative defence unnecessary. From its genesis in the Max Planck Study, however, the provision appears designed to allow use of the non-distinctive parts of a mark (hence the use of the term “sign”) that has become distinctive or the use of the distinctive part of the mark for a non-source identifying purpose (hence extending the descriptive fair use defence to permit all uses that use the sign for non-source-identifying purposes). This should potentially be of importance for non-traditional marks.

Indeed, one could generalize from the approach to infringement in the United States and the new defence introduced by the 2015 EU reforms to suggest that trademark law needs to develop the concept of “thin marks”, that is marks of extremely constrained scope.¹¹⁹ Again, efforts to advance such a general proposition in the European Union have largely met resistance, while the tentative makings of such a doctrine can be detected in U.S. case law. This was the essence of the comment of the Court of Appeals for the Second Circuit in *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, where in sustaining a challenge to a claimed mark consisting of the design of silverware, the court noted that “if Wallace were able to show secondary meaning in a precise expression of baroque style, competitors might be excluded from using an identical or virtually identical design. In such a case, numerous alternative baroque designs would still be available to competitors.”¹²⁰ Likewise, although expressed in unhelpful language, the 2012 decision of the same court in *Christian Louboutin S.A. v. Yves Saint Laurent America, Inc.* could similarly be understood.¹²¹ There, the registered mark was narrowed to the color red as used on the sole of a high-fashion shoe *in contrast with the color of the upper*, enabling the court to conclude (on the questionable basis of lack of use) that *that mark* was not infringed by a monochrome red shoe (upper and sole).¹²²

These options all point to a deficiency in the method of the Court of Justice, namely, the assumption that decisions in cases should be made through a series of isolated binary decisions: in determining protectability, in assessing scope, and in delineating defenses. However, a greater integration of those different parts of trademark analysis might achieve a more granular approach to protecting the source-identifying meaning embodied in a sign (what Jacob J in another context

¹¹⁹ Cf. Mark A. Lemley and Mark P. McKenna, *Scope*, 57 *Wm. & Mary L. Rev.* 2197 (2016). The scope of the mark might also be regulated through the remedies available, but that is addressed separately below in discussion of unfair competition.

¹²⁰ *Wallace Int’l Silversmiths, Inc. v. Godinger Silver Art Co., Inc.*, 916 F.2d 76 (2d Cir. 1990), cert. denied, 499 U.S. 976 (1991).

¹²¹ *Christian Louboutin S.A. v. Yves Saint Laurent America, Inc.*, 696 F.3d 206 (2d Cir. 2012).

¹²² This elevates the importance of developing coherent approaches to the claiming of design, which is a challenging task. See Jeanne C. Fromer and Mark P. McKenna, *Claiming Design*, 167 *U. Pa. L. Rev.* 123 (2018). But it something that the US courts had done with some rigor on occasion for claims of product design trade dress advanced under the rubric of Section 43(a). See *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 101 (2d Cir. 2001) (“if a court is unable to identify what types of designs will infringe a trade dress, how is a competitor in the jewelry business to know what new designs would be subject to challenge by [plaintiff]?”); *Gen. Motors Corp. v. Lanard Toys, Inc.*, 468 F.3d 405, 415 (6th Cir.2006). And the EU courts have paid attention to this question in the context of both the requirements of “graphic representation” and “sign”. See *supra* note __ (citing case law). Indeed arguably, the U.K. courts have been slightly too strict in this regard. See *Nestle v. Cadbury (“Purple”)* [2013] EWCA Civ. 1174; *J.W. Spear & Son. v Zynga* [2013] EWCA Civ 1175; cf. *Case C-421/13, Apple Inc. v Deutsches Patent- und Markenamt* ECLI:EU:C:2014:2070 (CJEU 2014) (representation, by a design alone, without indicating the size or the proportions, of the layout of a retail store); Robert Burrell and Michael Handler, *Making Sense of Trade Mark Law* (2003) IPQ 388.

memorably called “the trade marky bit”) while leaving third parties to use the other aspect of a mark that we wish for normative reasons to leave free from proprietary control.

