

Lego of My Technical Functionality: The Perpetual Evolution of the European Community's Trademark Law in Comparison with the Law of the United States

*Benjamin Fox Tracy**

I. Introduction

A “trademark” is “a word, phrase, logo, or other graphic symbol used by a manufacturer or seller to distinguish its product or products from those of others.”¹ The primary function of trademark law around the world is to act as a source-distinguishing mechanism; trademarks “allow the producers of competing goods and services to distinguish their products on the open market.”² A unique feature of trademark law in the realm of intellectual property is that it essentially grants the proprietor an endless monopoly over the mark.³ Once granted, trademark rights do not prohibit competitors from producing identical goods, but rather just mandate that those identical goods may not bear the identical source-distinguishing mark.⁴ Such protections yield tremendous economic power⁵ because the proprietor of an active trademark in an economic market will likely find that the trademark increases profitability “due both to repeat sales and to sales to new customers who learn of the quality reputation from others. These enhanced profits are the result of both higher sales volume and consumer ‘willing[ness] to pay higher prices in

* Juris Doctor Candidate, Touro College Jacob D. Fuchsberg Law Center, May 2012; Research Editor for the *Touro Law Review*; B.A., English, Fairfield University, 2006. I wish to thank Professor Rodger Citron for his critique and Sandra Hornberger, Adam Hyman, and James Tsimis for their editing assistance. I also wish to thank my family for their tremendous support throughout my legal education.

¹ BLACK'S LAW DICTIONARY (9th ed. 2009), trademark.

² Katerina Shaw, *Likelihood of Coexistence: A Comparative Analysis of the Interplay Between European Trademark Law and Free Competition*, 18 U. BAL. INTELL. PROP. L.J. 51, 51 (2009).

³ M.A. Cunningham, *A Complementary Existence: An Economic Assessment of the Trademark and Competition Law Interface in the European Community*, 10 TUL. EUR. & CIV. L.F. 141, 148 (1995).

⁴ Shaw, *supra* note 2, at 55.

⁵ See Charles R. Mandly, Jr., *Article 82 of the E.C. Treaty and Trademark Rights*, 93 TRADEMARK REP. 1314, 1322-23 (2003); see also Randall Frost, *Trademarking: Senses and Sensibility*, BRAND CHANNEL (Apr. 26, 2004), http://www.brandchannel.com/features_effect.asp?pf_id=207.

exchange for lower search costs and greater assurance of consistent quality.’⁶ While the branding principle underlying trademark protections is widely accepted,⁷ conflict arises when trademarks are sought to limit a competitor’s access to a particular feature in the marketplace, such as geographical marks or technical functions.⁸

During the second half of the twentieth century and early into the twenty-first, European Community trademark law ran the full gamut from a virtual non-existence in the name of an unfettered free-competition market⁹ to an expansive body of intellectual property protections based upon case law (relying upon market research) demonstrating the need to create such protections.¹⁰ These protections would foster a single common market for branded goods in the European Community, as opposed to individual national markets, which would vastly increase consumers’ choices of goods and allow manufacturers to expand their market share.¹¹ This need led to the European Community’s adoption of trademark laws that advance market protections for individual manufacturers,¹² which reflects a shift in ideology that restricts market competitors’ access to certain indicia to protect trademark proprietors.¹³ Moreover, in September of 2010, the European Court of Justice decided *Lego Juris A/S v. Office of Harmonisation in the Internal Mkt. (Trade Marks and Designs)*,¹⁴ which expanded the scope of the European Community’s trademark law to potentially its broadest point. In fact, this decision opened the door for the European Community’s trademark law to envelop a segment of intellectual property

⁶ Mandly, *supra* note 5, at 1322-23 (quoting William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 272 (1988)).

⁷ Peter Bowal, *What Ifs And Other Alternative Intellectual Property And Cyberlaw Story: What If . . . The Stud Does Not Function*, 2008 MICH. ST. L. REV. 389, 389 (2008).

⁸ See Council Regulation 40/94, art. 7, 1994 O.J. (L 11).

⁹ See, e.g., Case 40/70, *Sirena S.r.l. v. Eda S.r.l.*, 1971 E.C.R. 69; see also Shaw, *supra* note 2, at 52 (noting Europe’s initial reticence about creating a trademark system due to the fear of enacting measures that impeded market competition).

¹⁰ Shaw, *supra* note 2, at 51.

¹¹ *Id.* at 58.

¹² See Council Regulation 40/94, 1994 O.J. (L 11), First Council Directive 89/104/EEC, 1989 O.J. (L 40).

¹³ Shaw, *supra* note 2, at 51.

¹⁴ 2010 ECJ EUR-Lex LEXIS 808 (Sept. 14, 2010).

that is historically reserved for patent protections because the holding created a framework that would allow trademark protections to include marks with technical functions.¹⁵ Such a result reflects just how far the pendulum has swung from Europe's initial laissez-faire attitude towards intellectual property rights towards its current standing as a willing provider of trademark protections.¹⁶

This paper begins with a brief history of the evolution of the European Community's trademark law and how it compares with the laws of the United States. Furthermore, this paper then analyzes key European Court of Justice decisions that interpreted the evolving trademark laws, which culminated with the *Lego* decision and its analytical framework that broadened the scope of trademark protections to include indicia with a technical function.

II. A Brief History of Trademark Law

The United States was one of the pioneering countries with respect to anti-competition regulation when it enacted the Sherman Antitrust Act of 1890;¹⁷ Section 2 of that act prohibits monopolization¹⁸ and courts applied it to protect intellectual property.¹⁹ The European Community has two similar provisions, as enumerated in Article 85 and Article 86 of the European Community Treaty ("EC Treaty"),²⁰ which were originally part of the Treaty of Rome ratified in 1957.²¹ "Article [85] prohibits concerted practices, while Article [86] prohibits abuse

¹⁵ *Id.* at *43-45.

