

# The Trademark Reporter®



## The Law Journal of the International Trademark Association

Functionality in Europe: When Do Trademarks Achieve a Technical Result?

*Dr. Ilanah Fhima*

Commentary: A Tale of Two Cups: Acquired Distinctiveness and Survey Evidence Before the TTAB

*Sarah Butler and Healey Whitsett*

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*Anthony M. Keats*

Reflection: Innovation and Cooperation in Times of Crisis: The EUIPO

*Christian Archambeau*

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# The Trademark Reporter®

## FUNCTIONALITY IN EUROPE: WHEN DO TRADEMARKS ACHIEVE A TECHNICAL RESULT?

*By Dr. Ilanah Fhima\**

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## I. INTRODUCTION

Functionality plays a key role in any trademark system, preventing the registration of marks that competitors need to access in order to compete. As a doctrine, it also channels certain technical or aesthetic characteristics of products into the patent, design, or copyright system, and away from the trademark system. Technical functionality, in particular, plays a crucial role in maintaining a competitive market. In Europe, the doctrine is embodied in Article 7(1)(e)(ii) of the EU Trade Mark Regulation (“EUTMR”), which prohibits the registration of “the shape, or another characteristic, of goods which is necessary to achieve a technical result.” Despite its importance, there is little written about the situations in which a sign will be considered necessary to achieve a technical result, and how this can be proven. This article seeks to remedy this, by considering what it means for a mark to be technically functional, by identifying a four-stage test the European courts and tribunals have used to demonstrate technical functionality, and by analyzing the types of evidence that have been employed to show that this test has been satisfied in individual cases. It starts with a brief overview of the European functionality provisions.

## II. TECHNICAL FUNCTIONALITY IN EUROPE: A BRIEF BACKGROUND

### A. Policy Considerations

Under the provisions of European trademark law,<sup>1</sup> any form of “sign” can be registered as a trademark.<sup>2</sup> A sign may include an aspect of the appearance of the goods themselves, such as their shape. Yet registering product features comes with the risk of granting a monopoly in a type of product, or some aspect of how it functions.<sup>3</sup> This disadvantages competitors. It also harms

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<sup>1</sup> Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14/06/2017 on the European Union trade mark [2015] OJ L 336/ 1 (“EUTMR”), repealing (on October 1, 2017) Council Regulation (EC) 40/94 of 20/12/1993 on the Community trade mark [1994] OJ L 11/ 1 as amended by Council Regulation (EC) 207/2009 of 26/02/2009 on the Community Trade Mark [2009] OJ L 78/ 1, corresponding to Directive (EU) 2015/2436 of the European Parliament and of the Council of 16/12/2015 to approximate the laws of Member States relating to trade marks (Recast) (“TMD”) replacing Directive 2008/95/EC of the European Parliament and of the Council of 22/10/2008 to approximate the laws of the Member States relating to trade marks [2008] OJ L 299/ 25.

<sup>2</sup> EUTMR, Art. 4 (“An EU trade mark may consist of any signs, in particular words, including personal names, or designs, letters, numerals, colours, the shape of goods or of the packaging of goods, or sounds . . .”). Article 4(1)(a) requires the sign to be capable of distinguishing, while Article 4(1)(b) requires it to be capable of being represented on the Register in a clear and precise manner.

<sup>3</sup> In the European Union context, *see, e.g.*, Graeme Dinwoodie, *Non-Traditional Marks in Europe: Conceptual Lessons from their Apparent Demise?*, NYU Colloquium, at 3, 7 (Feb. 4, 2019), [www.law.nyu.edu/sites/default/files/upload\\_documents/Graeme%20Din](http://www.law.nyu.edu/sites/default/files/upload_documents/Graeme%20Din)

consumers by limiting choice and requiring payment of monopoly rents. In systemic terms, product configuration registration allows trademark owners to either bypass the patent system by obtaining trademark protection instead, or to extend patent terms through follow-on trademark protection. This is particularly problematic because trademarks, unlike other intellectual property rights, are of potentially infinite duration.<sup>4</sup>

However, there are difficult questions to be asked when alternative shapes or other characteristics are available that are capable of performing the same technical function.<sup>5</sup> It can be argued that the need for competitors to access such shapes, or characteristics, is weaker because they could pick one of the alternatives to achieve the same result (and hence access the same product market). Yet, the alternative shape may not be as efficient. Additionally, there is a risk that each alternative shape could be registered as a trademark, leading to eventual exhaustion of the possible shapes.<sup>6</sup> There is also a policy argument for ensuring that technical shapes are not granted trademark protection of infinite duration, but instead are protected only for the limited duration of the utility patent or design protection systems. This is sometimes said to reflect the will of the legislator reflected in the design of the IP system<sup>7</sup> and also ensures that the appeal of other IP rights (particularly design protection) is not undermined.<sup>8</sup> It also ensures that the subject matter of the IPR falls into the public domain, rather than having perpetual protection.<sup>9</sup> The fact that alternative shapes may be available does not address these concerns.

### *B. The Legislative Scheme*

In Europe, the shape, or other characteristic, of the goods is barred from registration under Article 7(1)(e) EUTMR (and its equivalents)<sup>10</sup> in three situations: (1) Article 7(1)(e)(i) prevents the

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woodie.pdf; Apostolos Chronopoulos, *De Jure Functionality of Shapes Driven by Technical Considerations in Manufacturing Methods*, 3 *Intell. Prop. Q.* 286, 292-93 (2017). In the United States context, see Mark McKenna, *(Dys)Functionality*, 48(4) *Hous. L. Rev.* 823, 823-48 (2011-2012).

<sup>4</sup> See, e.g., Annette Kur, *Too Common, Too Splendid or “Just Right”? Trade Mark Protection for Product Shapes in the Light of CJEU Case Law*, Max Planck Institute for Innovation and Competition Research Paper No. 14-17, at 2 (2014).

<sup>5</sup> These arguments are discussed in considerable detail in the U.S. context in McKenna, *supra* note 3, and Robert Bone, *Trademark Functionality Reexamined*, 7(1) *J. Legal Analysis* 183 (2015).

<sup>6</sup> See, e.g., Dinwoodie, *supra* note 3, at 3.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Article 7(1)(e) EUTMR corresponds to Article 4(1)(e) TMD and equivalent provisions in national trademark law of European Union member states. Below, references to Article

registration of shapes or other product characteristics that result from the nature of the goods themselves; (2) Article 7(1)(e)(iii) blocks shapes or other product characteristics from trademark protection that give substantial value to the goods; and (3) Article 7(1)(e)(ii) prohibits registration of “the shape, or another characteristic, of goods which is necessary to achieve a technical result.” This provision is often referred to as the “technical functionality” exclusion<sup>11</sup> and is considered by this article.

The interests at stake are so important that Article 7(1)(e) is one of the few exclusions that cannot be overcome by evidence that the sign serves as an identifier of origin in practice.<sup>12</sup> The law thus tolerates a degree of consumer confusion in order to avoid monopolies in technical characteristics.<sup>13</sup> Originally, the provision was limited to the shapes of products. However, the scope of the provision was extended to cover other characteristics of goods in the course of a more general reform of the EU trademark regime.<sup>14</sup> Examples of signs that fell outside Article 7(1)(e) because they were not considered to be “shapes” include a single L-shaped groove that formed part of the tread design of a Pirelli tire,<sup>15</sup> the red sole of a Christian Louboutin shoe,<sup>16</sup> and the transparent quality of the dust collection chamber of a Dyson vacuum cleaner.<sup>17</sup> Under the legislation in its current form, such signs would arguably be “other characteristics” and so would be subject to a full consideration of whether they were functional or otherwise excluded under Article 7(1)(e).

The Court of Justice of the European Union (“CJEU”) has explained that the “rationale” of Article 7(1)(e)(ii) is to “prevent

7(1)(e) are to be read as equally referring to Article 4(1)(e) TMD and the corresponding provisions of harmonized national law.

<sup>11</sup> See, e.g., *Lego Juris v. OHIM*, Case C-48/09 P, EU:C:2010:516, paragraph 85 (CJEU 2010).

<sup>12</sup> *Benetton Group SpA v. G-Star International BV*, Case C-371/06, EU:C:2007:542, at paragraph 27 (CJEU 2007).

<sup>13</sup> On the risk of consumer confusion and resultant balancing act, see *Kur*, *supra* note 4, at 11.

<sup>14</sup> Introduced in EUTMR, which entered into force on October 1, 2017. On the impact of this change, see Eleonora Rosati, *The Absolute Ground for Refusal or Invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: In Search of the Exclusion's Own Substantial Value*, 15(2) *J. Intell. Prop. Law & Prac.* 103 (2020).

<sup>15</sup> *Pirelli Tyre v. EUIPO—Yokohama Rubber (Représentation d'une rainure en forme de "I")*, Case T-447/16, EU:T:2018:709 (GC 2018), at paragraphs 69-71, presently under appeal to the CJEU as Case C-818/18 P.

<sup>16</sup> *Louboutin and Christian Louboutin*, Case C-163/16, EU:C:2018:423 (CJEU 2018), at paragraphs 20-27.

<sup>17</sup> *Dyson*, Case C-321/03, ECLI:EU:C:2007:51 (CJEU 2007); EU:C:2006:558 (AG 2006). In this case the Advocate General opined at paragraph 88 that, despite not being a shape *per se*, the transparent quality of the chamber should have fallen under Article 7(1)(e)(ii). This was implicitly rejected by the CJEU, who ultimately determined that the shape could not be registered because it was not a “sign.”



trade mark protection from granting its proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors.”<sup>18</sup> It aims to “prevent the exclusive and permanent right which a trade mark confers from serving to extend indefinitely the life of other rights which the EU legislature has sought to make subject to limited periods.”<sup>19</sup> While the Court has explained the policy behind the provision on a number of occasions, it has not provided a detailed explanation of which sorts of results will be considered “technical.” Also, the CJEU has only recently commented,<sup>20</sup> and then only in outline, on how to prove in practice that the characteristics embodied in a sign will achieve a technical result. Through a study of the case law of the European Intellectual Property Office (“EUIPO”) Boards of Appeal and other trademark registries, the General Court (“GC”), and the Guidelines produced by those registries, this article seeks to fill that gap.<sup>21</sup>

### C. *This Article*

The remainder of this article considers how technical functionality works in practice. Part III considers how technical functionality has been defined. Part IV formulates the four-stage test that has been used in practice by the EUIPO Boards of Appeal in particular to implement this definition of technical functionality, locating its origins in the CJEU’s *Lego* case.<sup>22</sup> Part V focuses on how the technical-result element of the four-stage test has been articulated, while Part VI considers the types of evidence that have been successfully used to prove that a particular sign achieves the articulated technical result. Part VII concludes.

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<sup>18</sup> *Lego Juris v. OHIM*, Case C-48/09 P, EU:C:2010:516 (CJEU 2010) at paragraph 43; *Hauck GmbH v. Stokke A/S*, Case C-205/13, EU:C:2014:2233 (CJEU 2010) at paragraph 18.

<sup>19</sup> *Lego Juris*, Case C-48/09 P, at paragraph 45; *Hauck GmbH*, Case C-205/13, at paragraph 19.

<sup>20</sup> *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v. Szellemi Tulajdon Nemzeti Hivatala*, Case C-237/19, EU:C:2020:296 (CJEU 2020), at paragraph 34.

<sup>21</sup> The present study has been limited to cases following *Lego* in 2010, where the CJEU provided its most detailed explanation of technical functionality. Even over this relatively long time period, there is only a small body of case law because many cases involving potentially functional marks have been rejected for lack of distinctiveness rather than functionality.

<sup>22</sup> *Lego Juris*, Case C-48/09 P (although many of the concepts articulated in *Lego Juris* are drawn from the CJEU’s earlier case, *Koninklijke Philips Electronics N.V. v. Remington Consumer Prods. Ltd.*, Case C-299/99, ECLI:EU:C:2002:377 (CJEU 2002), which is discussed further below).

### III. WHAT IS THE MEANING OF “TECHNICAL FUNCTIONALITY”?

A mark cannot be registered in Europe if it is “necessary to achieve a technical result,” but when is a result “technical”? This part of the article considers the meaning of technical functionality, and various definitional points therein. It considers whether technical functionality is in the remit of experts, or rather should, like other areas of trademark law, be judged through the eyes of consumers. It documents the jurisprudence that considers whether tribunals should be allowed to look beyond the mark as it appears on the register. In particular, can tribunals rely upon evidence of how the mark is actually used in practice as part of a functional object, even if this use is not self-evident from the representation of the sign? It also considers how the technical functionality exclusion applies to packaging, and whether functionality of the packaging should be judged by reference to the packaging, or the goods contained therein.

#### A. What Does “Technical” Mean?

Although the Article 7(1)(e)(ii) exclusion covers shapes or other characteristics that are “necessary to achieve a technical result,” there is remarkably little discussion of what it means for a result to be “technical.” In *Tree Silhouette*, the EUIPO Board of Appeal held that “technical” should be “interpreted in the same way as in the framework of patent law.”<sup>23</sup> This, however, presents some difficulties. While “technicality” determines whether subject matter is patent-eligible, its meaning in this context is highly contested with no comprehensive definition.<sup>24</sup> The EUIPO Cancellation Board offered a circular definition in the *Lego* case: “An invention is

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<sup>23</sup> L&D v. Julius Sämann Ltd., “Tree Silhouette,” Case R1283/2013-4 (EUIPO Fourth Board of Appeal 2014), paragraph 32.

<sup>24</sup> Article 52(1) EPC 2000 provides that European (utility) patents “shall be granted for any invention in *all fields of technology*, provided that they are new, involve an inventive step and are susceptible of industrial application” (emphasis added). There has been much case law discussion on whether a particular contribution is technical within the context of the subject-matter exclusions of Article 52(2) European Patent Convention and section 1(2) UK Patents Act 1977. See, e.g., Merrill Lynch’s Application [1989] RPC 561, IBM/Data processor network (Case T 6/83) [1990] OJ EPO 5, Aerotel v. Telco Holdings [2006] EWCA Civ 1371. The EPO Guidelines G-I 2(ii) establish a clear link between the meaning of the term “invention” and subject matter that is “technical” (“the invention must be of ‘technical character’ to the extent that it must relate to a technical field, must be concerned with a technical problem and must have technical features in terms of which the matter for which protection is sought can be defined in the claim” (citations omitted)). See also Justine Pila, *The Requirement for an Invention in Patent Law*, Oxford Legal Studies Research Paper No. 40/2009, at 210-24 (2010); Colin Birss et al., Terrell on the Law of Patents, §§ 2.63-2-126 (18th ed. 2019).