C. Separating Different Meanings/Functions: Metaphors

As the prior discussion in Part IV.A-B suggests, assessment of functionality and acquired distinctiveness have in common an attempt to protect one part of the meaning or function of a mark (its source-identifying function) while leaving unprotected another meaning or function (with functionality). Likewise, new Article 14(1)(b) is another attempt to preserve use of that initial unprotected meaning of a trademark even when that meaning gets wrapped up with a secondary meaning that should be protected.¹²³

This turns out to be hard, but it a necessarily pervasive exercise in a body of law that seeks to regulate only a limited range of meaning or functions of a particular sign. In grappling with the dangers of not recognising this dilemma, and the potential abuses it might allow, the UK and European case law in this area has made use of two metaphors that have been readily accepted by commentators: the “limping mark” and the “figurative fig leaf”.

Mr. Justice Jacob (as he then was) coined the concept of a “limping mark” in the *Philips* case in 1990, where the claimant sought to register the clover-leaf shape of the three-headed shaver.¹²⁴



The metaphor is powerful, but potentially unhelpful. Not to extend (or distort) the metaphor too far, but a crutch allows a patient temporarily unable to manage on his or her own to get by. But patients who need a crutch ultimately may get on to their own two feet and get rid of the crutch. Once the limping mark gets rid of the crutch and is itself recognised as a mark it should be treated as a distinctive mark.

But the metaphor has persisted (and indeed has been enthusiastically embraced by scholars in the United States). And the problem with the recent decisions of the UK courts in *Nestle* discussed below is that they think a limping mark is always a limping mark. In this regard, they run headlong into another line of case law from the Court of Justice where the Court of Justice has accepted (or

¹²³ See Max Planck Study ¶ 2.256 at 121 (“The arguments for allowing the free use of non-distinctive signs or indications are just as strong as those for exempting the use of descriptive indications from trade mark infringement claims”); see also Annette Kur, *Yellow Dictionaries, Red Banking Services, Some Candies and a Sitting Bunny—Protection Of Colour- and Shape-Marks From a German And European Perspective*, in *THE PROTECTION OF NON-TRADITIONAL MARKS: A CRITICAL PERSPECTIVE* 89 (Calboli and Senfleben eds. OUP 2018).

¹²⁴ See *Philips Electronics NV v Remington Consumer Products* [1998] E.T.M.R. 124 (Ch D) (“what we have here is a kind of ‘limping mark’, always used with what is obviously a proper trade mark.”; it gains support from the “crutch” of another, far stronger trade mark).

purposes both of genuine use and acquired distinctiveness) that a mark can exist as part of a larger mark but ultimately be recognised as valid as a separate source-identifier.¹²⁵

Outside the context of shape marks, in *Starbucks* Mr. Justice Arnold introduced the concept of a “figurative fig leaf”.¹²⁶ This describes an attempt to secure registration of an otherwise non-distinctive word mark by combining the word mark with a graphic element to create a figurative mark that would as a result not consist “exclusively” of a descriptive term, as is required for the descriptiveness objection in what is now Article 4(1)(c) of the 2015 Directive to bite. *Starbucks* involved an attempt to register the mark NOW as a figurative mark for on-demand media services, where the figurative mark consisted of the very descriptive word NOW with an abstract logo of a sunburst jutting out from behind the word NOW.



Arnold J suggested that he would be reluctant to allow such a “figurative fig leaf” to ensure the registration of the mark. The concern is that protection of the composite mark would bleed in scope effectively to protect the descriptive word mark.¹²⁷ If the mark was registered, how would we ensure that the third party was able to use the word NOW in standard character form or in narrative form? As suggested above by consideration of the problems of shape marks, the answer could lie in a proper understanding of the scope of such a registration, or the availability of a fair use or other defence that preserves such non-trade mark uses for free use.¹²⁸ But Arnold J preferred instead to adopt a very rigorous approach to the question of protectability.