¹⁶ Luis-Alfonso Duran, *The New European Union Trademark Law*, 23 DENV. J. INT'L L. & POL'Y 489, 489-91 (1995).

¹⁷ 15 U.S.C. §§ 1-7 (West 2010).

¹⁸ *Id.* § 2.

¹⁹ *See, e.g.,* Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172, 178 (1965) (applying 15 U.S.C. § 2 to determine whether the fraudulent obtainment of a patent was an antitrust violation).

²⁰ Cunningham, *supra* note 3, at 153.

²¹ Treaty Establishing the European Economic Community (Treaty of Rome), Mar. 25, 1957, 2 B.D.I.E.L. 45.

of dominant position by a single undertaking.”²² At their core, these two provisions seek to quell one entity from dominating a particular segment of business, but invite a fundamentally different approach to government involvement in such regulation than the United States. The European Community standards are more inviting to government regulation, whereas the American standards demonstrate an “aversion to government regulation.”²³ Article 86 and Section 2 of the Sherman Act are similar in that they both seek to curb the dominance of an “economic actor” that has become especially powerful in a particular business market.²⁴ However, “dominance” is a characteristic that the courts of the European Community are more readily able to find in circumstances where the United States courts would not.²⁵ The European Court of Justice (“ECJ”) has applied Article 85 and Article 86 to limit intellectual property rights in an effort to promote fair competition, both within nations as well as between them.²⁶ Similarly, up until the 1970s, the United States applied antitrust law when dealing with intellectual property issues.²⁷ Subsequently, specific intellectual property laws evolved from the broad antitrust laws in both Europe and the United States, and comprise the modern laws that govern the area today.²⁸

The biggest hurdle in creating the universal trademark system in the European Community was the initial integration of individual nation’s trademarks.²⁹ The ECJ was responsible for the preliminary steps of this integration process as the court dealt with cases

²² Shaw, *supra* note 2, at 55 (noting that Art. 85 and Art. 86 were previously Art. 81 and Art. 82 respectively); *see generally* Aashit Shah, “The Abuse of Dominant Position” under Article 82 of the Treaty of the European Community: Impact on Licensing of Intellectual Property Rights, 3 CHI.-KENT J. INTELL. PROP. 41 (2003).

²³ Shaw, *supra* note 2, at 55.

²⁴ *Id.* (“Article 82 prohibits an economic actor from abusing a dominant position in the European common market...if it affects trade between Member States. Section 2 of the Sherman Act prohibits monopolization, attempt to monopolize, or conspiracy to monopolize ‘any part of the trade or commerce among the several states.’” (quoting 15 U.S.C.A. § 2 (2006))).

²⁵ *Id.* at 56.

²⁶ *Id.*

²⁷ Shaw, *supra* note 2, at 57.

²⁸ *See* Council Regulation 40/94, 1994 O.J. (L 11); Lanham Act (Trademark Act of 1946), 15 U.S.C. §§ 1051-1141 (West 2010).

²⁹ Shaw, *supra* note 2, at 56.

involving the enforcement of national trademarks within other nations.³⁰ The court began this integration by first demonstrating that nations may not enforce their own individual trademark protections against other nations, and did so by creating a dichotomy between the existence of an intellectual property right granted by the national law of a European Community member and the exercise of that right against other member nations.³¹ Although the court realized that it was powerless to affect the existence of a nationally granted trademark, it was very much aware that it could affect the way the exercise of the trademark rights impacted the European market.³²

In *Sirena S.r.l. v. Eda S.r.l.*,³³ the ECJ held that nationally granted trademark protections are less potent than tangible property rights when enforced against other member nations because the tangible property rights were of greater importance to the commerce of Europe.³⁴ Applying Article 85 of the EC Treaty, the court negated the rights of a dominant trademark proprietor to impinge upon a community member's ability to import goods from other member nations.³⁵ The court held that trademark protections will be unenforceable "to the extent to which trade-mark rights are invoked so as to prevent imports of products which originate in different Member States."³⁶ This case is a prime example of the ECJ inhibiting a dominant economic actor's individual intellectual property rights to further support a competitive market.³⁷ The ECJ's decision was a clear effort to send a message to the member states of the European Community that a community-wide intellectual property system was needed to provide stronger protections for trademark proprietors.

³⁰ See, e.g., Case 40/70, *Sirena S.r.l. v. Eda S.r.l.*, 1971 E.C.R. 69.

³¹ Mandly, *supra* note 5, at 1328.

³² *Id.* at 1327-28; see also Shaw, *supra* note 2, at 58.

³³ 1971 E.C.R. 69.

³⁴ *Id.* at 81.

³⁵ *Id.* at 81-82.

³⁶ *Id.* at 82.

³⁷ Shaw, *supra* note 2, at 58.

III. Modern Developments in Trademark Law

In response to the *Sirena* decision, the European Community Commission adopted the “Memorandum on an EEC Trade Mark” in 1976, which put forth the argument for a European Community-wide trademark scheme because this would create a greater common market for consumers and a “common market for branded goods would create more choices for the consumer.”³⁸ The commission subsequently enacted the First Council Directive 89/104 in 1988 (“harmonisation directive”), which sets out the requirements for trademark registration that each member state should follow and the subsequent trademark protections afforded by such registration.³⁹ The intended function of the harmonisation directive was to heed the arguments of the Memorandum on an EEC Trade Mark and to encourage the development of a unified European economic market that allowed intellectual property protections to be effective in all member states.⁴⁰ In 1993, the European Community enacted Council Regulation EC 40/94,⁴¹ or the Community Trade Mark Regulation (“CTMR”), which “created a Community trademark system, under which a registration of a trademark has a uniform effect across the European Community.”⁴² The harmonisation directive and CTMR function in unison to regulate trademark law.⁴³

The CTMR and the harmonisation directive define trademark in the same way. Article 4 of the CTMR provides:

A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of the goods or of their packaging, provided that such signs

³⁸ *Id.*; see also Duran, *supra* note 16, at 489 (noting that an important goal of creating a European Community-wide trademark was to establish “a single market without internal barriers that might restrict the free movement of goods and services”).