‘technical’ if it is in a field of technology and if it solves a technical problem with technical means.”<sup>25</sup>

The EUIPO Guidelines also attempt to list the types of advantages that will count as “technical.”<sup>26</sup> The examples include product features that:

- fit with another article;
- give the most strength;
- use the least material; or
- facilitate convenient storage or transportation.

If anything, these examples are under-inclusive. The second and third examples suggest that a product feature is functional if it works *better* than existing products on the market. Yet in *Lamp Base*, the Board of Appeal rejected an argument that a form was “less functional than traditional forms and is already in use in the sector in reference,” because the provision “establishes a ban on the registration of a sign consisting of the form of the product needed to obtain ‘any’ technical result, and not only an ‘additional and different’ technical result than the commonly used forms.”<sup>27</sup> Simply playing a role in how the product works was enough. The GC upheld this decision, stating that the “lesser functionality” of the lamp base compared with other lamp bases, even if proven, would not prevent the lamp base from being classed as technical.<sup>28</sup>

### ***B. Manufacturing Advantages Not Within the Functionality Exclusion***

In relation to the KIT-KAT chocolate bar shape, the CJEU found that a shape resulting from a more efficient process for manufacturing goods is not excluded from registration under Article 7(1)(e)(ii). It noted that the functionality exclusion’s purpose is to prevent “a monopoly from being granted on technical solutions which a user is likely to seek in the goods of competitors.” Consumers only care about how the goods function and are not concerned with their method of manufacture.<sup>29</sup> This is a surprisingly literal interpretation of language that is not statutory

<sup>25</sup> EUIPO Cancellation Decision of 30/07/2004, 63 C 107029/1, “LEGO brick” at paragraphs 62-64.

<sup>26</sup> EUIPO Guidelines for Examination of European Union Trade Marks (hereinafter “EUIPO Guidelines”), Part B, Section 4, Ch. 6.

<sup>27</sup> *In re Tecnodidattica S.p.A.*, “Lamp Base (3D),” Case R0076/2017-2 (EUIPO Second Board of Appeal 2018), at paragraphs 22-23.

<sup>28</sup> *Tecnodidattica S.p.A. v. European Union Intellectual Property Office*, Case T-752/18, EU:T:2020:130 (GC 2020), at paragraph 25. This decision is not available in English and so the translation is derived from Google Translate.

<sup>29</sup> *Société de Produits Nestlé SA v. Cadbury UK Ltd.*, Case C-215/14, EU:C:2015:604 (CJEU 2015), at paragraph 55.

but comes from case law. This approach also differs from that in the United States, where manufacturing efficiency supports a finding of utilitarian functionality.<sup>30</sup> As discussed below in Part II.D, it is questionable whether technical functionality should be assessed through the eyes of consumers, given that the competition will be stifled regardless of whether consumers are aware of it, or not.<sup>31</sup> Moreover, granting a monopoly in a manufacturing process can effectively result in a monopoly on the products manufactured by that method. This result is at odds with the articulated policy behind the functionality provision.

The Board of Appeal has narrowed the potential scope of this ruling, finding that ease of packaging and storage of the final item is an example of post-production functionality.<sup>32</sup> Consequently, functionality does not arise from the manufacturing process.<sup>33</sup> While this result is consistent with the literal limitation placed on the exclusion in *KIT-KAT*, ease of packing and storage would, like benefits to manufacturing, be of interest to the manufacturer rather than the end user. This approach means that the final advantage identified in the Guidelines—a feature that “facilitate[s] convenient storage or transportation”—would survive the *KIT-KAT* ruling.

### *C. Are Some Shapes Inherently Functional?*

In *Ground Anchor*, the EUIPO Board of Appeal suggested that some shapes are inherently functional.<sup>34</sup> The Board considered a ground anchor’s purpose of being fixed into the ground so that another object can be anchored inside it, concluding that “[t]his purpose is already embedded in the definition of a ‘ground anchor’: an object that achieves a ‘result’, which is to fix another object in a secure manner.”<sup>35</sup>

This author suggests that where the shape is equivalent to the goods themselves, it may be functional *per se*. The exact limits of this approach are not clear, as in this case the mark represents the goods themselves and nothing more. In any event, the approach is consistent with Article 7(1)(e)(i) excluding shapes resulting from the

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<sup>30</sup> *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1341 (CCPA 1982) (“It is also significant that a particular design results from a comparatively simple or cheap method of manufacturing the article.”).

<sup>31</sup> See Chronopoulos, *supra* note 3, at 294.

<sup>32</sup> *Novartis AG v. SK Chemicals GmbH*, “Device of a Square (fig.),” Case R2342/2014-5 (EUIPO Fifth Board of Appeal 2015), at paragraphs 52-54, *upheld in* *Novartis v. EUIPO*, Case T-44/16, EU:T:2018:48 (GC 2018).

<sup>33</sup> *Id.*

<sup>34</sup> *Gebr. Sträß GmbH + Co. v. Andotechna d.o.o.*, “Ground Anchor,” Case R1363/2014-4 (EUIPO Fourth Board of Appeal 2015), at paragraphs 14-15.

<sup>35</sup> *Id.*

nature of the goods themselves, which has been interpreted as barring registration of the generic shape of goods.<sup>36</sup>

#### *D. Through Whose Eyes?*

According to the classic justification, trademark protection is granted to protect consumers from origin-based confusion. Consequently, many aspects of trademark law are judged through the eyes of an average consumer. Some argue, though, that this vantage is inappropriate for assessing technical functionality. The policy consideration underlying Article 7(1)(e)(ii) is to protect competition by preventing a monopoly on product features offering technical solutions. Competitive necessity is an objective question of what is required so that the market can function efficiently, rather than an inquiry into what *consumers think* is functional. Yet, there is significant uncertainty about whose perspective is to be used in evaluating the technical result element of Article 7(1)(e)(ii). This lies in contrast to the other element of the exclusion: whether the mark consists *exclusively* of characteristics necessary to achieve a technical result. The *Lego* Court gave detailed instructions on relevant evidence and the limited role of consumer perception in ascertaining the essential characteristics of the shape.<sup>37</sup>

Certain previous case law suggests that functionality should be judged through the eyes of consumers, or perhaps a hypothetical average consumer. In *KIT-KAT*, the CJEU explained that manufacturing efficiency was irrelevant under Article 7(1)(e)(ii) because “from the consumer’s perspective, the manner in which the goods function is decisive and their method of manufacture is not important,” suggesting that consumers’ perceptions should be used to assess technical functionality.<sup>38</sup> The Court pointed to its earlier statement in *Philips* that Article 7(1)(e)(ii) serves to prevent “a monopoly on technical solutions or functional characteristics of a product which *a user* is likely to seek in the products of competitors.”<sup>39</sup>

In *Shape of a Screw*, the Board of Appeal assumed that a consumer would be the barometer of functionality, finding that the typical consumer would see the convex screw head in question as a functional characteristic of the goods.<sup>40</sup> But while it is true that maintaining a competitive market benefits consumers, expecting an individual consumer (even a hypothetical one) to be able to look across the market and assess competitiveness is unrealistic.

<sup>36</sup> Hauck GmbH, Case C-205/13, at paragraph 48.

<sup>37</sup> *Lego Juris*, C-48/09 P, at paragraph 76.

<sup>38</sup> Société de Produits Nestlé SA, Case C-215/14, at paragraph 55.

<sup>39</sup> *Philips v. Remington*, Case C-299/99, at paragraph 78 (emphasis added).

<sup>40</sup> *In re SFS Intec SAS*, “Shape of a Screw,” Case R2140/2011-1 (EUIPO First Board of Appeal 2013), at paragraph 30.

Moreover, as the Fourth Board has noted, the average consumer may not be technically knowledgeable enough to judge functionality.<sup>41</sup> Consequently, in *Lego*, the CJEU found that the “presumed public perception” was not conclusive as to the technical functionality exclusion.<sup>42</sup>

The CJEU’s most recent functionality case, *Gömböc*, suggests that consumer perception of functionality is *not* relevant to determining whether a sign is necessary to obtain a technical result (stages 3 and 4 below), and is only relevant to ascertaining what the essential characteristics of a sign are (stages 1 and 2). The Court explained that “the relevant public does not necessarily have the required expertise to enable it to determine with accuracy what the technical features of the product in question are and the extent to which the shape of that product forming the sign contributes to the technical result sought.”<sup>43</sup> Moreover, information concerning consumer perception of technical function would be prone to uncertainty regarding the extent and accuracy of the public’s knowledge. This article argues that this is a desirable outcome because the keystone of functionality, granting competitors access to the product features they need to compete, is an objective question, and not one that consumers have the specialist knowledge to answer.

At times, it has appeared that the intent of the designer of the goods in question might be relevant to determining whether a characteristic is technically functional. The *Philips* Court stated that the registration exclusion applies where the essential characteristics of the shape “perform a technical function and *were chosen to fulfil that function*.”<sup>44</sup> Yet the Court ignored the reasons for the design choice in the *Lego* case, stating that “once the essential characteristics of the sign have been identified, it is only necessary to assess whether those characteristics perform the technical function of the product concerned.”<sup>45</sup> Subsequent cases have not examined the designer’s presumed or actual motivations

<sup>41</sup> Gebr. Sträub GmbH + Co., Case R1363/2014-4, at paragraph 23.

<sup>42</sup> *Lego Juris*, Case C-48/09 P, at paragraph 76.

<sup>43</sup> *Gömböc*, Case C-237/19, at paragraphs 35-36.

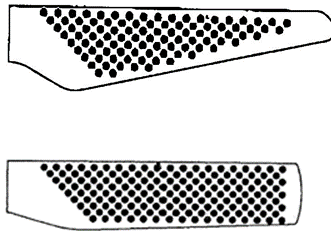
<sup>44</sup> *Philips v. Remington*, Case C-299/99, at paragraph 81; see Lionel Bently and Brad Sherman, *Intellectual Property Law* 811 (3d ed. 2009) (suggesting a three-stage test for when a shape is attributable to a technical result, with the second stage being whether the shape was chosen by the designer to achieve a technical result.); cf. Lionel Bently and Brad Sherman, *Intellectual Property Law* 966-68 (5th ed. 2018) (omitting the suggestion).

<sup>45</sup> *Lego Juris*, Case C-48/09 P, at paragraph 84. However, the CJEU, EU:C:2020:461, was more muted on author’s intention, stating only at paragraph 36, “As regards the existence of an earlier, now expired, patent in the case in the main proceedings and the effectiveness of the shape in achieving the same technical result, they should be taken into account only in so far as those factors make it possible to reveal what was taken into consideration in choosing the shape of the product concerned.”

for these design choices either. Presumably, though, evidence that the designer had included a feature for technical reasons would favor a finding of functionality.<sup>46</sup> The inclusion of the feature in a patent document can be viewed as evidence that the trademark owner considered the feature to be functional. The willingness of tribunals to consider claims of functionality in advertising or on the applicant's website in the cases identified below would be similarly probative.

### *E. Looking Beyond the Mark as Represented*

The general rule in the European Union is that a trademark representation is treated as self-contained and should not be interpreted by reference to how the mark might appear in use.<sup>47</sup> Yet the CJEU has held that extrinsic material may be considered in functionality cases. In *Pi-Design*,<sup>48</sup> the following representations of each mark for various forms of cutlery depicted a two-dimensional shape containing black dots, which the applicant had identified as “figurative”:



The EUIPO Board of Appeal found that the shape, in fact, was the outline of a knife handle and the black dots did not represent an abstract pattern, but rather dents to enhance grip in use. Despite masquerading as a figurative mark,<sup>49</sup> the design was therefore excluded by Article 7(1)(e)(ii). In reaching its conclusion, the Board considered photographs of the knives that the applicant actually

<sup>46</sup> Indeed, Advocate General Campos Sánchez-Bordona has contemplated examination of the designer's intention in relation to technical functionality under EU copyright law and similarly has suggested that patents could be used as evidence of such intentions—see *SI, Brompton Bicycle Ltd. v. Chedech/Get2Get*, Case C-833/18, EU:C:2020:79 (AG 2020), at paragraphs 89-93.

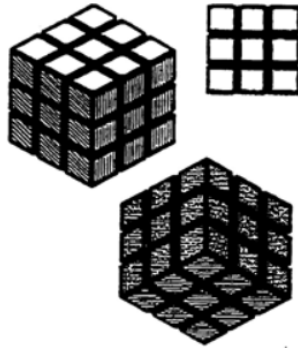
<sup>47</sup> *Sieckmann v. Deutsches Patent-und Markenamt*, Case C-273/00, EU:C:2002:748 (CJEU 2002), at paragraph 52.

<sup>48</sup> *Pi-Design AG v. Yoshida Metal Industry Co. Ltd.*, Case C-337/12 P, EU:C:2014:129 (CJEU 2014).

<sup>49</sup> See Dev Gangjee, *Paying the Price for Admission: Non-Traditional Marks Across Registration and Enforcement*, in *The Protection of Non-Conventional Trademarks: Critical Perspectives*, at 73-80 (Irene Calboli and Martin Senftleben, eds. 2018) (discussing further examples of attempts to escape grounds for refusal via carefully framed representations of marks).

sold, as well as technical descriptions about the knife contained in patent specifications that the company had filed. The Board’s decision was overturned by the GC but reinstated by the CJEU, which held that the exclusion of Article 7(1)(e)(ii) overrode a sign’s “general aptness to constitute a trade mark” as it appeared in the application form.<sup>50</sup>

The CJEU took a similar approach in *Simba Toys*, where the sign in issue, seen below, was a cube with a grid structure for three-dimensional puzzles—that is, the well-known RUBIK’S Cube.<sup>51</sup>



The Court held that it was not possible to understand the mark without taking into account the rotatability of the cuboid elements of the RUBIK’S Cube in use. This was not self-evident from either the representation on the Register or from the specification of goods claimed.