The approach that Arnold J adopted to “figurative fig leaves” is reminiscent of something that the Court of Justice also addressed in *Lego*.¹²⁹ There, in its representation, the applicant had mischievously sought to register not the shape of the Lego Brick alone, but rather the shape of a red Lego brick.

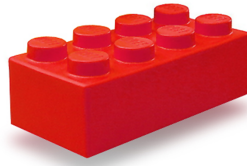
¹²⁵ *Colloseum Holding v. Levi Strauss & Co.* (C-12/12) [2013] ETMR 34; *Bernard Rintisch v. Klaus Eder* (Case C-553/11), [2013] ETMR 5 (CJEU 2012); *Société des Produits Nestlé SA v. Mars UK Ltd* (C-353/03), [2005] E.T.M.R. 96 (ECJ 2005) (HAVE A BREAK).

¹²⁶ See *Starbucks (UK) Ltd v British Sky Broadcasting Group Plc & Others* [2012] EWHC 1842 (Ch).

¹²⁷ Arnold J’s conclusion was surely correct, because the mark would likely have encountered a distinctiveness objection as well.

¹²⁸ The fear is that the doctrinal mechanism might be insufficiently robust to prevent abusive assertion of the mark. Cf. *Wal-Mart Stores, Inc. v. Samara Bros.* 529 U.S. 205 (2000) (“not worth the candle”). And the claiming strategy adopted by the applicant arguably did look like it was a prelude to abusive assertions of rights.

¹²⁹ See *Lego Juris v OHIM, Mega Brands* (C-48/09P) [2010] ETMR 63 (CJEU 2010).



Focusing on the word “exclusively” in Article 3(1)(e), the applicant argued that because the sign did not consist exclusively of a shape it avoided the application of the functionality exclusion. The Court of Justice was not persuaded; it noted that the focus has to be on the “essential characteristics” of the claimed mark, and it regarded the shape alone as comprising the essential characteristics of the mark. As was Arnold J in *Starbucks*, the *Lego* Court was alert to abuses that might come from granting a narrow trade mark registration that might then be used more broadly to preclude legitimate uses.

In these cases, the UK and European courts have effectuated their legitimate concern for the difficulty of separating minimal protected meaning (or functions) from important meanings (or functions) that the design or word plays for third parties by adopting a strict approach at the threshold for protection. The metaphors have been powerful and persuasive. In some of these cases, this might not matter much; the NOW mark was likely non-distinctive even when covered with fig leaves. But in other cases, such as *Philips* and *Lego* there was shown to be some marketplace distinctiveness that, under conventional trademark theories, warranted protection.

This policy choice, however, results in an alternative harm. If a product feature is distinctive, but is not protected such that third parties can copy the feature with impunity, consumers may be confused about the source of the competing product. This is classic trade mark harm. The solution at which the Court hints in *Lego* (but does not develop because it is a matter of national law) is that additional protection may be available under unfair competition law.¹³⁰ That option is discussed in the next Part of this Chapter.

D. Trademark and Unfair Competition (Passing Off) Law

Before the expansion in subject matter protected or registerable by trademark law discussed in the Introduction to this Chapter, source-identifying product shapes were not wholly without legal protection and simulation by third parties. In the United States, shapes could receive protection under principles of unfair competition (essentially passing off); the requirements for such an action were, however, more demanding in other respects and offered a weaker form of protection (including a preference for remedies that took form of labeling rather than prohibition of use). This was at a time before the effective assimilation of protection for unregistered marks under section 43(a) with that afforded registered marks under section 32. Likewise, in the United Kingdom, although it was only in 1994 that shapes could be registered as marks, protection was available under principles of passing off (though secured more rarely than in the United States).

Moreover, during those periods—and since then—shapes that were distinctive might obtain some relief under U.S. unfair competition law even if they were functional, although that relief would not include prohibition on the use of the shape.¹³¹ The most prominent example would be the pre-

¹³⁰ See *Lego v. OHIM* (Case C-48/09P) [2010] E.T.M.R. 63 at ¶ 61 (CJEU 2010).