³⁹ Duran, *supra* note 16, at 490.

⁴⁰ Shaw, *supra* note 2, at 59.

⁴¹ Council Regulation 40/94, 1994 O.J. (L 11).

⁴² Shaw, *supra* note 2, at 59.

⁴³ *Id.*

are capable of distinguishing the goods or services of one undertaking from those other undertakings.⁴⁴

Article 2 of the harmonisation directive contains the exact same language in its trademark definition.⁴⁵ Further, both the directive and CTMR have guidelines for refusal of trademark registration and enumerate the rights granted upon the registration of the trademark.⁴⁶ Article 7 of the CTMR elucidates that grounds for refusal of a trademark include marks that are not distinct; marks that are descriptive of functionality, geographical origin, or time of production; marks that are generic; and marks that are immoral or against public policy.⁴⁷ Further, Article 7(e)'s grounds for refusal are "signs which consist exclusively of: . . . the shape which results from the nature of the goods themselves; or . . . the shape of the goods which is necessary to obtain a technical result; or . . . the shape which gives substantial value to the goods."⁴⁸

The United States equivalent of the CTMR is the Lanham Act, which was enacted by Congress in 1946.⁴⁹ While both the CTMR and Lanham Act govern trademark protections, there are dissimilarities between the two. First and foremost, the Lanham Act presents a different definition of a trademark:

. . . any word, name, symbol, or device, or any combination thereof . . . used by a person, or . . . which a person has a bona fide intention to use in commerce an applies to register . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.⁵⁰

The principal difference with this definition is that it does not require that the mark be capable of graphic representation, unlike the CTMR.⁵¹ Further, the inclusion of "symbol, or device"

⁴⁴ Council Regulation 40/94, art. 4, 1994 O.J. (L 11).

⁴⁵ First Council Directive 89/104/EEC, art. 2, 1989 O.J. (L 40).

⁴⁶ Council Regulation 40/94, 1994 O.J. (L 11); First Council Directive 89/104/EEC, 1989 O.J. (L 40).

⁴⁷ Council Regulation 40/94, art. 7, 1994 O.J. (L 11).

⁴⁸ *Id.*

⁴⁹ Lanham Act (Trademark Act of 1946), 15 U.S.C. §§ 1051-1141 (West 2010).

⁵⁰ 15 U.S.C. § 1127 (West 2010).

⁵¹ *See id.*

provides a much broader scope of what marks can obtain a trademark as compared to the CTMR, which pertains mostly to graphical marks.⁵² In fact, one commentator has even gone as far as to say that under current American trademark law, “virtually any device or symbol that makes, or could make, a commercial impact upon a relevant body of consumers may be registrable as a [trademark] and/or provide the basis for obtaining injunctive relief from the courts.”⁵³

The limitations on the registration of trademarks are similar in both the Lanham Act and CTMR. Both do not register marks that describe the characteristics of the good, are geographically descriptive, or serve as a functional feature of the good.⁵⁴ However, the Lanham Act has more relaxed language than the CTMR, as the former provides that no distinct mark “shall be refused registration” unless it is expressly excepted by a statutory exception.⁵⁵ Thus, the Lanham Act holds that there is a presumption of eligibility for marks that apply unless there is a showing that it falls under one of the statutory exceptions.⁵⁶ Conversely, the CTMR has no such presumption and “simply states which marks shall not be registered.”⁵⁷ Regarding descriptiveness, both laws provide that marks that describe the goods or marks that are “geographically descriptive” may obtain a trademark if the applicant can show the mark has become distinctive⁵⁸ or has obtained a secondary meaning.⁵⁹

The trademark protections under both the CTMR and the Lanham Act have similarities. Both allow a trademark holder to “bring an infringement action against a party using a mark

⁵² Compare 15 U.S.C. § 1127 (West 2010), with Council Regulation 40/94, 1994 O.J. (L 11).

⁵³ Russell H. Falconer, *Big Future for Nontraditional Marks*, NAT'L L.J., May 18, 1998, at C28.

⁵⁴ Compare Council Regulation 40/94, art. 7, 1994 O.J. (L 11), with 15 U.S.C. § 1052(e) (2006).

⁵⁵ 15 U.S.C. § 1052 (West 2010).

⁵⁶ See *id.*; see also Shaw, *supra* note 2, at 60.

⁵⁷ Council Regulation 40/94, art. 7(1), 1994 O.J. (L 11); see also Shaw, *supra* note 2, at 60.

⁵⁸ Council Regulation 40/94, art. 7(3), 1994 O.J. (L 11).