The Advocate General in that decision noted that the CJEU had followed a similar approach in the foundational cases of *Philips* and *Lego*.<sup>52</sup> The Court had relied on its knowledge of the actual goods to view the former sign (triangle with circles) as a shaver-head and the latter (rectangular shape) as an interlocking building block. Any other approach would allow applicants to evade the exclusion by supplying imperfect information and thereby circumvent the public interest.<sup>53</sup> Looking beyond the registered representation changed the whole outcome of the case, making it clear that the essential characteristics of the RUBIK’S Cube (the cube and grid structure),

<sup>50</sup> Pi-Design AG, Case C-337/12 P, at paragraph 58.

<sup>51</sup> *Simba Toys GmbH & Co. v. EUIPO*, Case C-30/15 P, EU:C:2016:849 (CJEU 2016), as subsequently applied in *Rubik’s Brand v. EUIPO*, “*Simba Toys*,” Case T-601/17, EU:T:2019:765 (GC 2019).

<sup>52</sup> *Simba Toys GmbH & Co. KG v. EUIPO*, Case C-30/15 P, EU:C:2016:350 (AG 2016). For an example, where, in this author’s opinion, the courts failed to fully take into account how the mark worked, see *Best-Lock (Europe) Ltd. v. OHIM*, Case T-395/14, EU:T:2015:380 (GC 2015) upheld in Case C-451/15 P, EU:C:2016:269 (CJEU 2016), at paragraph 32 (finding that the circles on the back and bottom of a LEGO figure did not enable it to fit together with LEGO bricks).

<sup>53</sup> *Simba Toys GmbH & Co. KG*, Case C-30/15 P, at paragraphs 76-98 (AG Szpunar 2016).



were not arbitrary shapes or patterns but what made the puzzle work.

This debate surfaced once again before the CJEU in *Gömböc*.<sup>54</sup> At issue was the sign, below, for which registration was applied for toys in class 28:<sup>55</sup>



The object depicted is a “convex monostatic object made from homogeneous material, which has a single point of stable equilibrium and a single point of unstable equilibrium, that is to say, two points of equilibrium in total, the shape of which itself ensures that the object always returns to its position of balance.”<sup>56</sup> Put simply, the shape always returns to its original position without relying upon any internal counterweight. While this property was not apparent from the representation submitted in the application for registration, the Hungarian National Intellectual Property Office argued that the relevant public would be familiar with the shape and its properties because of the extensive publicity the Gömböc had received in Hungary. The CJEU found that, while trademark offices should take the graphical representation as their starting point, they should also take additional available information into account,<sup>57</sup> provided that this was objective and reliable (including, for instance, the description of the product in the trademark application, data regarding IP rights conferred for the product, surveys, expert opinions, and any relevant documentation, such as scientific publications, catalogues, and websites that describe the technical features of the product).<sup>58</sup> However, knowledge of the function(s) on the part of the public was not helpful because the degree of public knowledge was likely to be uncertain, and the public’s understanding of how the product worked might not be accurate.<sup>59</sup>

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<sup>54</sup> *Gömböc*, Case C-237/19.

<sup>55</sup> The application also covered decorative items in classes 14 and 21, but these were not subject to a technical functionality objection, but rather that the shape added substantial value. This aspect was also reviewed by the CJEU in *Gömböc*, Case C-237/19.

<sup>56</sup> *Id.* at paragraph 11.

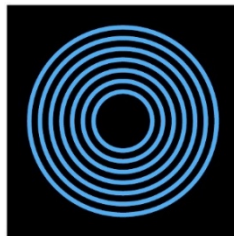
<sup>57</sup> *Id.* at paragraph 33.

<sup>58</sup> *Id.* at paragraph 34.

<sup>59</sup> *Id.* at paragraphs 35-36.

This approach—taking into consideration the mark as used, rather than just the mark as registered—is apparent elsewhere in the CJEU’s trademark jurisprudence. It taps into the wider debate of whether purity of the register or how marks are used and understood in the marketplace should take precedence. Favoring purity of the register allows the trademark register to fulfill its notice function, by accurately indicating to all who consult it the extent of trademark owner’s rights. However, this runs the risk that trademark owners will benefit where their registration does not accurately reflect how consumers perceive the scope of their marks, or when they apply for marks different in scope from their marks as used. For example, in *#darferdas?*,<sup>60</sup> the CJEU found that it was permissible, when judging distinctiveness, to take into account how the mark might be used, even in the case of a standard work mark. (Here, the mark in question, applied for with respect to clothing, might be used either on a label *or* on the front of a t-shirt.) Analogously, in *Specsavers v. Asda*,<sup>61</sup> the CJEU instructed the national court that it was permissible to take into account the fact that the senior mark had always been used in green in considering whether there was a likelihood of confusion for infringement purposes. This was despite the fact that the senior mark had been registered in black and white.

*Concentric Blue Circles* is a further example demonstrating the relevance of context in terms of functionality.<sup>62</sup> The application was for a figurative mark consisting of a black square with seven concentric blue circles, which appeared on its face to be an abstract logo:

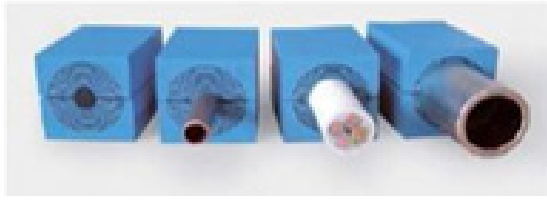


Yet the Board took pictures illustrating the “logo” in use into account. These showed the mark in operation as a sealing module having concentric peelable layers to accommodate cables or pipes of different diameters:

<sup>60</sup> AS v. Deutsches Patent- und Markenamt, Case C-541/18, EU:C:2019:725 (CJEU 2019) concerning a German trademark application for the mark *#darferdas?* (“Darf er das?” translating to “Can he do that?”).

<sup>61</sup> Specsavers International Healthcare Ltd. et al. v. Asda Stores Ltd., Case C-252/12, EU:C:2013:497 (CJEU 2013).

<sup>62</sup> Wallmax S.r.l. v. ROXTEC AB, “Device of a Black Square Containing Seven Concentric Blue Circles (fig.),” Case R0940/2017-2 (EUIPO Second Board of Appeal 2018).



The Board of Appeal also noted in its decision that the applicant had filed multiple trademark applications for the same “concentric circle” figurative mark in different colors, demonstrating “strategic filing” in an attempt to monopolize a technical solution.<sup>63</sup> The decision of the Board of Appeal was upheld by the GC,<sup>64</sup> and the CJEU refused to allow an appeal against the GC’s decision to proceed.<sup>65</sup> There is some similarity here with *Gömböc* (discussed in detail below).<sup>66</sup> There too, the representation did not show the shape of the entire product, but the CJEU held that technical functionality could be found when only part of a functional product shape was depicted, provided that all the aspects that were depicted were functional.

### F. Packaging

When a sign consists of the shape of packaging for a product, there remains an unanswered question: does the relevant criterion concerning the function of “the goods” refer to the function of the *packaging* or the function of the goods contained within that packaging? If it is the packaging function that is relevant, then all packaging shape marks would be *prima facie* functional,<sup>67</sup> since all are designed to contain the goods packaged therein. While it is true that, typically, alternative forms of packaging are possible, as is discussed below, the availability of alternatives does not remove a shape that performs a technical function from the scope of the exclusion. The CJEU has not confronted this question. In *Henkel*,<sup>68</sup> the CJEU considered whether the “shape exclusions” were relevant to the shape of packaging. It confirmed that where the goods are liquids or powders, for example, which do not have an intrinsic

<sup>63</sup> *Id.*, at paragraph 52; see also *in re AGA Med. Corp.*, “Shape of a Stopper (3D mark),” Case R0042/2013-1 (EUIPO First Board of Appeal 2013) at paragraph 28 (noting that different patterns of wire for occluders were possible but that allowing registration would open the door to monopolizing every possible visual embodiment of this technical solution).

<sup>64</sup> *Roxtec v. EUIPO*, Case T-261/18, EU:T:2019:674 (GC 2019) at paragraphs 49 and 83.

<sup>65</sup> *Roxtec v. EUIPO*, Case C-893/19 P, EU:C:2020:209 (CJEU 2020).

<sup>66</sup> *Gömböc*, Case C-237/19, paragraph 32. Although unlike in *Blue Concentric Circles*, in *Gömböc*, there was no suggestion of strategic filing.

<sup>67</sup> Unless they also feature other, non-minor essential characteristics.

<sup>68</sup> *Henkel KGaA v. Deutsches Patent- und Markenamt*, Case C-218/01, EU:C:2004:88 (CJEU 2004), at paragraphs 32-37.

shape (and so must be sold packaged), the shape of the packaging is assimilated to the shape of the goods. In other words, the shape of the packaging will form the basis of an examination under the functionality exclusion. Nevertheless, the decision did not resolve whether the pertinent question is how the shape functions as packaging, or whether the packaging contributes to the way the goods contained *in that packaging* actually work.

In the *Shape of a Golden Bottle/Shape of a Pink Bottle* cases,<sup>69</sup> the registered marks consisted of opaque gold and pink bottles, respectively, for various forms of alcoholic drinks. The validity of these marks was challenged on the ground that, contrary to Article 7(1)(e)(i), the shape of the bottle resulted from the nature of the goods. While the GC agreed that the shape of the bottle (packaging) should be treated as the shape of the product, it did not agree that the subject shapes *did* result from the nature of the goods, because of the many other bottle shapes, or even other forms of packaging, which could be used to contain the liquid goods in question. Thus, the focus was on the goods inside the packaging, rather than the format of the packaging. By analogy, this would suggest what is relevant to Article 7(1)(e)(ii) is how the goods contained within the packaging functions, rather than how the packaging functions.<sup>70</sup> As discussed above, this would mean that the situation where all packaging *prima facie* falls within the Article 7(1)(e)(ii) exclusion would be avoided.

In contrast is the *Crystal Head Vodka* decision,<sup>71</sup> which considered a bottle shaped like a skull that had been registered with respect to vodka:

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<sup>69</sup> VI.TO. v. EUIPO—Bottega, “Form of a golden bottle,” Case T-324/18, EU:T:2019:297 (GC 2019) and VI.TO. v. EUIPO—Bottega, Case T-325/18, “Shape of a pink bottle,” EU:T:2019:299 (GC 2019).

<sup>70</sup> In fact, a technical functionality point *was* raised in the case concerning the opacity of the bottle, but was rejected because at the time of registration, Article 7(1)(e) was limited to the *shape* of the goods.

<sup>71</sup> Skullduggery Rum Limited v. Globefill Incorporated, Cancellation No. 20063 C, “Invalidity” of 10/22/2019.



An applicant for invalidity argued that the shape of the packaging added substantial value to the goods because consumers purchased that particular vodka brand because of the aesthetic appeal to the skull-shaped bottle, and consequently, the mark should be invalidated under Article 7(1)(e)(iii). The EUIPO Cancellation Division considered evidence of both how consumers reacted to the aesthetics of the bottle, and how consumers perceived the quality of the vodka that the bottle contained. Ultimately, it found that it was not the aesthetics of the packaging, but the vodka itself that motivated consumers to buy the product, and so the skull shape mark did not add substantial value to the goods. However, at no point did the Cancellation Division suggest that value derived from the packaging was irrelevant, but rather that it was not proved in this case. Indeed, in a previous decision, the Board of Appeal found substantial value based on the aesthetic characteristics of a diamond-shaped bottle for alcoholic drinks and spirits:<sup>72</sup>



<sup>72</sup> Bacardi & Company v. Occhi Blu Foundation, Case R1313/2012-1 (EUIPO First Board of Appeal 2013).

By analogy, these cases could suggest that it is the function of the packaging that is the relevant criterion, or perhaps the combination of the packaging *and* the goods contained therein. If this were so, it would mean that all signs consisting of the shape of packaging could be *prima facie*<sup>73</sup> technically functional.

In summary, despite the significant implications of the answer to this question, the application of technical functionality to packaging has not been directly addressed and analogous decisions under the other functionality provisions suggest that differing approaches are possible. While this part has considered technical functionality as a definitional matter, the following part articulates the test that has been used for assessing whether any given sign is technically functional.

#### IV. THE TECHNICAL FUNCTIONALITY TEST

There has been little attempt to articulate a practical test for determining whether a sign is technically functional. Both the EUIPO Guidelines and the UK Registry Trade Mark Manual are rather vague on this point.<sup>74</sup> It is noted, however, that the CJEU set out a basic framework in *Lego*. The EUIPO Boards of Appeal have adopted this framework, which seems to have evolved into what amounts to a four-part test.<sup>75</sup>

##### *A. Stage 1: Identifying the Essential Characteristics*

For a mark to be excluded from registration under Article 7(1)(e)(ii), it must consist “exclusively” of a shape or other characteristics necessary to achieve a technical result. If the sign has a mixture of technical and non-technical characteristics, it will be easier for competitors to “design around” the mark in question, meaning that there is a lesser risk of monopoly.<sup>76</sup>

As the CJEU explained in *Lego*, the essential characteristics are the “most important” elements of the sign.<sup>77</sup> Identification of the essential characteristics must be on a case-by-case basis. There is no hierarchy of importance among different elements of the sign, and the assessment can be conducted based on the impression made by the sign overall or by examining each of the components of the sign in turn. This can be done through visual analysis or detailed examination involving surveys and expert opinions.<sup>78</sup> The

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<sup>73</sup> Although they would fall outside the exclusion if they included non-minor, non-functionality essential characteristics.

<sup>74</sup> See *supra* note 27.

<sup>75</sup> The numbering of the stages is my own.

<sup>76</sup> *Lego Juris*, Case C-48/09 P, at paragraph 72.

<sup>77</sup> *Id.* at paragraph 69.