¹³¹ See *Dinwoodie*, *supra* note __, at __.

Lanham Act decision in *Kellogg v. National Biscuit Co.* In that case, the Supreme Court considered whether Nabisco could, after the expiry or invalidation of its patents on the machine and process for making the SHREDDED WHEAT biscuit, use trademark and unfair competition law to prevent a rival manufacturer (Kellogg) from selling goods of the same shape. The Court decided that the shape was unprotectable because (inter alia) it was functional. But importantly, the Court's opinion did not stop when it concluded that Nabisco had no trademark rights in the shape. Instead, the Court held that, despite the lack of formal trademark protection, there remained an "obligation resting upon Kellogg Company . . . to identify its own product lest it be mistaken for that of the plaintiff."

Thus, the Court conducted an assessment of how the products were being packaged and labeled to determine congruence with principles of unfair competition: the Court stressed that "the question remains whether [the defendant] in exercising its right to use the name 'Shredded Wheat' and the pillow-shaped biscuit, is doing so fairly. Fairness requires that it be done in a manner which reasonably distinguishes its product from that of plaintiff." The Court compared the size, form and color of the cereal cartons in which each company sold its biscuits, and noted the use (and size and prominence) of a house mark by Kellogg to differentiate its product. And the Court assessed the post-sale market such as restaurants, in which (because the carton was not present) the size and appearance of the competing biscuits themselves were crucial. The Court acknowledged that there was a minor risk of confusion. But Kellogg had made "every reasonable effort to distinguish its product" from that of Nabisco.

As noted above, the Court of Justice in *Lego* likewise indicated that functional shapes unprotectable under EU trademark law might, if distinctive, be protected under principles of unfair competition. Of course, that approach might be undesirable within the present European scheme because it would result in national variation in the level of protection (because unfair competition is not harmonized at the European level). At least with respect to marks deemed functional because they added "substantial value" the 2011 Max Planck proposals would have ameliorated this problem, by making such marks registerable as marks upon proof of secondary meaning. But that solution would run the risk of offering too much protection to marks that are competitively important to third parties, unless European courts were willing to consider something less than prohibitory injunctive relief in cases of trademark infringement or truly give free rein to the new defense in Article 14(1)(b) of the 2015 Directive. (Another alternative would be to harmonise at the European level something akin to weaker passing off protection, but European consensus on general unfair competition principles has thus far proved elusive).

Providing some form of protection to a shape that is distinctive but functional not only furthers the goal of protecting consumer understanding, but might also encourage courts to adopt a robust pro-competitive view of functionality doctrine. Embracing and endorsing the line of cases providing such protection might be worth considering on its own terms, as a better accommodation of the competing concerns at play in the case of product design marks.¹³² But it might also represent for U.S. law (and more ambitiously for EU law, especially if the UK adheres to its 2016 decision on Brexit) a useful vehicle for addressing a fundamental question that is beginning to appear in both judicial decisions and scholarly literature, namely the relationship between unfair competition and trademark law.

¹³² See Graeme B. Dinwoodie, *The Death of Ontology: A Teleological Approach to Trademark Law*, 84 Iowa L. Rev. 611-752 (1999).

If one looks at early American case law in the late nineteenth and early twentieth century, trademark law is commonly described as a subset of the broader law of unfair competition. An illustrative example would be Justice Pitney, in the Hanover Star Milling case in 1916, declaring that “the common law of trade-marks is but a part of the broader law of unfair competition.” But clearly as to subject-matter, scope of protection and remedies, trademark protection and unfair competition diverged, even if they were animated by similar principles.