⁵⁹ 15 U.S.C. § 1052(f) (West 2010); See, e.g., *Qualitex Co. v. Jacobson Products Co., Inc.*, 514 U.S. 159 (1995).

without the trademark holder's consent."⁶⁰ The CTMR allows for such an action to be brought in the specific circumstances of "where the third party is using a similar or identical mark in connection with similar or identical goods or services and there is likelihood of confusion between the infringer's mark and the registered mark."⁶¹ The Lanham Act is broader in that an infringement action may be brought against a party "using a similar mark in connection with *any* goods or services, not just those that are similar."⁶² However, when applying the Lanham Act, courts use a "likelihood of confusion analysis," which often entails a review of how similar the goods are.⁶³ Further, under the Lanham Act, one who holds an unregistered trademark or simply a state registered trademark may bring a federal infringement action,⁶⁴ whereas the CTMR requires a formal registration to bring an action.⁶⁵

IV. The European Court of Justice's Interpretation of the Harmonisation Directive and Community Trade Mark Regulation

The ECJ's interpretations of the harmonisation directive and the CTMR have demonstrated a willingness to respect individual trademark rights over the interests of free competition. In fact, the ECJ's shift towards protecting trademark rights has been similar to the courts of the United States.⁶⁶ An example is how both systems have exceptions to allow for a geographically descriptive mark to obtain a trademark.⁶⁷ In *Windsurfing Chiemsee Produktions*

⁶⁰ Shaw, *supra* note 2, at 61; *Compare* Council Regulation 40/94, art. 9(1)(b), 1994 O.J. (L 11), with 15 U.S.C. §§ 1051-1064 (West 2010).

⁶¹ Shaw, *supra* note 2, at 61.

⁶² *Id.*

⁶³ See *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); *Sun-Fun Prods. v. Suntan Research & Dev.*, 656 F.2d 186, 189 (5th Cir. 1981).

⁶⁴ 15 U.S.C. § 1125 (West 2010).

⁶⁵ Council Regulation 40/94, art. 8(4), 1994 O.J. (L 11).

⁶⁶ Shaw, *supra* note 2, at 66.

⁶⁷ See *Joined cases C-108/97 & C-109/97, Windsurfing Chiemsee Produktions v. Boots*, 1999 E.C.R. I-02779, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:61997J0108:EN:PDF>; In re *Nantucket, Inc.*, 677 F.2d 95 (C.C.P.A. 1982).

v. Boots,⁶⁸ a clothing merchant located by Chiemsee, a lake in Bavaria, Germany, registered “Chiemsee” as a picture trademark to serve as a branding label for its clothing lines.⁶⁹ Subsequently, a clothing competitor began using the same mark and the initial trademark holder brought an infringement action.⁷⁰ The competitor claimed that under Article 3(1)(c) of the harmonisation directive, a geographical origin mark could not obtain a trademark.⁷¹ The ECJ held that marks that indicate geographical origin may obtain a trademark upon an affirmative showing that consumers associate the geographical mark with the product and thus upheld the trademark.⁷²

The *Chiemsee* decision is very much in line with the United States courts in that the United States courts also rely on consumer perceptions.⁷³ In *In re Nantucket, Inc.*, a men’s clothing company appealed a refusal to accept an application to trademark “Nantucket” because it was a geographically descriptive mark.⁷⁴ The United States Court of Customs and Patent Appeals held that when “[t]here is no indication that the purchasing public would expect men’s shirts to have their origin in Nantucket when seen in the market place with NANTUCKET on them,” a trademark may be obtained for geographically descriptive terms.⁷⁵

Similar to geographically descriptive marks, marks that describe the product itself may not obtain a trademark.⁷⁶ However, in *Procter & Gamble v. OHIM (Baby-Dry)*,⁷⁷ Procter & Gamble sought an appeal after an application to register “Baby-Dry” as a trademark for diaper

⁶⁸ *Windsurfing Chiemsee Produktions*, 1999 E.C.R. I-02779.

⁶⁹ *Id.* paras. 9-10.

⁷⁰ *Id.* para. 14.

⁷¹ *Id.* paras. 15-16.

⁷² *Id.* paras. 32-35.

⁷³ See *In re Nantucket, Inc.*, 677 F.2d 95, 96 (C.C.P.A. 1982).

⁷⁴ *Id.*

⁷⁵ *Id.* at 101.

⁷⁶ Council Regulation 40/94, art. (7)(1)(c), 1994 O.J. (L 11).

⁷⁷ Case C-383/99, *Procter & Gamble v. OHIM (Baby-Dry)*, 2001 E.C.R. I-06251.

products was rejected.⁷⁸ The Office for Harmonisation in the Internal Market (“OHIM”) denied the application because it believed that “Baby-Dry” was a description of the product’s function, which is a ground for absolute refusal under Article 7(1)(c) of the CTMR.⁷⁹ The ECJ disagreed and held that the phrase “Baby-Dry” was a “syntactically unusual juxtaposition [that] is not a familiar expression in the English language, either for designating babies' nappies or for describing their essential characteristics” and therefore is not grounds for refusal under Article 7(1)(c).⁸⁰ Here, the ECJ granted an applicant trademark protections through a broad interpretation of the CTMR, which potentially allowed the applicant-turned-proprietor to enforce its protections against any competitor attempting to use a similar description of similar products.

In *Arsenal Football Club v. Matthew Reed*,⁸¹ an unauthorized street vendor was selling unofficial merchandise that donned the team’s registered trademark consisting of the team name and subsequently, the team brought an infringement suit.⁸² The crux of the infringement claim was that such action by the vendor was a breach of Article 5(1)(a) of the harmonisation directive, which requires the trademark holder’s consent before selling identical goods with the trademark.⁸³ The vendor claimed that his actions did not constitute “use” of the trademark, but was rather a show of support for the team.⁸⁴ The ECJ interpreted Article 5(1)(a) as a vehicle that allows a trademark holder to protect his trademark interests in “cases in which a third party’s use of the sign affects or is liable to affect the functions of the mark.”⁸⁵ The court held Arsenal was entitled to protection under Article 5(1)(a) because Reed duped the consuming public into believing that Reed’s merchandise was connected to the official organization of Arsenal by

⁷⁸ *Id.* para. 1.