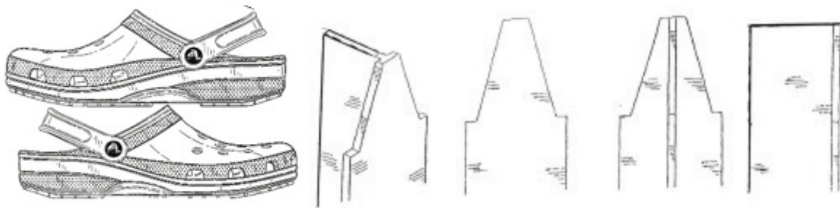
<sup>78</sup> *Id.* at paragraph 71.

characteristics of a mark will be considered essential unless they are minor or arbitrary.<sup>79</sup>

***B. Stage 2: Are Any of Those Essential Characteristics Clearly Non-functional?***

If any of the essential characteristics identified at Stage 1 is non-functional, as will be the case if any is decorative or imaginative, then the entire sign will fall outside of the exclusion because it will be possible for competitors to avoid the non-functional features of the registered mark yet still use the functional features.<sup>80</sup>

The bar for what constitutes a non-functional “essential characteristic” has sometimes been set quite low. For example, a CROC logo on the side of plastic clogs<sup>81</sup> and a flat “shoulder” (i.e., where the triangular and rectangular portions meet) on a piece of fencing<sup>82</sup> were both found to be essential enough to remove the entire sign from the scope of Article 7(1)(e)(ii):



***C. Stages 3 and 4: Are All of the Essential Characteristics Necessary to Achieve a Technical Result?***

If the sign includes no important non-functional features, those features identified are then assessed to determine whether they all contribute to achieving a technical result. Tribunals have done this by identifying the overall function of the product in question (referred to here as Stage 3), then considering whether each characteristic contributes to achieving this function (Stage 4). Stage 3 is a relatively abstract articulation of the function of the goods, whereas Stage 4 is an evidence-led exercise to ascertain whether each individual characteristic contributes to achieving that function.

<sup>79</sup> *Id.* at paragraph 52.

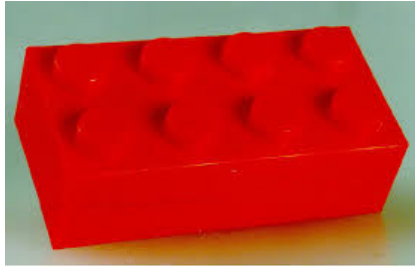
<sup>80</sup> *Id.* at paragraphs 52, 72. For an example of a decorative feature, see Birkenstock Sales GmbH’s Registration, UK Trade Marks Registry O-505-16 (October 31, 2016), at paragraph 92 (pattern on the sole of a shoe was one of many that could have been chosen and so was decorative rather than technical).

<sup>81</sup> Lidl Stiftung & Co. KG v. Crocs, Inc., “Shape of Footwear (3D),” Case R3021/2014-5 (EUIPO Fifth Board of Appeal 2016).

<sup>82</sup> Siderurgica Ferro Bulloni SPA v. Grillages Vermigli SA, “Shape of a Fence Post (3d Mark),” Case R2526/2013-5, (EUIPO Fifth Board of Appeal 2015).

***D. Stage 1 to 4 in Operation: An Example  
from the Lego Case***

*Lego* provides an example of this entire approach to Article 7(1)(e)(ii).<sup>83</sup> At Stage 1, the CJEU identified the most important elements of the LEGO brick as being the two rows of studs on the upper surface of the brick; the red color of the brick had already been held by the Grand Board of Appeal to be merely a minor arbitrary element and therefore not an essential characteristic of the product.



At Stage 2, the Court confirmed that there were no important non-functional elements of the brick. At Stage 3, the court confirmed that the studs were necessary to obtain the technical result of the goods in question, namely, the assembly of toy bricks. This was demonstrated at Stage 4 by the fact that this function of the studs had been described in the company's own prior patents.

**V. STAGE 3: IDENTIFYING THE  
TECHNICAL RESULT**

Central to any functionality assessment is understanding what the technical result is that the sign is meant to achieve. This is also a question on which there is very little scholarship and equally little guidance from the CJEU. This part seeks to further our understanding of how to analyze this by looking at examples from actual cases.

***A. Understanding “Technical Result”  
Through Examples***

As noted above, it is difficult to identify a guiding principle to determine the borderline between technical and non-technical. Instead, in each case, the tribunal articulates the technical purpose of the characteristic (or combinations thereof), and identifies evidence supporting the stated function or result. The lack of a comprehensive definition of what counts as a technical result gives tribunals the flexibility to reason backwards from the specific matrix of features contained in the sign they are considering.

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<sup>83</sup> Lego Juris, Case C-48/09 P, at paragraphs 63-76.



Indeed, the Fifth Board of Appeal of the EUIPO has explicitly acknowledged that what takes place is a form of “reverse engineering.”<sup>84</sup>

Examples of articulated functions include:

- The technical purpose of all of the elements of the shape of rebound boots was to “enable a rebound in a balanced, controlled and stable way to be able to take sport or entertain”:<sup>85</sup>



- In a case concerning a tree silhouette for air fresheners, “the technical function of an air freshener is to refresh air”:<sup>86</sup>



- In a case concerning a circular exercise hoop with molded waves inside, the technical result was the “result of tightening and strengthening the user’s core when the wavy ridges makes contact with the user’s body, avoiding injury”:<sup>87</sup>

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<sup>84</sup> Novartis AG, Case R2342/2014-5, at paragraph 58.

<sup>85</sup> eXpresio v. Etablissement AMRA, “KJ PRO Kangoo Jumps XL (3D),” Case R2696/2017-1 (EUIPO First Board of Appeal 2018), paragraph 34.

<sup>86</sup> L&D, SAU, Case R1283/2013-4, at paragraph 33. Although ultimately the sign was found not to be functional because of its considerable non-functional essential characteristics.

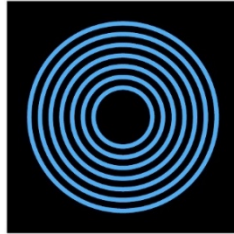
<sup>87</sup> *In re* Kun Yuan, “Shape of a Circular Exercise Hoop (3D),” Case R0316/2014-2 (EUIPO Board of Appeal 2015), at paragraph 30.



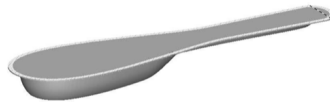
- The functional requirements of a disposable-cartridge ear piercing tool included accuracy, hygiene, and client comfort, as well as durability and reliability:<sup>88</sup>



- The function of the “design elements” in a sealing ring for a pipe, which consisted of concentric circles, was to allow the plurality of layers to be stripped out to achieve a correct diameter for the insertion of a tube or pipe:<sup>89</sup>



- For a spoon-shaped container for packaging medicines and other liquids, the function was to “store liquid goods and to mix solutions”:<sup>90</sup>



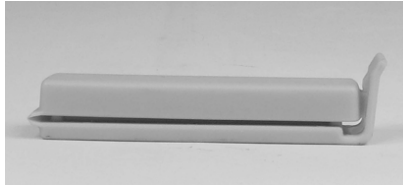
- For bag-sealing clips, “the visible features of the sign [had] the function of closing hermetically sealed bags and packs in

<sup>88</sup> *In re* Studex Corporation, “Shape of Piercing Cartridge (3D),” Case R1877/2017-2 (EUIPO Board of Appeal 2018), at paragraph 20.

<sup>89</sup> Wallmax S.r.l., Case R0940/2017-2, at paragraph 52.

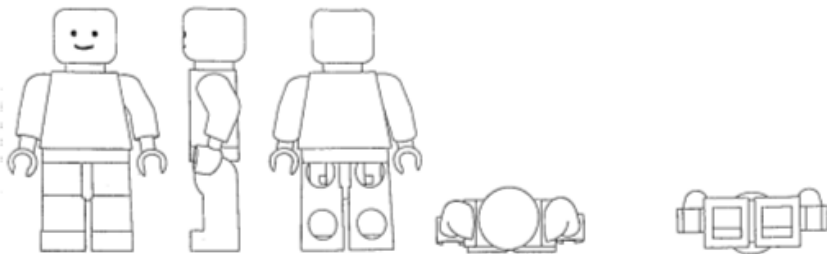
<sup>90</sup> *In re* Wladimir Poljanskii, “Shape of a spoon (3D),” Case R0582/2017-5 (EUIPO Fifth Board of Appeal 2017), at paragraph 27.

order to maintain the food fresh longer and to better protect its qualities/properties”:<sup>91</sup>



Truly the best way to understand the dividing line between what is technical and what is not would be to contrast the examples given above with other decisions where the characteristic in question has been found to *not* be technical. However, it is difficult to find examples of cases that demonstrate this counterfactual. Consequently, there is little discussion on what lies on the borderline of technicality. Of course, the fact that there is some technical aspect does not always translate into barring the sign from registration since, as has been discussed above, a mark will be excluded from registration on technical functionality grounds only if *all* of its essential elements are found to achieve a technical result. Often marks will be composed of functional and manifestly non-functional elements and so will escape the exclusion.

Indeed, in the course of writing this article, only one example has come to light where technical functionality of a mark was argued but roundly rejected by the courts—the *Best-Lock* case concerning LEGO Minifigures.<sup>92</sup> Best-Lock applied unsuccessfully to invalidate a shape mark registration for a LEGO Minifigure (depicted below) on technical functionality grounds. This mark had been registered for “Games and playthings; decorations for Christmas trees”:



The GC upheld the Board of Appeal’s finding that none of the essential characteristics (see its head, body, arms, and legs) of the

<sup>91</sup> *In re Lindén International AB*, “Shape of a Sealing Clip (3D Mark),” Case R2048/2013-5 (EUIPO Fifth Board of Appeal 2014), at paragraph 13.

<sup>92</sup> *Best-Lock (Europe) Ltd. v. OHIM*, Case T-395/14, EU:T:2015:380 (GC 2015) upheld in Case C-451/15 P, EU:C:2016:269.

minifigure had a technical function.<sup>93</sup> Even the various apertures under the figure's feet and inside the backs of its legs were held not to have a technical function, because Best-Lock's evidence had not made it clear that these holes were designed to enable the figures to interlock with Lego's building blocks.<sup>94</sup> This decision is in marked contrast with *Simba Toys* (the RUBIK'S Cube case),<sup>95</sup> discussed above, where the CJEU was willing to draw on its knowledge of how the toy worked in finding that essential characteristics were technical. Although it seems that the quality of the evidence was a significant issue in the *Best-Lock* case, even if the technical function of the apertures had been properly demonstrated, the GC found that the mark as a whole would not be caught by the functionality exclusion because the head, body, arms, and legs clearly served no technical function.<sup>96</sup>

### ***B. Marks with Multiple Features That Achieve Different Technical Results***

Typically, shape mark representations depict a product shape having more than one important feature. Two approaches to protection are possible in this situation. The first would apply the exclusion where all characteristics are necessary to achieve a technical result but a different technical result is achieved by each characteristic. In the second approach, the exclusion would apply where all the characteristics are necessary to achieve a single result. The former approach will exclude a greater range of signs, because if all the characteristics achieve the same function, the sign will be caught by the second approach, while the converse is not true. The former approach has been adopted.<sup>97</sup> To be excluded, it is not necessary for all the sign's important features to cooperate with each other to achieve a single, overall function. I would argue that this is the correct approach. Requiring all of the characteristics to achieve a single technical result could encourage artificial granularization in the way in which the functions of relatively simple marks are articulated, in the hope of avoiding the exclusion. For example, the medicine spoon mark described above could be reformulated so that the bowl feature of the spoon is for containing medicine while the handle feature is for holding the spoon.

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<sup>93</sup> *Id.* at paragraph 31.

<sup>94</sup> *Id.* at paragraph 33.

<sup>95</sup> *Simba Toys GmbH & Co.*, Case C-30/15 P.

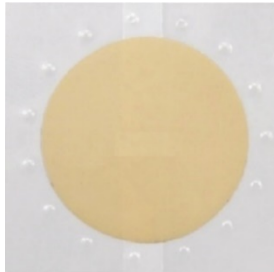
<sup>96</sup> *Best-Lock*, Case T-395/14, at paragraph 33.

<sup>97</sup> *Novartis AG*, Case R2342/2014-5, at paragraphs 45-47. In reaching this conclusion, the Board cites the implicit approach taken in *Lego Juris*, LEGO Case R0856/2004-G, at paragraph 54, and by the GC in *Reddig v. OHMI*, "Morleys (Knife handles)," Case T-164/11, EU:T:2012:443 (GC 2012), at paragraphs 30 and 43.

Additionally, given that the exclusion now covers other characteristics of the goods and not just their shape, there is a greater chance under the first approach of excluding a sign composed of a greater number of different elements, each having a different function. Allowing such functional combinations to fall outside the exclusion would seriously limit the ability of Article 7(1)(e)(ii) to prevent monopolies in product features that other traders may need to use in order to compete.

In the following situations, the Boards of Appeal have dealt with combinations of characteristics where each achieves a different technical function:

- A mark consisting of patches for treatment of Alzheimer’s disease was excluded from registration where the square shape contributed to ease of packaging and storage.<sup>98</sup> The overlapping plastic layer contributed to easy application to the body, preventing exposure prior to use, and the circular central patch adapted to the body’s movement ensuring better affixation to skin than other shapes.<sup>99</sup> The circular domes around the central patch created space during transport, reducing loss and exposure of medical substance.<sup>100</sup>



- A sign for a ground anchor that “had a tubular part to take up the object to be anchored, a point (bottom part) that allowed for an easier entry into the ground, and a top part which, because of its flange structure and holes stabilised the object, in particular against lateral movement, and allowed it to integrate into the soil and in particular into the vegetation” was excluded from registration.<sup>101</sup>

<sup>98</sup> Novartis AG, Case R2342/2014-5, at paragraphs 58-76.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> Gebr. Sträß GmbH + Co., Case R1363/2014-4, at paragraph 34.



- A sign for a clamp locking device that had clamping jaws that supported the formwork elements, a locking wedge for fastening, and a row of teeth that determined the displacement of the claws and secured the clamping was excluded from registration.<sup>102</sup>



- A sign for a 3D container was excluded where the curved disc accommodated objects such as fruit within the curvature of the walls, and a central rod enabled connection of one container to another of the same shape to either form an *étagère* or be stored in a space-saving manner.<sup>103</sup>



- A sign for the shape of a screw was excluded where the screw head was convex to contain the recess, a six-pointed star accommodated a screwdriver, and a collar fixed the screw in place.<sup>104</sup>

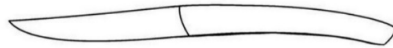
<sup>102</sup> *In re Peri GmbH*, “Shape of a concrete formwork (3D),” Case R1178/2013-1 (EUIPO Board of Appeal 2014), at paragraph 21.

<sup>103</sup> *Koziol ideas for friends GmbH*, “Shape of a Container (3d Mark),” Case R0582/2012-1 (EUIPO First Board of Appeal 2013) at paragraphs 44-45.

<sup>104</sup> *SFS Intec SAS*, Case R2140/2011-1, at paragraphs 30-32.