By 1992, however, in *Two Pesos*, while acknowledging that “Section 43(a) “prohibits a broader range of practices than does §32,” which applies to registered marks”, Justice White described it as “common ground that §43(a) protects qualifying unregistered trademarks and that the general principles qualifying a mark for registration under §2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under §43(a).” The Supreme Court has avoided obvious recent opportunities to consider the relationship between common law rights enforced through the unfair competition provision of the Lanham Act and federal registered trademark rights.¹³³

However, lower courts might be raising the question, unintentionally prompted by the Supreme Court’s 2014 false advertising decision in *Lexmark International, Inc. v. Static Control Components, Inc.*¹³⁴ Thus, in *Belmora v. Bayer*, the Court of Appeals for the Fourth Circuit appeared to endorse a different scope of unfair competition protection under Section 43(a) that was distinct from that available for registered marks under section 32, and which harkened back to the kind of considerations that would have been germane pre-Lanham Act.

The case was a consolidation of both an unfair competition lawsuit brought by Bayer against Belmora under Section 43(a) of the Lanham Act for Belmora’s use of the mark FLANAX on pain relievers and a related effort by Bayer to cancel the trademark registration that the PTO had issued to Belmora for the mark FLANAX on pain relievers. Bayer owned the trademark “FLANAX” for pain relievers in Mexico and had sold pain relievers under that mark throughout Mexico and Latin America since the 1970s. Bayer did not however sell FLANAX in the United States; it never used the mark here, and it had never registered the mark here. (This was probably because it sold the same pain relievers under the brand ALEVE in the US market and was concerned about cannibalization.)

Instead, it was Belmora that registered the FLANAX trademark in the United States, having used it in the United States on pain relievers since 2004. Belmora’s FLANAX packaging closely mimicked Bayer’s Mexican FLANAX packaging. Moreover, Belmora made statements in brochures implying that its FLANAX brand was the same FLANAX product sold by BCC in

¹³³ In its recent *Matal v. Tam* decision, striking down the disparagement bar to trademark registration as a violation of the First Amendment, the United States Supreme Court in footnote 1 of Justice Alito’s opinion explicitly refused to engage with the question whether the owner of the mark THE SLANTS for rock bands would have unregistered common law trademark rights even if they were denied a federal registration in that mark. But the Federal Circuit did take a view, suggesting in dicta (especially in the panel opinion) that if there could be no trademark registration of the SLANTS mark because it disparaged Asian-Americans then there could be no common law rights either.

¹³⁴ In *Lexmark*, the Court had set out the circumstances in which a plaintiff in a false advertising case – that is, the other part of Section 43(a) – could have standing to bring an action as a person “likely” to be damaged by the conduct prohibited by section 43(a). The *Lexmark* court concluded that this question of statutory interpretation is framed by two “background principles”: first, a plaintiff’s claim must fall within the “zone of interests” protected by the statute; second, “a statutory cause of action is limited to plaintiffs whose injuries are proximately caused by violations of the statute.”

Mexico. Bayer argued that Belmora used the FLANAX mark to deliberately deceive Mexican–American consumers into thinking they were purchasing Bayer’s product. And Bayer had some quite persuasive evidence that suggested that there was confusion among the public, retailers and distributors about the relationship between the Bayer and the Belmora product.

The fact pattern looks set up perfectly for a discussion of the well-known mark doctrine found in Article 6bis of the Paris Convention, whereby a mark that is well-known in the United States might be protected here although never used or registered here. However, there is presently a circuit split as to whether US federal law recognises the well-known mark doctrine. The indications in the Fourth Circuit are that that court would likely not recognise the doctrine, although that is not yet definitive. Thus, at least after the District Court decision, the parties and the court approached the question somewhat differently.

The District Court had denied Bayer relief because, having not used the FLANAX mark in the United States, it did not possess a protectable interest in that mark, which the District Court read as a prerequisite for an action under section 43(a). The Court of Appeals reversed, criticising the lower court for conflating trademark infringement under Section 32(a) with unfair competition under section 43(a), and emphasizing that “that this is an unfair competition case, not a trademark infringement case.”

The court noted that the plain language of Section 43(a) does not require that a plaintiff have used a trademark in the United States to bring an unfair competition action. The Court said that this stood in “sharp contrast” to the requirements of an action for registered trademark infringement under Section 32, which does require that the plaintiff own a US trademark. That is to say, the unfair competition provision will potentially catch conduct that would not give rise to a trademark infringement action. In support of that proposition, the Fourth Circuit cited what it called “substantial precedent”, including *Kellogg*.