⁷⁹ *Id.* para. 5.

⁸⁰ *Id.* paras. 43-45.

⁸¹ Case C-206/01, *Arsenal Football Club plc v. Matthew Reed*, 2002 E.C.R. I-10273.

⁸² *Id.* paras. 15-16.

⁸³ First Council Directive 89/104/EEC, art. 5(1)(a), 1989 O.J. (L 40).

⁸⁴ *Arsenal Football Club plc*, 2002 E.C.R. I-10273 para. 33.

⁸⁵ *Id.* para. 51.

selling unofficial merchandise affixed with the team's trademark.⁸⁶ Despite Reed's attempt to distinguish his goods by placing a sign at his stand indicating that the merchandise was unofficial, the court felt that consumers who came across the goods away from Reed's stand would be confused about the origin of the merchandise.⁸⁷ The court held that this "post-sale confusion" would take away from the distinctiveness of the mark, which was an unacceptable consequence for the trademark proprietor.⁸⁸ The ECJ's jurisprudence on "post-sale confusion" offers broader protections than the courts of the United States, which usually take into account "point of sale confusion" only.⁸⁹

V. Obtaining a Trademark on a Technical Function

Lego's interlocking toy building blocks have been a staple in many children's toy boxes around the world and for years, Lego enjoyed unencumbered patent protections on these blocks.⁹⁰ These intellectual property protections allowed Lego to assert itself in the free market as the sole successful manufacturer of such goods.⁹¹ However, Lego's patent protections eventually expired globally, rendering the company vulnerable to imitation.⁹² Not surprisingly, from the ashes of the expiring patents arose competitors who manufactured similar blocks and eventually those rival companies were able to duplicate the Lego interlocking block system, which diluted Lego's stronghold on the market.⁹³ In response to this new competition, Lego sought another avenue of intellectual property protections in the form of trademarks, but many

⁸⁶ *Id.* para. 57.

⁸⁷ *Id.*

⁸⁸ Shaw, *supra* note 2, at 67.

⁸⁹ *See, e.g.*, Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP, 423 F.3d 539, 553 (6th Cir. 2005).

⁹⁰ Kirkbi AG v. Ritvik Holdings Inc./Gestions Ritvik Inc., [2005] 3 S.C.R. 302 para. 4 (Can.).

⁹¹ *Id.*; *see also* Carl Baudenbacher, *Judicial Globalization: New Development or Old Wine in New Bottles?*, 38 TEX. INT'L L.J. 505, 508 (noting that "Lego [had] invented a system of basically unlimited demand").

⁹² *Ritvik*, [2005] 3 S.C.R. 302 para. 5 (Can.).

⁹³ *Id.*

countries did not oblige.⁹⁴ These courts almost unanimously held that such a trademark would act more as a perpetual patent than source-distinguishing function because others would be unable to duplicate the technical functionality of the blocks.⁹⁵ In September of 2010, the ECJ affirmed the cancellation of the trademark granted to Lego's toy building blocks in *Lego Juris A/S v. Office of Harmonisation in the Internal Market (Trade Marks and Design)*,⁹⁶ but in the process, the ECJ clarified what was necessary to obtain trademark protections on a mark with a technical function.⁹⁷ In order to understand the court's reasoning, it is necessary to understand the history of Lego's legal battles throughout the world to obtain a trademark.

The Lego toy building blocks consist of "small plastic bricks, held together by a pattern of interlocking studs and tubes."⁹⁸ Lego's goal has been to obtain trademarks around the world on the building block's shape itself, claiming that the patterns of raised studs is a design warranting such protections.⁹⁹ However, those raised studs perform a function in that they allow each block to connect to one another.¹⁰⁰ In the United States, if the mark that is the subject of a trademark application performs a technical function, the application is typically denied.¹⁰¹ Even the Supreme Court of the United States held that functionality may not be protected by trademarks.¹⁰² In *Tyco Industries, Inc. v. Lego Systems, Inc.*,¹⁰³ a federal court held that Lego's building blocks design features a technical function, finding that the design was an "obvious

⁹⁴ See generally *Ritvik*, [2005] 3 S.C.R. 302 (Can.); *Interlogo's AG's Trade Mark Applications*, [1998] R.P.C. 69 (H.L.) (appeal taken from U.K.).

⁹⁵ See cases cited *supra* note 94.

⁹⁶ 2010 ECJ EUR-Lex LEXIS 808 (Sept. 14, 2010).

⁹⁷ *Id.* at *30-31.

⁹⁸ *Ritvik*, [2005] 3 S.C.R. 302 para. 1 (Can.).

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ 15 U.S.C. § 1052(e) (West 2010).

¹⁰² See, e.g., *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 34 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205, 211 (2000).

¹⁰³ 1987 U.S. Dist. LEXIS 13193 (LEXIS Aug. 24, 1987).

engineering choice,” and was thus outside the scope of common law trademark protection.¹⁰⁴ Despite the functionality standard and federal court ruling, Lego has obtained a trademark in the United States on the design of the building block with the raised studs.¹⁰⁵ Lego has even used this trademark to deny a Swedish company from registering similar toy blocks in the United States.¹⁰⁶

Canada and Europe, on the other hand, have not been so lenient with Lego’s trademark applications. In *Kirkbi AG v. Ritvik Holdings Inc./Gestions Ritvik Inc.*,¹⁰⁷ Kirkbi AG (“Lego”) brought an infringement suit in Canada against Ritvik Holdings because Ritvik was producing toy building blocks that mimicked Lego’s interlocking design.¹⁰⁸ Although Lego did not have a registered trademark on the interlocking blocks, Lego claimed that it had an unregistered trademark of the “Lego indicia,” under Section 7(b) of the Trade-marks Act.¹⁰⁹ Lego argued that Ritvik was intentionally marketing their products in such a similar way to Lego that Ritvik was failing to distinguish between the two.¹¹⁰ Ritvik counter-argued that Lego could not obtain a trademark on its goods because the goods are functional in nature, and Canadian law does not permit trademark protections for functional elements of products.¹¹¹ The Canadian Supreme

¹⁰⁴ *Id.* at *61-63.