- A representation of a knife was excluded from registration where the rounded form of the handle followed the contour of a user's hand to provide a better grip, thereby making the knife easier to use, whereas the shape of the blade facilitated cutting.<sup>105</sup>



- The shape of a ceramic cutter was excluded from registration where the two levers were positioned to activate the two cutting mechanisms and the base was used as a surface on which the tile would be placed; longitudinal guides and a movable separator were used to make a precise longitudinal cut.<sup>106</sup> Overall, the cutter in question stood out “owing to its simplicity, robustness and user-friendliness, enabling simple, rapid cutting of the tile.”<sup>107</sup>



Once the technical result of the product embodied in a trademark has been articulated, it is then necessary to consider whether the particular essential elements of the mark in question contribute to achieving that technical result. If they do, the mark will be barred on functionality grounds. It is to this that we turn in the next part of this article. This is a very fact-specific process, and so the next part concentrates on different forms of evidence that

<sup>105</sup> Le Coute de Tie, AL, “Shape of Knife (Figurative Mark),” Case R0631/2011-1 (EUIPO Board of Appeal 2012), at paragraph 32.

<sup>106</sup> Germans Boada, SA, “Shape of a Ceramic Cutter (3D),” Case R1856/2010-1 (EUIPO First Board of Appeal 2011) at paragraphs 17-18.

<sup>107</sup> *Id.*

have been used to demonstrate how product characteristics are there for technical reasons.

## VI. STAGE 4: PROVING THAT THE ESSENTIAL ELEMENTS CONTRIBUTE TO THE TECHNICAL RESULT

A number of indicators have been used to establish that particular elements of signs under scrutiny contribute to the technical result achieved by the goods for which protection is sought. Applicants have also attempted to use other factors to refute functionality objections, but these have been questioned by the courts. Until very recently, there was no authoritative list of types of evidence proving that essential elements contribute to a technical result, and the relevance of the respective factors had to be pieced together from looking at how such cases were argued before the tribunals. However, in the recent *Gömböc* case (discussed already), the CJEU has provided a non-exhaustive statement of which types of evidence may be relevant.<sup>108</sup> These are:

- any description of the product submitted at the time of filing of the application for registration of the mark;
- any data relating to intellectual property rights conferred previously with respect to that product;
- surveys or expert opinions on the functions of the product;
- scientific publications that describe the technical features of the product;
- catalogues that describe the technical features of the product; and
- websites that describe the technical features of the product.

It remains helpful to consider in detail how each of these forms of evidence has been used to evaluate technical contribution in practice, and it is to this that this article now turns.

### *A. Pre-existing Patent*

The fact that a product feature is described in a patent application is very strong evidence of technical functionality,<sup>109</sup>

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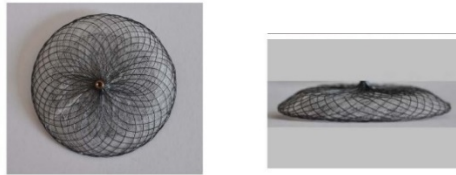
<sup>108</sup> *Gömböc*, Case C-237/19, at paragraph 34.

<sup>109</sup> *Lego Juris*, Case C-48/09 P, at paragraph 80. Appearance of a product feature in a patent application is labelled “prima facie evidence” in the EUIPO Guidelines and the UKIPO Trade Marks Manual, p. 162, though the latter notes that presence in a patent does not exclude the feature for trademark protection per se. EUIPO Guidelines, ch. 6, § 3; UKIPO Trade Marks Manual, § 3(2)(c). In *Reddig*, Case T-164/11, at paragraph 31, the presence of an expired patent was described as “practically irrefutable” evidence of functionality.



although it is not determinative,<sup>110</sup> since much turns on the context in which the feature appears. As noted by the Advocate General in *Lego*, this is similar to the approach taken by the United States Supreme Court.<sup>111</sup> Pre-existing IP rights are also mentioned in the *Gömböc* list, above.

Evidence that the trademark owner has described the sign for which protection is now sought in a patent or patent application has led to a finding of functionality in a number of decisions.<sup>112</sup> Generally, the court considers whether the patent text explains how the essential characteristics of the sign contribute to the technical functioning of the goods embodying the sign. A particularly detailed example is seen in *Shape of a Stopper*, a case concerning a circular occluder comprising an internal wire framework implanted to treat holes located in the interventricular septum of a patient's heart:



The Board reviewed a number of patent documents, noting that one patent document identified the circular shape as being optimal, since shapes with corners could cause perforations.<sup>113</sup> Another patent identified the sign's disc shape as being "particularly well suited for occluding."<sup>114</sup> The rosette configuration of the wires was also described as being "all important in determining a number of important properties of the device."<sup>115</sup> Elsewhere, it was explained that a dense arrangement of wires ensured enough cell growth in the area to fill the hole.<sup>116</sup>

<sup>110</sup> The patent must also cover the actual mark applied for, rather than some other aspect of the product more generally. For example, in *L&D*, a decision concerning the "Magic Tree" air freshener, the fact that patent protection had been secured for a means of delivering the fragrance contained in a sachet within the product was not evidence of functionality of the tree shape. *L&D*, *SAU*, Case R1283/2013-4, at paragraphs 44-46.

<sup>111</sup> *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), cited by AG Mengozzi in *Lego Juris*, Case C-48/09 P, EU:C:2010:41, at paragraph 67.

<sup>112</sup> *Novartis AG*, Case R2342/2014-5, at paragraphs 69-76; *Reddig*, Case T-164/11, at paragraphs 30, 43; *Gebr. Sträß GmbH + Co.*, Case R1363/2014-4, at paragraph 16; *eXpresio*, *Creative Study*, Case R2696/2017-1, at paragraph 30; *Pirelli Tyre SpA v. The Yokohama Rubber Co. Ltd.*, Case R2583/2014-5 (EUIPO Fifth Board of Appeal 2016), at paragraphs 37-38, *reversed* at *Pirelli Tyre v. EUIPO*, Case T-447/16, EU:T:2018:709 (GC 2018) (noting that the tire tread in the mark was not a "shape," and that the revision to extend the exclusion to "other characteristics" was not yet introduced.), appeal docketed, Case C-6/19 P.

<sup>113</sup> *In re AGA Med. Corp.*, Case R0042/2013-1, at paragraphs 20-25.

<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

Description in a patent specification is such important evidence that it may override an applicant's submission that a feature's inclusion is incidental, and that in reality, the characteristic has no technical function. This was the case before the United Kingdom Trade Mark Registry in *Hambleside Danelow's Application*.<sup>117</sup> It was also the case in *Shape of a Stopper* (described above), where the patents' description of the role of each feature disproved the applicant's claim that each of those features was arbitrary.<sup>118</sup> This must be the correct approach, given that it is the objective meaning of the patent (as understood by a hypothetical person skilled in the art) that actually is relevant in patent law, and not the patentee's intent, belief, or assertion of what their technical contribution is. The scope of the patent monopoly, which the CJEU has stated should not be extended by trademark law, is also determined objectively.<sup>119</sup>

The territory covered by the patent or patent application is not relevant when establishing technical functionality. In *Kangoo Jumps*, the Board of Appeal considered United States and Canadian patents, while in *Exercise Hoop*, reliance was placed on a United States patent.<sup>120</sup>

The fact that a product feature is not patented does not mean that it is not technically functional. It is easy to imagine a feature that is technical in nature but lacks novelty, or is obvious, and so does not meet the basic requirements of patent protection.<sup>121</sup> An example might be the legs of a table, which support the tabletop and have done so for tables throughout the generations. In *Flamgas*, the GC held that the existence of a Spanish utility model (an exclusive right in an invention that falls short of the requirements for a patent) for the feature in question forms "almost irrefutable" evidence of technical functionality.<sup>122</sup> This confirms that the bar for technical functionality is set at a lower level than that required for protection by patent law.

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<sup>117</sup> *In re Hambleside Danelow Ltd.*, O/203/18, [85].

<sup>118</sup> *In re AGA Med. Corp.*, Case R0042/2013-1, at paragraph 27.

<sup>119</sup> *See, e.g., Lego Juris*, Case C-48/09 P, at paragraph 45; *Hauck GmbH & Co KG*, Case C-205/13, at paragraph 19.

<sup>120</sup> *See cases cited supra* notes 96 and 104.

<sup>121</sup> *See Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 858 (7th Cir. 2010) (Easterbrook, J.).

<sup>122</sup> *Flamagas, SA v. EUIPO (CLIPPER)*, Case T-580/15, EU:T:2017:433 (GC 2017), at paragraph 47; *see also Madly v. Werkhaus Design & Produktion GmbH*, Cancellation No. 12442 (EUIPO Invalidity Division 2016), at 7 (Cancellation Division stresses that utility model not filed as evidence would have been useful).

### *B. Prior Registered Design*

In *Kangoo Jumps*, the Board found technical functionality in part because the trademark holder had already enjoyed protection from two now-expired Registered Community designs and an expired United States patent).<sup>123</sup> The Board did not fully explain how the designs were relevant to the outcome of the case, but any automatic acceptance of prior design protection as evidence of technical functionality would be problematic. Design protection straddles both functional and aesthetic aspects of goods,<sup>124</sup> and the design regime envisages an overlap between design and trademark protection.<sup>125</sup> Nevertheless in *Gömböc*, the CJEU referred to IP rights in general, rather than to just, say, utility patents, suggesting that pre-existing registered designs could be relevant.<sup>126</sup>

### *C. Functionality Claims from the Applicant's Advertising or Website*

A number of cases have considered marketing claims made on the applicant's own website, particularly where the claims relate individual features of the goods back to specific functions.<sup>127</sup> For example, the applicant's website in *Shape of a Container* showed the design being used as a stackable fruit bowl having "tiers slot together for easy assembly and removal" where "each tier can be used on its own" and offering "sturdy, stable construction" and "easy to clean . . . space-saving storage."<sup>128</sup>

Functionality determinations based on competitor third-party website material describing the technical advantages of a specific product feature have been made.<sup>129</sup> Detailed and specific claims in product brochures have also been used as evidence of functionality.<sup>130</sup> Descriptions on websites (without any indication of

<sup>123</sup> eXpresio, Creative Study, Case R2696/2017-1, at paragraph 51.

<sup>124</sup> Features of appearance of a product that are "solely dictated by technical function" are excluded from design protection—see Article 8 of Council Regulation (EC) No. 06/2002 of 12 December 2001 on Community Designs, and its equivalents.

<sup>125</sup> For example, a "product" is defined in Article 3(b) of Community Design Regulation 06/2002, as including "packaging, get-up, graphic symbols and typographic typefaces." See Dinwoodie, *supra* note 3, at 33.

<sup>126</sup> Gömböc, Case C-237/19, at paragraph 34.

<sup>127</sup> *In re Studex Corp.*, "Shape of Piercing Cartridge (3D)," Case R1877/2017-2 (EUIPO Board of Appeal 2018), at, paragraph 16; Koziol ideas for friends GmbH, Case R0582/2012-1, at paragraph 45 ("Like all its siblings, BABELL BIG can be taken apart and its elements slotted").

<sup>128</sup> Koziol ideas for friends GmbH, Case R0582/2012-1, at paragraph 45.

<sup>129</sup> AGA Med. Corp., Case R0042/2013-1, at paragraph 27 (relying on an explanation of the technical properties of occluders from a competitor's website).

<sup>130</sup> Gebr. Sträb GmbH + Co., Case R1363/2014-4, at paragraph 16 ("it is explained in detail [in the brochure] what purpose the object shall fulfil and how it is used . . .").

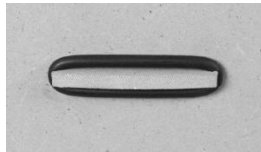
whether they needed to be the trademark applicant's or could originate with a third party) were mentioned in *Gömböc*.<sup>131</sup>

#### *D. Expert Evidence and Third-Party Technical Literature*

Given the sometimes highly technical nature of products examined for technical functionality, there is surprisingly little use of expert evidence to ascertain whether a characteristic has a technical result. Although the possibility of using expert evidence was mentioned fleetingly by the Advocate General in *Lego*, this study has not revealed significant use of expert evidence for this purpose.<sup>132</sup> Nevertheless, *Gömböc* reiterates the possibility of using expert evidence.<sup>133</sup> Third-party technical literature has been used on occasion to assess whether the sign in question achieves a technical result.<sup>134</sup> *Gömböc* envisages this also.<sup>135</sup>

#### *E. General Knowledge*

In a case concerning a two-dimensional representation of an elastic band fastening system for cardboard furniture, the Cancellation Division found that the sign had the function of “allowing small items to be assembled”:<sup>136</sup>



It was well known that such a fastening system could be used to assemble objects from cardboard without glue, nails, bolts or screws. The Division found that it could rely on knowledge that was well known and “likely to be known by anyone or can be learned from generally accessible sources.”<sup>137</sup> In this case, the Cancellation Division, on its own initiative, located images on the Internet showing such fastening methods in operation.

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<sup>131</sup> *Gömböc*, Case C-237/19, at paragraph 34.

<sup>132</sup> *Lego Juris*, Case C-48/09 P, at paragraph 67, cited in “Device of a Chair (3D mark),” Case R0664/2011-5, at paragraphs 16-17.

<sup>133</sup> *Gömböc*, Case C-237/19, at paragraph 34.

<sup>134</sup> See *Pirelli Tyre SpA*, Case R2583/2014-5, at paragraph 39 (relying on the “Tread Design Guide,” a third-party publication aimed primarily at tire professionals and forensic police investigators).

<sup>135</sup> *Gömböc*, Case C-237/19, at paragraph 34.

<sup>136</sup> *Madly*, Cancellation No. 12442.

<sup>137</sup> *Id.*

Similarly, the Board has explicitly stated that it is entitled to rely upon “common sense” and “common knowledge” of the nature of a clasp-locking device:<sup>138</sup>



Consequently, the Board found that the sign was not technically functional because it was common knowledge that a bulky lock like the one for which registration was sought would not be used on the goods claimed—namely shoes, belts, and slippers.