The Fourth Circuit seems to have endorsed a cause of action for unfair competition that is broader than trademark law, but that is limited by having to prove harm and causation (which were the standing requirements that the court drew from *Lexmark*). Moreover, the Court noted that should Bayer prevail and prove its § 43(a) claims, an appropriate remedy might include directing Belmora to alter the font and color of the packaging or attaching the manufacturer’s name to the brand name, rather than a prohibition on use. The framework adopted by the *Belmora* Court has the potential to dramatically reshape trademark and unfair competition law. It recognises an unfair competition law that is potentially broader than trademark law, but that is limited by proof of causation and harm and which might contemplate a broader array of remedies.

This is not to suggest that we return to the pre-Lanham Act state of play. Rather, might we give ourselves more policy levers if we had two slightly different mechanisms or regimes by which to regulate the use of marks in the marketplace? This is a broader question than I wish to address in this Chapter, and a plea for a separate unfair competition law may at one level seem quite semantic.¹³⁵ There may be arguments in both directions. But the protection of design marks might be a good context in which to start thinking about it. And that might be true in Europe as well, where the challenge is one of harmonization of very diverse national approaches.

¹³⁵ The reason unfair competition principles do not have a distinct identity in modern trademark law is not that we have rejected them; rather it is because many have been incorporated within trademark law proper.

E. Functionality and Overlap

Functionality doctrine has historically sought to further two related, but different, public policies. One is the concern for the potentially anti-competitive effects of protecting product shapes. The other public policy implicated is the cumulation of different intellectual property rights. It is argued that a producer should not be able to combine patent protection for a product shape with trademark protection for the same feature; and similar arguments apply to registering as a trade mark something previously (or additionally) protected by copyright and design law.

The developments in the United Kingdom and the EU discussed in Parts II-III have addressed the role of the cumulation question. The importance of the cumulation debate—which has been reshaped in the courts and scholarly literature since the late nineteenth century—depends on the extent of the overlap in subject matter. The area of overlap is a product not only of policy choices in trade mark law but also choices made in copyright, patent and design law. The trend over the last few decades in almost all areas of intellectual property law has been one of expansion, with only occasional retrenchments. If trade mark law is—for reasons too often unexplained as a policy matter, though evident from the legislative text—the form of intellectual property that must give way in the case of conflict between two regimes, then the scope of the functionality exclusion in trade mark law is hostage to the growth in competing regimes.

Lego had involved an expired patent. The *Hauck* case involved claims for copyright infringement of the Tripp-Trapp high chair, which succeeded in both Germany and the Netherlands. But as noted above the Court of Justice rejected a claim for an EU trademark and gave a very broad reading to the exclusion of protection for shapes that give substantial value to the goods.¹³⁶ The Advocate-General rested his broad reading of that provision on the fact that its purpose “is to demarcate the protection conferred by trade marks and that conferred by . . . industrial designs and copyright”.¹³⁷

In a later UK case, Mr Justice Arnold very much endorsed the language of the Advocate-General in *Hauck* and denied trademark protection to the shape of two London taxicabs. One of those shapes had in fact been the subject of registered design protection (but not copyright or patent). But in finding *both* to fall afoul of the substantial value exclusion, he took into account that the other *could have been*. If the scope of subject matter protectable by copyright and design rights continues to expand, a strict approach to cumulation that disfavors trade mark law in the case of conflict could shrink trade mark law to an undesirably narrow point. And almost anything can now be the subject of European design protection,¹³⁸ so on this theory, one would almost entirely exclude trade mark protection for shapes because they all can be designs under EU law.

¹³⁶ *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60.

¹³⁷ *Hauck GmbH v. Stokke* (Case C-205/13) [2014] ETMR 60 (Szpunar AG)

¹³⁸ See Design Directive, art. 1(a) (“design” means the “appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation”).