¹⁰⁵ LEGO (Words and Design), Registration No. 1026871 (describing the protected mark as “[t]oy building blocks and connecting links for the same, sold separately and as kits for construction of toy houses, buildings, household furnishings, robots, doll figures and vehicular toys”); *See also* (Design Only), Registration No. 2756418 (granting a trademark of the Lego building block design as a computer-designed image).

¹⁰⁶ LEGO (Words and Design), Registration No. 1026871 (documenting contentions in the United States Trademark Trial and Appeals Board).

¹⁰⁷ [2005] 3 S.C.R. 302 para. 2 (Can.).

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* para. 10; Trade-marks Act, R.S.C., ch. T-13, § 7(b) (1985) (Can.) (“No person shall . . . (b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another.”).

¹¹⁰ *Id.* para. 2.

¹¹¹ *See Park, Davis & Co. v. Empire Labs. Ltd.*, [1964] S.C.R. 351, 354 (Can.) (“The law appears to be well settled that if what is sought to be registered as a trade mark has a functional use or characteristic, it cannot be the subject of a trade mark.”).

Court agreed with Ritvik and allowed Ritvik to continue producing goods substantially similar to Lego's products. The court reasoned that protecting functional features would simply allow for a perpetual patent.¹¹² In the majority opinion, Justice Lebel wrote:

. . . the [Trade-marks] Act clearly recognizes that it does not protect the utilitarian features of a distinguishing guise. In this manner . . . a doctrine of long standing in the law of trade-marks . . . recognizes that trade-marks law is not intended to prevent the competitive use of utilitarian features of products, but that it fulfills a source-distinguishing function. This doctrine of functionality goes to the essence of what is a trade-mark. . . . In the law of intellectual property, it prevents abuses of monopoly positions in respect of products and processes. Once, for example, patents have expired, it discourages attempts to bring them back in another guise.¹¹³

European courts have used similar reasoning in holding that the technical functionality of the toy blocks prohibits Lego from obtaining a trademark.¹¹⁴ In *Interlogo's AG's Trade Mark Application*, the United Kingdom's Chancery Division heard the appeal of Lego, whose trademark applications were denied by the United Kingdom's Registrar for Trade Marks.¹¹⁵ The court held that because the interlocking knobs and tubes served a technical function, it was beyond the intended scope of protections afforded by the United Kingdom trademark law.¹¹⁶ The court reasoned that the knobs and tubes did not serve as a source-distinguishing means for the product, but rather are necessary components of the product to achieve its intended function.¹¹⁷ Further, the mark must be distinct from the product it is endorsing or promoting.¹¹⁸ Justice Neuberger opined that Lego was "not so much seeking to protect a mark on an item of commerce, but [was] attempting to protect the item of commerce as such. In other words, they [were] not so much seeking a permanent monopoly in their mark, but more a permanent

¹¹² *Ritvik*, [2005] 3 S.C.R. 302, para. 43 (Can.).

¹¹³ *Id.*; See also Bowal, *supra* note 7.

¹¹⁴ *Interlogo's AG's Trade Mark Application*, [1998] R.P.C. 69 (H.L.) (appeal taken from U.K.).

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

monopoly in their bricks.”¹¹⁹ Similarly to Canada and the United Kingdom, the French Cour de Cassation¹²⁰ and German courts¹²¹ have cancelled Lego’s trademarks, holding that such trademark protections of technical functions are anti-competitive and outside the intended scope of trademark law.¹²²

In *Lego Juris A/S v. Office of Harmonisation in the Internal Mkt. (Trade Marks and Designs)*,¹²³ the ECJ was confronted with whether to grant Lego trademark protections under the harmonization directive and CTMR.¹²⁴ In 1999, Lego applied for trademark protections with the OHIM and was granted such protections.¹²⁵ Subsequently, Ritvik, the same toy building block competitor in the Canadian case,¹²⁶ petitioned OHIM to cancel the trademark under Article 7(e)(ii) of the CTMR.¹²⁷ The Cancellation Division of the OHIM agreed to hear the case, but stayed the proceedings to see how the ECJ would interpret Article 7(e)(ii) in *Koninklijke Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, a trademark case factually similar to Lego’s.¹²⁸ In 2004, the Cancellation Division invalidated Lego’s trademark based on the holding in *Philips*.¹²⁹ OHIM’s Grand Board of Appeal upheld the invalidation, holding that Lego’s block was a three-dimensional shape that performed a technical function, which is a ground for refusal under Article 7(e)(ii) of the CTMR.¹³⁰ Lego brought another appeal to the European Community’s Court of First Instance (“CFI”), but the CFI upheld the invalidation and reiterated

¹¹⁹ Interlogo’s AG’s Trade Mark Application, [1998] R.P.C. 69 (H.L.) (appeal taken from U.K.).

¹²⁰ *Ritvik*, [2005] 3 S.C.R. 302 para. 55 (citing Paris, October 18, 2000, D. 2001. Jur. 850).

¹²¹ Intellectual Property Magazine, Game Over for LEGO 3D Trademarks in Germany, <http://www.ipworld.com/ipwo/doc/view.htm?id=225713&searchCode=N> (last visited Nov. 12, 2010).

¹²² See *supra* notes 117-18.