In other decisions, tribunals have relied on their own assessment of functionality without any specific evidence.<sup>139</sup>

### *F. Witness Statement from the Applicant*

In a case involving the functionality of a stool design, statements by the applicant’s own marketing director were used to prove its technical nature where he admitted that “[t]he device has been chosen for its aesthetic qualities as well as to provide maximum strength and durability for the upper part of the recliner/chair/stool as required.”<sup>140</sup> The applicant’s statement to the examiner that the mark consisted of the goods themselves was found to be an admission of functionality.<sup>141</sup>

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<sup>138</sup> Louis Vuitton Malletier SA v. C&A Buying KG, “Device of a Clasp Lock (fig.),” Cases R1222/2012-1 and R1231/2012-1 (EUIPO First Board of Appeal 2015), at paragraphs 82-93; *see also* Novartis AG, Case R2342/2014-5, at paragraph 63 (“[T]he analysis of the essential characteristics of a shape, once identified, may require evidence in certain cases as the Office cannot be considered omniscient in all matter technical, particularly in specialised areas of expertise. However, where the functionality in a representation is obvious, evidence will be not always be necessary.”)

<sup>139</sup> *In re* Wladimir Poljanskii, “Shape of a spoon (3D),” Case R0582/2017-5 (EUIPO Fifth Board of Appeal 2017), at paragraph 27; *In re* SFS Intec SAS, Case R2140/2011-1, at paragraphs 30-33; *Le Coute de Tie*, AL, Case R0631/2011-1, at paragraphs 28-34; *Germans Boada, SA*, Case R1856/2010-1, at paragraphs 17-19. Likewise, in *Ekornes ASA’s Application*, the Appointed Person found that the “mechanical properties” of the “S”-shaped stool legs applied for were “readily apparent.” *Ekornes ASA’s Application*, UK Trade Marks Registry (Appointed Person) O-017-06, paragraph 11.

<sup>140</sup> *Ekornes ASA’s Application*, UK Trade Marks Registry (Appointed Person) O-017-06, paragraph 11.

<sup>141</sup> *Gebr. Sträß GmbH + Co.*, Case R1363/2014-4, at paragraph 16. The goods in question were a ground anchor, which the Board had found to be intrinsically functional.

### *G. Witness Statement from Customers*

The test for whether a product feature is functional, or not, is an objective one; the CJEU has therefore held that consumer perception is not determinative.<sup>142</sup> Nevertheless, in *Piercing Cartridge*, the Board of Appeal conducted an in-depth examination of witness statements from end users, some of which identified how the specific features of the applicant’s sign related to the operation of the ear-piercing cartridges.<sup>143</sup> For example, certain parts of the device positioned the stud accurately, while others ensured that neither the operator nor the earring would touch the ear during operation.<sup>144</sup> This made the cartridge more hygienic than traditional methods.<sup>145</sup>

Notably, the end users in this case were professional ear- and body-piercing technicians. One might therefore expect them to have an expert degree of knowledge of how such machines work, and what features are desirable. In other cases, the end user will often be a member of the public. Interestingly, in *Gömböc*,<sup>146</sup> the CJEU held that survey evidence may be relevant. This is surprising, as, assuming that it is the public or at least consumers of the goods who are to be surveyed, it would suggest that evidence of consumer perception could be used.

### *H. Counterfunctionals*

In *Land Rover*, the United Kingdom Trade Mark Registry considered a number of marks filed for different variations on the shape of a LAND ROVER vehicle:

3164282 (DEFENDER 110)



3158948 (DEFENDER 110 SPARE WHEEL)



The Registry accepted that a “boxy slab-sided” shape of the vehicle mitigated against a finding of functionality because it was inefficient in terms of fuel consumption and therefore “counter

<sup>142</sup> Lego Juris, Case C-48/09 P, at paragraphs 75-77.

<sup>143</sup> Studex Corp., Case R1877/2017-2, at paragraphs 16-19.

<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

<sup>146</sup> Gömböc, Case C-237/19, at paragraph 34.

functional.”<sup>147</sup> The suggestion is that a characteristic that hinders the function of a good will not fall within Article 7(1)(e)(ii).<sup>148</sup>

This rule is difficult to reconcile with *Lamp Base*, where the Board of Appeal rejected the argument that a sign was not functional because it was “less functional than traditional forms and is already in use in the sector in reference.”<sup>149</sup> The *Land Rover* rule would also assign trademark examiners the complex task of determining not only if a characteristic contributes to how a good works, but also in ascertaining whether it works better (or worse) than those of the market. While this may have been a simple assessment in *Land Rover*, it is likely to be contested in many decisions and would require complicated and expensive expert evidence.

### *I. Aesthetic Elements*

The fact that the product feature in question might have aesthetic appeal or might have been inspired by aesthetic considerations does not rule out a finding of technical functionality.<sup>150</sup> The Board has observed that the same feature can perform two roles at once and “there is no three-dimensional article under the sun to which one could not ascribe an aesthetic value or effect.”<sup>151</sup> Furthermore, if dual aesthetic-technical characteristics were not within the exclusion, undertakings would remain able to gain a monopoly on previously patented product characteristics on the basis that they were chosen because they looked attractive.<sup>152</sup>

### *J. Availability of Alternatives*

Tribunals have consistently refused to admit evidence of the availability of alternative designs for the product or function in question.<sup>153</sup> Likewise, they have refused to consider whether

<sup>147</sup> *Jaguar Land Rover Ltd. v. Ineos Indus. Holdings Ltd.*, UK Trade Marks Registry O-589-19 (October 3, 2019), at paragraph 137.

<sup>148</sup> *Id.*

<sup>149</sup> *In re Tecnodidattica S.p.A.*, Case R0076/2017-2, at paragraphs 22-23, as upheld by the GC.

<sup>150</sup> *Tractel Greifzug GmbH v. OHIM*, Case T-621/15, EU:T:2017:254 (GC 2017), at paragraph 25.

<sup>151</sup> *Studex Corp.*, Case R1877/2017-2, at paragraph 22; *Flamagas, SA*, EU:T:2017:433, at paragraph 58; *Gebr Sträß GmbH + Co.*, Case R1363/2014-4, at paragraphs 36-37 (rejecting arguments that the ground anchor was not functional because it was evocative of the Statue of Liberty or a carrot).

<sup>152</sup> *Id.*

<sup>153</sup> *Tractel Greifzug GmbH v. OHIM*, EU:T:2017:254, at paragraph 28; *Studex Corp.*, Case R1877/2017-2, at paragraph 24; *Madly*, Cancellation No. 12442, at 8 (involving a rubber band fastening system for cardboard furniture, finding it was irrelevant that other methods could be used for the fastening, or that other shapes of rubber bands could be used).

registering the sign in question would lead to the grant of a monopoly in the technical result to a single undertaking.<sup>154</sup> The relevance of the availability of an alternative was first discussed in *Philips*. The question arose whether a shape was only “necessary” to achieve a technical result, as referenced in the provision, if there were no other ways of achieving the same result. The CJEU found that the availability of alternative shapes was not determinative in view of the provision’s aim of “not allowing individuals to use registration of a mark in order to acquire or perpetuate exclusive rights relating to technical solutions.”<sup>155</sup> Granting trademark rights for one technical shape would permit the applicant to gain rights over one technical solution, even if other solutions to the same problem remained available.

The CJEU has also downplayed the significance of alternatives for more nuanced reasons. In *Philips*, AG Jacobs noted that the simultaneous registration of multiple ways of achieving the same technical result could lead to competitors eventually being blocked.<sup>156</sup> The *Concentric Blue Circles* case is a practical example of this.<sup>157</sup> The *Lego* Court also pointed to the fact that once a mark is registered, it can be used to block other similar marks, raising the possibility that unregistered alternatives would also be blocked by infringement actions.<sup>158</sup>

The United Kingdom Trade Mark Registry has suggested that where a large number of shapes is available for a particular product, the choice of any one shape or characteristic may point to the shape being design-led rather than functional.<sup>159</sup> Assessing the registrability of the shape of a land vehicle in *Land Rover*, the Hearing Officer noted that while car windows would be technically necessary, the exact positioning and shape of a window was a design-led choice, and so outside the technical shape exclusion.<sup>160</sup> While the Hearing Officer sought to clarify that this is “different to saying that the technical result(s) could be achieved using other shapes,” it is difficult to draw the line in practice.<sup>161</sup> Every product must have some form, and so it is difficult to know which shapes will be considered to have what the Hearing Officer labeled “design

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<sup>154</sup> Flamagas, SA, EU:T:2017:433, at paragraph 59.

<sup>155</sup> *Philips*, Case C-299/99, at paragraph 82.

<sup>156</sup> *Philips*, Case C-299/99, at paragraph 39.

<sup>157</sup> *Wallmax S.r.l.*, Case R0940/2017-2, discussed *supra* in Part III.E.

<sup>158</sup> *Lego Juris*, Case C-48/09 P, at paragraph 56.

<sup>159</sup> *Jaguar Land Rover Ltd.*, O-589-19, at paragraph 38; *see also* *Birkenstock Sales GmbH's Registration*, UK Trade Marks Registry O-505-16, paragraph 92 (October 31, 2016) (noting that “the pattern is one of many which could have been selected and is, in my view, more akin to a decorative, rather than functional, feature.”).

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

<sup>161</sup> *Id.*



input.”<sup>162</sup> More importantly, the fact that there is design input does not stop a sign consisting of product characteristics from blocking access to those characteristics for competitors, as the EUIPO Board of Appeal has recognized.<sup>163</sup>

It appears that the Appointed Person’s decision in the *Ekornes Stool* case<sup>164</sup> is the basis of this “form over function” approach. This case concerned the shape of a stool with curved “S”-shaped legs. While it was correct that legs and a seat were essential functional elements of a stool, the Appointed Person found that the particular shape had a high degree of stylization. This meant it did not consist “essentially of features attributable only to the technical result of using that shape.” Instead, there was a “surplus of form over function.”<sup>165</sup> Rather than being a direct consideration of alternatives in assessing whether the legs were functional, what this appears to be is a pre-*Lego* attempt to articulate the concept that where there are a mixture of functional and non-functional features, significant non-functional features will allow the sign to escape the functionality exclusion.

To sum up, there is an open list of forms of evidence that can be used to demonstrate that a product feature is there for a technical reason. We may expect further clarity in this area following *Gömböc*, although there is generally a good correlation between the forms of evidence mentioned in that case and the types of evidence identified in this article collated by examining previous decisions. These can be broadly grouped into evidence from the existence of previous IP rights, functionality claims made by trademark applicants themselves, expert evidence, and general knowledge. There are also forms of evidence that will have no impact on the assessment, namely the availability of alternatives and the fact that the element has aesthetic properties.

## VII. CONCLUSION

Despite Article 7(1)(e)(ii)’s central importance in ensuring a competitive market by restricting the registration of product shapes and other product characteristics, there remains a surprising degree of uncertainty regarding the meaning of its central concepts. While the CJEU has clearly and consistently stated the policy behind the provision, there is a lack of authoritative guidance of what makes a result “technical” and how to prove this. While the early case law considered the meaning of whether a sign is “necessary” to achieve a technical result and the relevance of alternatives, it did not go on

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<sup>162</sup> *Id.*

<sup>163</sup> Studex Corp., Case R1877/2017-2, at paragraph 22.

<sup>164</sup> Ekornes ASA’s Application, O-017-06, although this case was not cited explicitly by the Appointed Person in *Land Rover*.

<sup>165</sup> *Id.* at paragraph 16.

to fully explain the key clause of “achieving a technical result.” The focus has instead been on the preliminary stage of identifying the characteristics of goods. Nevertheless, this article has argued that, by looking at the developing case law, we can see the beginnings of a multi-step methodology for determining whether a sign for goods consists exclusively of the characteristics that are necessary to achieve a technical result.

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## COMMENTARY

### A TALE OF TWO CUPS: ACQUIRED DISTINCTIVENESS AND SURVEY EVIDENCE BEFORE THE TTAB

*By Sarah Butler\* and Healey Whitsett\*\**

#### I. INTRODUCTION\*\*\*

Secondary meaning surveys are commonly used to measure whether a word, name, symbol, or set of design elements is identified by consumers as originating from a single source. In this commentary, we will discuss a recent decision by the Trademark Trial and Appeal Board (“TTAB”) involving trademark applications filed by Starbucks for coffee cups featuring a green dot and will comment upon the decision and lessons that we believe can be learned by a careful analysis of the TTAB’s decision.

While a secondary meaning survey may also be designed to measure which specific source(s) or company(ies) a consumer is thinking of, the identification of a specific source is not necessary to establish that a mark has acquired secondary meaning (i.e., the source may be unknown, but it must be singular).<sup>1</sup> As articulated in the USPTO’s *Trademark Manual of Examining Procedure*:

The crux of the secondary meaning doctrine is that the mark comes to identify not only the goods but the source of those goods. To establish secondary meaning, it must be shown that the *primary* significance of the term in the minds of the consuming public is not the product but the producer . . . This may be an anonymous producer, since consumers often buy goods without knowing the personal identity or actual name of the manufacturer.”<sup>2</sup>

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\*\*\* The authors thank Justin Kemp for his assistance. The views expressed herein are the views of the authors and do not reflect those of the firm or any clients thereof.

<sup>1</sup> Vincent N. Palladino, *Secondary Meaning Surveys, in* Trademark and Deceptive Advertising Surveys: Law, Science, and Design 79 (Shari S. Diamond & Jerre B. Swann eds., American Bar Association, Section of Intellectual Property Law, 2012).

<sup>2</sup> USPTO Trademark Manual of Examining Procedure, § 1212 Acquired Distinctiveness or Secondary Meaning, <https://tmep.uspto.gov/RDMS/TMEP/current#/current/TMEP-1200d1e10316.html>.

Secondary meaning is established if a “significant” or “substantial part” of the relevant consuming public indicates that the word, name, or symbol that describes a good or service is from a single source.<sup>3</sup> While the bar for what constitutes a “substantial part” varies by court, typically the percentage must be 30 percent or higher.<sup>4</sup> Other authorities indicate that percentages of 50 percent or more generally are “clearly sufficient.”<sup>5</sup>

Experts who wish to conduct defensible survey research to evaluate secondary meaning must generally follow various standards for litigation surveys as set forth in the key treatises on the subject.<sup>6</sup> These standards hold both in District Courts and at the Trademark Trial and Appeal Board (“TTAB”). To illustrate, recent precedent-setting<sup>7</sup> TTAB decisions have criticized surveys with flawed control stimuli.<sup>8</sup> Indeed, the TTAB has noted in a number of cases that the control must be designed to share as many characteristics with the stimulus being tested aside from the characteristic(s) whose influence are being assessed.<sup>9</sup> For instance, in a recent TTAB matter involving engines in power equipment, a flawed control stimulus was found to reduce the probative value of one expert’s survey—in particular, in testing the secondary meaning of a Honda engine design, the expert had used a control with a different overall configuration from that of the applied-for mark.<sup>10</sup>

A number of District Courts have also noted the importance of a rigorously designed control stimulus. For example, in *McNeil-PPC, Inc. v. Merisant Co.*, the court found the survey sufficient to establish secondary meaning of the trade dress of SPLEND

<sup>3</sup> J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 32:190, at 1 (5th ed. 2019).

<sup>4</sup> Gerald L. Ford, *Survey Percentages in Lanham Act Matters*, in *Trademark and Deceptive Advertising Surveys: Law, Science, and Design* 311, 315-17 (Shari S. Diamond & Jerre B. Swann eds., American Bar Association, Section of Intellectual Property Law, 2012).

<sup>5</sup> McCarthy, *supra* note 3, § 32:190, at 2.

<sup>6</sup> Shari S. Diamond, *Reference Guide on Survey Research*, Reference Manual on Scientific Evidence 359 (Committee on the Development of the Third Edition of the Reference Manual on Scientific Evidence, Federal Judicial Center, National Research Council, 3d ed. 2011); Federal Judicial Center, *Manual for Complex Litigation*, § 11:493, at 103 (4th ed. 2004).

<sup>7</sup> “Precedent” is used in this context to refer to TTAB decisions that have been officially designated as precedential.

<sup>8</sup> See, e.g., *In re Hiraki Sales USA, Inc.*, 2019 U.S.P.Q.2d 111514, at 20, 29 (T.T.A.B. 2019); *Frito-Lay N. Am., Inc. v. Princeton Vanguard, LLC*, 2017 U.S.P.Q.2d 1184, at 13 (T.T.A.B. 2017); *Kohler Co. v. Honda Giken Kogyo K.K.*, at 125 U.S.P.Q.2d 1468 (T.T.A.B. 2017).

<sup>9</sup> This dictum is also supported in Diamond’s treatise. Diamond, *supra* note 6, at 359, 399: “When designing a survey-experiment, the expert should select a stimulus for the control group that shares as many characteristics with the experimental stimulus as possible, with the key exception of the characteristic whose influence is being assessed.”

<sup>10</sup> Kohler, 125 U.S.P.Q.2d 1468, at \*96, 99.

sweetener.<sup>11</sup> The findings were bolstered by the use of a control that met the court's standards—in this case the court accorded the survey weight for using an actual sweetener package that was briefly marketed in the same market as SPLENDA. Importantly, although this control product did not share any characteristics of the SPLENDA trade dress at issue, it was inherently realistic because it was an actual product.

There are other instructive examples where a survey was accorded little weight because of problems with the control stimulus design. In one matter, the court discounted the weight granted to a survey “because the control bottle was implausible and not reflective of products on the market today.”<sup>12</sup> In other words, the control was neither believable nor reflective of any other product that existed in the market during the relevant time period. In another secondary meaning dispute, the court discounted the weight accorded to the survey because the control bottle was too dissimilar to the bottle being tested—that is, the expert had modified more than just the trade dress at issue.<sup>13</sup>

These case studies make clear that there are several methodological considerations that experts must make in designing a control stimulus that will yield reliable secondary meaning estimates. Fundamentally, the expert must determine what specific stimulus to test and must clearly understand what design elements constitute the asserted trade dress. This is essential not only because the expert may need to remove other marks or branding that is not at issue, but also because the expert needs to design an appropriate control stimulus. The control stimulus should, as much as possible, hold constant the trade dress elements that are not at issue.<sup>14</sup> Designed as such, the control stimulus allows the expert to identify and eliminate from her final calculation the share of survey answers that are unrelated to the stimulus being tested and that therefore may threaten the validity of the estimate.

In this commentary, we will review the findings in a recent TTAB proceeding involving Starbucks and two of its trademark applications for the trade dress designs on its coffee cups. In this proceeding, the TTAB carefully evaluated a secondary meaning survey on these criteria and concluded that while the survey had

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<sup>11</sup> *McNeil-PPC, Inc. v. Merisant Co.*, Civil No. 04-1090 (JAG), 2004 BL 514 (D.P.R. July 29, 2004).

<sup>12</sup> *Shell Trademark Mgmt. B.V. v. Warren Unilube, Inc.*, 765 F. Supp. 2d 884, 893-894 (S.D. Tex. 2011).

<sup>13</sup> *Conopco, Inc. v. Cosmair, Inc.*, 49 F. Supp. 2d 242, at 4 (S.D.N.Y. 1999).

<sup>14</sup> This likely seems more intuitive when trade dress is at issue and there is a need to control for elements of a product that are not claimed. However, this can also occur in cases involving words or symbols.

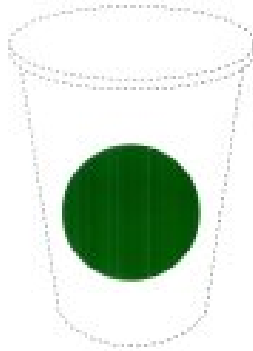
“some probative value,”<sup>15</sup> its reliability was suspect as a result of several issues it addressed. This commentary will focus primarily on the TTAB’s evaluation of the control stimulus used in the secondary meaning survey in this particular case and will also offer some perspective on helpful lessons regarding the foundations of control design. Such lessons include the necessity of the control stimulus sharing as many characteristics with the experimental stimulus as possible, and the selection of changes made to the experimental stimulus.

Additionally, we will comment upon other methodological learnings from the TTAB’s decision, including guidance pertaining to the consideration of open-ended responses provided in the survey and the identification of the correct population of survey respondents.

## II. BACKGROUND

In 2012, Starbucks filed Application Serial No. 85792872 (“the ’872 application”) and Application Serial No. 85792857 (“the ’857 application”), both of which described the STARBUCKS trade dress at issue as consisting of “a green circle placed centrally on the exterior side of a white cup.” The ’872 application and the ’857 application are for solid green circles on white cups (as shown in Figure 1, below), which is different from Starbucks’s well-known siren design. Starbucks’s application for the green circle is intended to express the general trade dress of Starbucks’s well-known siren design, which is shown in Figure 2.

**Figure 1: ’872 and ’857 Applications: Front Design**



From the outset, the TTAB cautioned that because the green circle mark is a basic geometric shape, the burden to demonstrate

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<sup>15</sup> Opinion by Adlin, Administrative Trademark Judge, *In re Starbucks Corporation*, Serial Nos. 85792872 and 86689423, at 50-51. (T.T.A.B., Jan. 17, 2019).

distinctiveness was high. While the Examining Attorney noted that Starbucks was undoubtedly commercially successful, the reputation of the company or brand as a whole could not be used to infer that consumers would necessarily recognize the applied-for mark.

In refusing to register Starbucks's trade dress for the green circle mark, the TTAB noted that sales, advertising, and media evidence submitted in support of the '872 application could not be clearly linked to the mark in question. The Examining Attorney and the TTAB were not persuaded by Starbucks's assertion that the '872 application, a white cup featuring a green circle, was a "substantially exact" representation of the "Starbucks Cup Mark" with the well-known and distinguishing siren design.<sup>16</sup> As such, the TTAB indicated that evidence reflecting the sales or advertising related to the siren design were insufficient to link the '872 application to the mark.

**Figure 2: Siren Mark**



As part of its application, and to supplement the evidence described above, Starbucks also relied on survey evidence it said established that the green circle in the '872 application had acquired distinctiveness. The TTAB focused on the secondary meaning survey evidence, as it clearly refers to the green circle mark in question (as opposed to the siren design).

### III. STARBUCKS'S SECONDARY MEANING SURVEY

In 2014, Starbucks commissioned and submitted as evidence a survey designed to "measure the degree to which members of the relevant population associate the mark/design in question with one or more than one source."<sup>17</sup> The survey included a population of 642 consumers 18 years old or older who (1) had in the past thirty days

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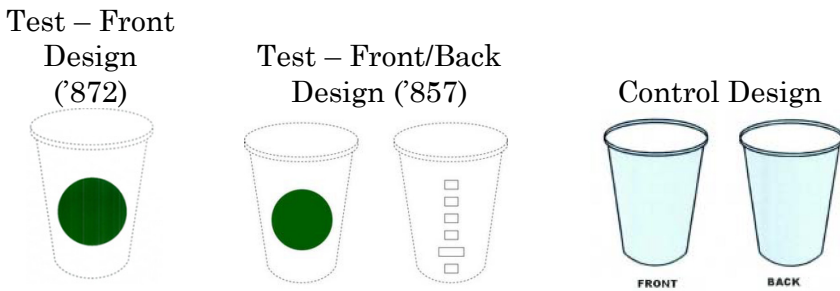
<sup>16</sup> Opinion, *supra* note 15, at 3.

<sup>17</sup> Opinion, *supra* note 15, at 40.

purchased for themselves or for someone else takeout coffee, tea, a coffee- or tea-based beverage, or cocoa or hot chocolate and/or (2) were likely to purchase one of these products in the next thirty days.

The survey was conducted online using an Internet panel. Among other screening criteria, individuals who attempted to complete the survey on a cell phone were screened out. The survey tested the '872 mark, the '857 mark, and a control cup. The additional test image, the '857 mark, included design features that were not part of the '872 application—namely, the check boxes on the back of the cup. The control cup was a plain pale blue cup with no other markings. The '872 test cup, '857 test cup, and control cup are shown in Figure 3 below.

**Figure 3:**  
**Starbucks's Secondary Meaning Survey Stimuli**



Respondents were asked to look at “a cup for coffee, tea, or cocoa” and to look at the cup “as you would if you were given the cup or you saw a person carrying or drinking from it.”<sup>18</sup> After viewing one of the two test cups or the control cup, consumers were asked whether they associated the cup with one company, more than one company, or no company that makes coffee, tea, or cocoa.<sup>19</sup> Those who indicated “one company” were next asked a series of follow-up questions to determine why they selected “one company” and what company they associated with the cup.

To determine whether or not the survey provided evidence of acquired distinctiveness, the expert calculated the net total of “one company” responses, subtracting the rate in the control group from the rate in the test group. The “net” number represents the

<sup>18</sup> Opinion, *supra* note 15, at 41.

<sup>19</sup> “One company” and “more than one company” are generally rotated in both the question stem and response option ordering to guard against order effects, and a “don’t know/unsure” option is also provided. Another variant is to ask a filter question first (“Do you associate this [mark/logo/design] with any company or companies?”) and then ask only those who say “yes” whether the association is with one or more than one company.



association with one company that is solely attributable to the word/name/symbol/design elements being tested. The results demonstrated that 69 percent of respondents associated the cup with the '872 mark with one company and 73 percent associated the cup with the '857 mark with one company.<sup>20</sup> A total of 4 percent of respondents shown the pale blue control cup indicated that it was associated with one company.<sup>21</sup> Using the control to “net out” or correct for noise yielded an overall rate of association between 65 and 69 percent. The data also demonstrated that between 64 and 68 percent of respondents identified the company associated with the '872 and the '857 marks as Starbucks specifically.<sup>22</sup> Both the survey expert and Starbucks noted that these numbers far exceed the typical rates required for secondary meaning.

#### IV. TTAB COMMENTS ON THE SURVEY

Despite these high rates of association and recognition (65 and 69 percent) that, at face value, might be taken as firm evidence of the marks acquiring secondary meaning, the Examining Attorney and the TTAB addressed several key aspects of the survey in their decision from which we draw several helpful lessons.<sup>23</sup>

The TTAB's analysis primarily focused on the design of the control cup, which was a plain blue cup that included no other design elements. Unlike the test cups, the control had no distinguishing features whatsoever. The TTAB noted that the very low rate of identification with a single company is what would be expected if the control shown was essentially a “generic” cup.<sup>24</sup>

Instead of the control that was used, the TTAB suggested that it would have been more appropriate to use a control cup featuring a different shape (other than a circle), in a different color (other than green), “for example, a blue triangle placed centrally on the front exterior side.”<sup>25</sup> This approach would have controlled for respondents guessing “Starbucks” to any cup featuring a geometric shape simply because Starbucks is a popular coffee brand or was the first to come to mind.

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<sup>20</sup> Expert Report of Leon Kaplan, *In re Starbucks Corp.* 15 (U.S.P.T.O, 2012) (“Kaplan Report”).

<sup>21</sup> *Id.* There is some confusion in the original survey report about the net percentage, as the text of the report indicates that the rate in the control is 9 percent, but the supporting table clearly shows a rate of 4 percent. A later table and discussion in the report suggests that the correct number is, in fact, 4 percent. The TTAB noted that this inconsistency detracted further from the reliability of the findings. Opinion, *supra* note 15, at 43, n.27.

<sup>22</sup> Kaplan Report, *supra* note 20, at 16, Table 2.

<sup>23</sup> This is true despite the fact that the Starbucks matter at issue is not a precedential case.

<sup>24</sup> Opinion, *supra* note 15, at 43-44.

<sup>25</sup> Opinion, *supra* note 15, at 44.

The TTAB also commented on its own review of the survey data. In particular, the TTAB described their review of the open-ended responses that test cell respondents gave for identifying the design as coming from one company and/or identifying the applicant. The TTAB noted that the answers identifying Starbucks did not indicate that respondents named Starbucks because of the mark at issue; that is, they did not indicate that they associated the cup with one company because of the green circle or green logo (or some similar response). The TTAB noted that when naming “Starbucks” as the company, many respondents identified other aspects of the cup (e.g., the shape); identified a less specific element of the design (e.g., “green = Starbucks”); or provided a speculative explanation for their identification at all (e.g., “looks familiar,” “market is well dominated by this brand,” or “nothing”).

In addition to their discussion of the control stimulus, the TTAB also commented on the composition of the sample of respondents. The TTAB indicated that the survey was underinclusive because it was limited to individuals who had purchased or were likely to purchase coffee, tea, cocoa, or hot chocolate for takeout in the past thirty days or were likely to do so in the next thirty days. In their view, the exclusion of less-frequent purchasers of these beverages was likely to skew the results in the applicant’s favor, as the survey focused on people who were more familiar with the brand and marks.<sup>26</sup> The TTAB also noted that the population was underinclusive because it was limited to individuals who purchase these beverages for takeout, when the registration and Starbucks’s business also includes the consumption of these products in Starbucks stores.<sup>27</sup>

Finally, the TTAB commented on the mode of data collection and survey administration, which was conducted via an Internet panel. The TTAB noted that the mode likely produced a sample that underrepresented low-income, rural, and elderly consumers who have lower Internet usage rates, but who could reasonably be part of the market for purchasing a low-cost good such as coffee. It is noteworthy that the TTAB acknowledged the prevalence and admissibility of using an Internet panel generally and focused more specifically on the extent to which the use of a panel, in combination with the exclusion of participants accessing the survey on their cell phones, may have in this case limited the survey to an unrepresentative sociodemographic.<sup>28</sup>

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<sup>26</sup> It is possible that the TTAB would have been satisfied with the 30-day cutoff had an explanation been provided, but there was no description of why that particular time period was selected for the survey.