¹²³ 2010 ECJ EUR-Lex LEXIS 808 (Sept. 14, 2010).

¹²⁴ *Id.* at *22-23.

¹²⁵ *Id.* at *7-8.

¹²⁶ See *supra* note 91.

¹²⁷ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *8.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.* at *9-10.

that a technical function of a product may not obtain a trademark.¹³¹ Lego finally appealed to the ECJ, which held that the trademark application was correctly invalidated because the shape of the block was functional.¹³² The court reached this conclusion by relying both on its decision in *Philips* and the expired Lego patents to prove that the blocks were functional.¹³³

In *Philips*, the ECJ cancelled a trademark of the shape of Philips' three-headed electric shaver because of its technical functionality under Article 3(1)(e) of the harmonization directive,¹³⁴ which is identical to Article 7(e)(ii) of the CTMR.¹³⁵ The court held that the purpose of this "functionality doctrine" was to prevent a possible monopoly over a functional characteristic of a good or service.¹³⁶ "Where the essential functional characteristics of the shape of a product are attributable solely to the technical result [the provision] precludes registration of a sign consisting of that shape, even if that technical result can be achieved by other shapes."¹³⁷

Article 7(e)(ii) provides that "[t]he following [marks] shall not be registered: . . . signs which consist exclusively of: . . . the shape of the goods which is necessary to obtain a technical result"¹³⁸ The ECJ's decision in *Lego* concentrated on the interpretation of the language "consists exclusively" and "necessary to obtain a technical result."¹³⁹ The court reiterated the "functionality doctrine" and the legislative policy underlying Article 7(e)(ii), which is to promote

¹³¹ *Id.* at *15-16.

¹³² *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *30-33.

¹³³ *Id.*

¹³⁴ *Koninklijke Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 2002 E.C.R. I-05475 para. 11.

¹³⁵ *Compare* Council Regulation 40/94, art. 7(e)(ii), 1994 O.J. (L 11), with First Council Directive 89/104/EEC, art. 3(1)(e), 1989 O.J. (L 40).

¹³⁶ *Koninklijke Philips*, 2002 E.C.R. I-05475 para. 11.

¹³⁷ *Id.* para. 83.

¹³⁸ Council Regulation 40/94, art. 7(e)(ii), 1994 O.J. (L 11).

¹³⁹ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *23-24; see also Ron Moscona, *United States: LEGO Trade mark Application Hits a Brick Wall*, Mondaq (Sept. 28, 2010), http://www.mondaq.com/unitedstates/article.asp?article_id=111326.

effective competition among producers and manufacturers of goods.¹⁴⁰ The court then enumerated a balancing test between two considerations that must be examined to achieve that effective competition.¹⁴¹ One consideration is that the CTMR and harmonization directive are intended to prevent a monopoly over technical solutions, and the registration of a trademark for a shape that was previously protected under patent law would injuriously affect a competitor's legal right to use the technical function upon the patent's expiration.¹⁴² The second consideration is that the legislature understood that "any shape of goods is, to a certain extent, functional and it would therefore be inappropriate to refuse a shape of goods as a trade mark solely on the ground that it has functional characteristics."¹⁴³ Therefore, the terms "exclusively" and "necessary" ensure that goods whose shape only incorporates a technical function and "whose registration as a trade mark would therefore actually impede the use of that technical solution by other undertakings" should be refused trademark protections.¹⁴⁴

When interpreting the word "exclusively," the court affirmed the CFI's interpretation that the "condition [for refusal] is fulfilled when all the essential characteristics of a shape perform a technical function" and that the "presence of non-essential characteristics with no technical function" has no relevance.¹⁴⁵ Further, "a sign cannot be refused registration as a trade mark under that provision if the shape of the goods at issue incorporates a major non-functional element, such as a decorative or imaginative element which plays an important role in the shape."¹⁴⁶ When applying this standard to a mark with a technical function, the applicant for a

¹⁴⁰ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *28.

¹⁴¹ *Id.* at *29.

¹⁴² *Id.* at *29-30.

¹⁴³ *Id.*, at *30-31.

¹⁴⁴ *Id.* at *31.

¹⁴⁵ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *32.

¹⁴⁶ *Id.* at *33.

trademark must make a showing that a significant reason for the mark's shape is an aesthetic or artistic choice.¹⁴⁷

Regarding the language of “necessary to achieve a technical result” in Article 7(e)(ii),¹⁴⁸ the ECJ created a standard to aide in the application of this provision, which involves determining whether the “essential characteristics” of the shape of the good are solely functional.¹⁴⁹ Obviously, the essential characteristics must be identified prior to this analysis in order to execute the analysis.¹⁵⁰ The court defined essential characteristics as “the most important elements of the sign,” but did not set forth a specific test or identification system in order to determine the most important elements.¹⁵¹ Rather, the court held that such determinations are to be made on a case-by-case basis and that there is “no hierarchy that applies systematically” in determining if certain elements are essential to the good.¹⁵² Lego argued that essential characteristics should be determined by the “dominant and distinctive” elements of the good, and that such a determination may be made by the average consumer by way of consumer surveys.¹⁵³ The court held that OHIM and the courts may rely on visual perception, expert opinion, or even surveys that convey what the general public's perception is as to its determination on what are the essential characteristics.¹⁵⁴ While the perception of the average consumer is relevant, it is not dispositive.¹⁵⁵

¹⁴⁷ *Id.*

¹⁴⁸ Council Regulation 40/94, art. 7(e)(ii), 1994 O.J. (L 11).

¹⁴⁹ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *38.

¹⁵⁰ *Id.*

¹⁵¹ *Id.* at *39-40.

¹⁵² *Id.* at *39.

¹⁵³ *Id.* at *37.

¹⁵⁴ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *41-42.

¹⁵⁵ *Id.* at *42.

The ECJ next addressed Lego's argument that the word "necessary" in Article 7(e)(ii) means that if there is more than one shape that could achieve the same "technical result," then one of those particular shapes is not "necessary" to achieve that technical result and can avoid that ground for refusal.¹⁵⁶ Lego contended that a "technical result," as articulated in Article 7(e)(ii), is different from a "technical solution" in that a technical solution may be one of many ways to achieve a technical result and thus that solution should not be deemed "necessary" to achieve that result.¹⁵⁷ In this respect, Lego wanted the court to rule that its building blocks act as a technical solution as interlocking toy blocks and that the Lego design was not necessary to achieve the technical result because there were several other designs available to create an interlocking building block system.¹⁵⁸

The ECJ disagreed with this interpretation and promoted the historical competition policies underlying the European Community's trademark law.¹⁵⁹ The court held simply because there are alternative shapes that can achieve the same technical result does not mean that a trademark over that one shape will not severally limit availability of technical solutions to competitors.¹⁶⁰ The court reasoned that such a trademark would "likely [] allow the proprietor of that trade mark to prevent other undertakings not only from using the same shape, but also from using similar shapes. A significant number of alternative shapes might therefore become unusable for the proprietor's competitors."¹⁶¹ This fear of enacting unfair competition practices caused the court to dismiss this argument without a second thought. The United States Supreme Court rendered a similar holding that the availability of alternative shapes and designs was not

¹⁵⁶ *Id.* at *33.

¹⁵⁷ *Id.* at *33-34.

¹⁵⁸ *Id.*

¹⁵⁹ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *34.

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

relevant when applying the “functionality doctrine” because the functionality of a good may exist despite the existence of alternative designs.¹⁶²

The ECJ’s holding in the *Lego* case is significant for two reasons. First, it broadens the scope of the once myopic “functionality doctrine,” which formerly held that a mark with any sort of technical function would be unable to obtain a trademark.¹⁶³ This decision’s framework leaves open the possibility that despite having a technical function, a mark may still obtain a trademark if the applicant can make an affirmative showing that the shape of the mark includes a significant and imaginative non-functional element that plays a crucial role in the shape.¹⁶⁴ Second, the “essential characteristic” analysis allows an applicant to avoid the ground for refusal by demonstrating that the design characteristics are not “purely functional” despite the fact that they serve a technical function.¹⁶⁵

VI. Conclusion

Initially, Europe was hesitant about adopting a unified intellectual property system because of fears that such policies would hinder fair competition in the market place.¹⁶⁶ However, as research and case law developed, Europe recognized a need for such laws to foster a common European economic market.¹⁶⁷ The harmonization directive and Council Trade Mark Regulation represented two monumental movements away from unencumbered market competition and towards individual intellectual property protections.¹⁶⁸ Both European regulations provide substantially similar protections as their United States counterpart, the

¹⁶² *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 33-35 (2001).

¹⁶³ *Koninklijke Philips Elecs. NV v. Remington Consumer Prods. Ltd.*, 2002 E.C.R. I-05475.

¹⁶⁴ *Lego Juris A/S*, 2010 ECJ EUR-Lex LEXIS 808, at *34.

¹⁶⁵ *Id.* at *30-34.

¹⁶⁶ *Shaw*, *supra* note 2, at 51.

¹⁶⁷ *Id.* at 58.

¹⁶⁸ *Id.* at 58-59.

Lanham Act,¹⁶⁹ but also maintain distinct differences that reflect a propensity to not stray too far from Europe's pro-competition history.¹⁷⁰

While cases like *Baby-Dry*,¹⁷¹ *Chiemsee*,¹⁷² and *Arsenal*¹⁷³ reflect the ECJ's liberal approach in enforcing trademark protections, *Lego* reiterated the tension that remains in the European Community between free competition and a trademark holder's rights.¹⁷⁴ In *Lego*, the ECJ was explicit in its desire to refrain from granting a trademark to a technical function as this would act, in essence, as an everlasting monopoly over the function and a means to circumvent the limitations of patent law.¹⁷⁵ The court balanced this perpetual monopoly concern with the realization that in effect, all design choices of marks serve a functional purpose and therefore a functional purpose in and of itself will not be an absolute bar to obtaining trademark protections.¹⁷⁶ In denying *Lego* a trademark, the ECJ's decision embodied the European history regarding intellectual property rights. It demonstrated the European Community's historical aversion to affording anti-competition protections by denying *Lego* a trademark on a functional mark, but then evidenced a willingness to move toward an era of intellectual property rights expansion when it laid out a framework for obtaining trademark protections for certain kinds of marks with technical functions.

¹⁶⁹ Lanham Act (Trademark Act of 1946), 15 U.S.C. §§ 1051-1141 (West 2010).

¹⁷⁰ Shaw, *supra* note 2, at 59-62.

¹⁷¹ Case C-383/99, Procter & Gamble v. OHIM (*Baby-Dry*), 2001 E.C.R. I-06251.

¹⁷² Joined cases C-108/97 & C-109/97, Windsurfing Chiemsee Produktions v. Boots, 1999 E.C.R. I-02779.

¹⁷³ Case C-206/01, Arsenal Football Club plc v. Matthew Reed, 2002 E.C.R. I-10273.

¹⁷⁴ Shaw, *supra* note 2, at 77.

¹⁷⁵ *Lego Juris A/S v. Office of Harmonisation in the Internal Mkt. (Trade Marks and Designs)*, 2010 ECJ EUR-Lex LEXIS 808, at *29-30 (Sept. 14, 2010).

¹⁷⁶ *Id.* at *30-31.