<sup>27</sup> Opinion, *supra* note 15, at 48-49.

<sup>28</sup> Opinion, *supra* note 15, at 49-50.

## V. LESSONS LEARNED FROM TTAB COMMENTS

### A. *The Control Stimulus*

Many of the issues noted by the TTAB tie to our overview of secondary meaning surveys and are “lessons learned” that can be applied to future expert survey work. First, the TTAB emphasized several issues with the control stimulus. As noted, the “generic” control cup used in the survey did not control for the extent to which any geometric shape on a white cup would elicit responses of “one company.” Certainly, the most important takeaway from this decision is the TTAB’s citation to Professor Shari Diamond, who artfully wrote, “The general principle for choosing an appropriate control is easily stated: It should share as many characteristics with the experimental stimulus as possible, with the key exception of the characteristic whose influence is being assessed.”<sup>29</sup>

Professor Diamond’s explanation articulates the principles of experimental design and the ability of a survey to assess causality. In this specific case pertaining to the Starbucks marks, it is important to evaluate whether a *white* cup featuring *any* geometric shape placed somewhat in the center would cause respondents to identify it with one company.<sup>30</sup> In a survey, a control is used not only to weed out guessing or respondent inattention; it is also essential for the identification of responses unrelated to the *specific* mark being tested. In surveys evaluating whether a specific trade dress has acquired secondary meaning, a control can be of particular importance, since showing a respondent a picture of any product inherently suggests at a minimum that it comes from somewhere, from some company. The control is even more important in this matter, given the predominance of the Starbucks brand in the marketplace. It is likely that, of survey respondents shown any white cup, some proportion of them would name Starbucks simply because it is a well-known, top-of-mind brand that serves takeout coffee.<sup>31</sup>

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<sup>29</sup> Shari S. Diamond, *Control Foundations: Rationales and Approaches*, in *Trademark and Deceptive Advertising Surveys: Law, Science, and Design* 201, 210 (Shari S. Diamond & Jerre B. Swann eds., American Bar Association, Section of Intellectual Property Law, 2012).

<sup>30</sup> Even a brief review of the marketplace shows that other brands have used geometric shapes as part of their logos (for example, Costa Coffee uses a red circle, Dunkin’ Donuts has a square in its logo, and Peet’s Coffee also sometimes uses a square). Therefore, it is quite possible that using any shape in the center of a white coffee cup is suggestive to consumers that the cup/product comes from one brand.

<sup>31</sup> Since the applicant was testing two marks, the ’872 and the ’857, it would have been necessary to have two separate controls, including one that could measure the impact of any markings on the back of the cup. It is interesting to note that the difference in source identification rates between the ’872 and the ’857 were minimal, likely suggesting that

Using blue as the color of the control cup is also a notable issue. It is common to see white as the background color for a coffee cup.<sup>32</sup> Despite the fact that the TTAB referred to the blue color as “unremarkable”<sup>33</sup> and the survey expert himself referred to the color as “generic,”<sup>34</sup> the unusual and less-common color blue may have suppressed or underrepresented the rate at which respondents would see any white coffee cup (regardless of whether it included the green circle) as coming from one company. The survey data bear this theory out: the large majority of respondents who viewed the blue control cup indicated that they thought it came from no company (51 percent) or that they had no opinion about whether it came from one or more than one company (22 percent).<sup>35</sup> Thus, almost three-quarters, or 73 percent, of respondents in the control cell could not identify whether the blue cup was associated with any company or with any particular company. Far fewer (only 23 percent) indicated that it was more than one company. In other words, the blue cup was not seen by respondents in the control cell as “generic” or common across multiple companies but was instead seen as unfamiliar. This likely suppressed the number of respondents indicating it was from “one company” and/or affiliated with “Starbucks.”

### ***B. Open-Ended Responses***

As discussed above, the control stimulus as designed could not measure or account for responses unrelated to the '872 design. In the absence of an appropriately designed control, neither could using open-ended questions to identify responses associated with a specific trade dress.<sup>36</sup> In secondary meaning cases, survey experts sometimes use open-ended responses to ensure that some proportion of respondents selecting “one company” are doing so because of the specific trade dress elements at issue. In this matter, while some respondents clearly identified the trade dress elements in their answers, others simply offered vague comments such as, “looks very familiar,” or “I know whose it is.”<sup>37</sup> The vagueness of these answers may have more to do with a respondent’s ability or willingness to provide a complete description of their reasoning and

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the check boxes on the back of the cup added little to consumers’ perceptions of the stimulus.

<sup>32</sup> Several prominent U.S. coffee chains such as Dunkin’ Donuts, Caribou Coffee, and Biggby Coffee also utilize cups with their logo against a predominantly white background.

<sup>33</sup> Opinion, *supra* note 15, at 43.

<sup>34</sup> Kaplan Report, *supra* note 20, at 4.

<sup>35</sup> *Id.* at 15, Table 1.

<sup>36</sup> We are not suggesting that this is the approach the TTAB advocated.

<sup>37</sup> These are actual responses from the Starbucks survey.

less to do with their actual association with the mark. It is well known in survey research that some respondents satisfice or do only enough cognitive work to provide the minimum answer necessary.<sup>38</sup> Others may be less articulate or less savvy at typing, and other respondents may not, in fact, know all of the elements that have influenced their answers. The TTAB correctly suggests that these answers should be discounted because they “do not suggest that the mark on the cup was the reason for associating the cup with Applicant or one company.”<sup>39</sup>

This is not to say that, in general, open-ended responses are not useful or do not provide useable data. In fact, as the TTAB noted, there were a number of respondents who articulated elements of the design shown that were *not* part of the '872 application.<sup>40</sup> At a minimum, such answers demonstrate that some other aspect of the stimulus shown was influencing the response. Using an appropriately designed control in this case would likely have made it unnecessary to subjectively parse out open-ended responses in the test cells<sup>41</sup> and would have provided a much cleaner measure of the extent to which consumers associated the specific characteristics of the '872 application with the products of one company. To the extent that some proportion of responses were still vague or nonresponsive, an appropriately designed control would have netted these out of the test stimulus to provide an estimate of the actual proportion of respondents indicating “one company.”

The TTAB does not explicitly indicate that a white control cup with some other-colored (i.e., not green) geometric shape may have also readily addressed the TTAB's concerns about the open-ended responses. However, in its decision, the TTAB did note that “some of the participants who specifically identified Starbucks as the ‘one company’ identified by the cup mark apparently did so not because of the green circle, but because of features unclaimed in or absent from the involved '872 Application. [...] There is no indication that these or similarly irrelevant results were excluded” from the tally of respondents saying one company.<sup>42</sup> The TTAB therefore appeared to suggest that, at a minimum and given the poorly designed control, respondents who gave open-ended responses that did not pertain to the claimed features should have been excluded from the analysis.

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<sup>38</sup> Jon A. Krosnick et al., *The Impact of “No Opinion” Response Options on Data Quality: Non-Attitude Reduction or an Invitation to Satisfice?*, 66 Pub. Op. Q. 371 (2002).

<sup>39</sup> Opinion, *supra* note 15, at 46-47.

<sup>40</sup> Examples provided by respondents include: “Looks like that shape,” “Looks like Starbucks shape,” and “plain.” Opinion, *supra* note 15, at 48.

<sup>41</sup> Though in many surveys there are some respondents who provide open-ended responses indicating reasons other than the trade dress at issue, these typically do not feature prominently in the analysis unless there are other methodological issues with the design such as a weak control stimulus.

<sup>42</sup> Opinion, *supra* note 15, at 46.

### C. The Population

As noted above, the TTAB had several concerns about the population of respondents surveyed. These included excluding mobile data collection and biases that this omission may have introduced in terms of underrepresentation of low-income, rural, and elderly consumers.

The TTAB's concerns about the population of respondents are applicable to many surveys and in many cases are straightforward to address.<sup>43</sup> For example, the TTAB's note about potentially underrepresenting lower-income respondents could be addressed by including a question on the survey asking respondents to report their household income.<sup>44</sup> These data could then be used to demonstrate that even if a survey relies upon desktop and/or laptop computer administration and excludes mobile respondents, the respondents still reflect a reasonable range of income levels, including lower income groups. Moreover, in conducting online surveys in both the TTAB and litigation context, it has been our experience that individuals with lower household incomes are, in fact, willing to participate in online research, irrespective of device type. In contrast, it is becoming increasingly difficult to access large enough numbers of individuals in households with incomes of approximately more than one and a half times the median household income in the United States.<sup>45</sup>

In addition, excluding cell phone users is likely to result in a survey population that underrepresents younger survey takers. Unless quotas are specifically put in place to ensure that enough data are collected in this young age group, young survey takers are unlikely to be included in sufficient numbers in research that allows only for desktop and laptop participation.

As a final note, the TTAB did not point out that the survey excluded all individuals in the relevant purchasing population who are under the age of 18. Given the low cost and the inclusion of drinks other than coffee in the screening criteria (and the growth of coffee drinks that are flavored, sweetened, and made popular via

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<sup>43</sup> For a discussion of issues related to the population in litigation surveys, see, for example, William G. Barber, *The Universe, in Trademark and Deceptive Advertising Surveys: Law, Science, and Design 27* (Shari S. Diamond & Jerre B. Swann eds., American Bar Association, Section of Intellectual Property Law, 2012).

<sup>44</sup> Depending on the topic of the survey being conducted, it is not uncommon in litigation and TTAB surveys to ask respondents to report their household income. For these types of questions, it is typical to offer a "don't know / unsure" and/or "prefer not to answer" option so that respondents do not feel pressured to reveal sensitive information.

<sup>45</sup> The median household income in the United States in 2016 and 2017 was \$61,372. (U.S. Census Bureau <https://www2.census.gov/programs-surveys/demo/tables/p60/263/table1.xls>) It can be a challenge to survey consumers with household incomes of \$100,000 or more, especially when additional screening criteria are required (e.g., past purchase of particular goods/services).

social media), a more complete and representative consumer population would have also included teenagers.<sup>46</sup>

## VI. CONCLUSIONS

In general, surveys have evolved from designs that included no control cells to far more nuanced and carefully crafted experiments using specifically tailored controls. Researchers must be able to articulate how the selected control can be used to measure and net out random guessing or noise, particularly in cases pertaining to trade dress. Importantly, however, they must also be able to explain how the control can properly isolate the specific set of design elements at issue in the matter from other general or commonly used elements that may elicit market share responses or guesses unrelated to the claimed trade dress. This must be accompanied by other methodological considerations particular to both general survey research and litigation survey research best-practices.

In this brief commentary, we have evaluated the secondary meaning survey put forth by Starbucks to the TTAB in support of its application for several marks featured on its beverage cups. In this case, the TTAB carefully evaluated the secondary meaning survey on these criteria and concluded that while the survey had “some probative value,”<sup>47</sup> its reliability was suspect because of the methodological problems discussed in its decision. We have taken into account the TTAB’s evaluation of this survey and provided our own assessment of whether and how the TTAB accounted for important factors in the survey design. Our assessment discussed the design of the control stimulus, the answers respondents provided to the open-ended questions, and the population that was surveyed.

In this survey, the most significant flaw was the design of the control stimulus. As described, the key consideration in designing a control stimulus is to keep all factors constant aside from those being tested. The survey expert did not include a geometric shape to control for the circle on the Starbucks cup and changed the white cup to an uncommon blue color. As we describe above, it is likely that the very plain and generic look of this cup artificially depressed the number of respondents indicating that the control cup was from “one company,” which resulted in a higher net secondary meaning percentage for Starbucks’s trade dress.

Additionally, because of the flawed control stimulus, the TTAB attempted to rely upon the expert’s open-ended responses to assess the extent to which respondents actually thought the cups were

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<sup>46</sup> See, e.g., Janet Adamy, *Getting the Kids Hooked on Starbucks: Coffee Chain Sticks to Pledge Not to Market to Children While Catering to Families*, Wall St. J., June 27, 2006, <https://www.wsj.com/articles/SB115137048688191395>.

<sup>47</sup> Opinion, *supra* note 15, at 50-51.

associated with “one company” because of the trade dress elements at issue. These comments were vague and often unrelated to the at-issue design elements, underscoring the importance of having a well-designed control. The TTAB also noted several other potential issues with the survey population that we believe are easily addressed, but nonetheless may have complicated the problems with the control stimulus by introducing other biases into the survey estimates.

These control foundations must be balanced with other, specific methodological considerations such as (1) whether the survey included the right population of respondents; (2) the mode of survey administration; (3) how the open and closed-end responses are analyzed; and (4) any biases that may be present in the results as a result of these and other methodological decisions. Taken together, while we agree that the Starbucks survey has “some probative value,”<sup>48</sup> its reliability is questionable in light of the TTAB’s decision and our analysis in this commentary.

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<sup>48</sup> *Id.*



## COMMENTARY

### TRENDY PRODUCT UPCYCLING: PERMISSIBLE RECYCLING OR IMPERMISSIBLE COMMERCIAL HITCHHIKING?

*By Anthony M. Keats\**

#### I. INTRODUCTION

With sustainability having been incorporated into the fashion world's *raison d'être*, sales of vintage and recycled apparel and accessories are growing at a healthy pace. The underlying causes are economic: a popular reaction to "fast fashion," as well as an effort by many to decrease high fashion's carbon footprint. These are justifiable reasons for consumers to consider vintage or recycled garments. "Not surprisingly, the younger generations are leading the charge, with millennials and Gen Z adopting secondhand 2.5x faster than other age groups."<sup>1</sup>

Along with recycling has come the increasing phenomenon of "upcycling," which may be defined as repurposing or embellishing an article of apparel or an accessory that already bears the trademarks or copyrighted designs of an intellectual property rights holder. Upcycling has received significant attention<sup>2</sup> when it involved repurposing or embellishing a famous branded product in order to justify a re-sale, often with a high price point. The reason for the attention is the added marketability and value of the underlying branded product, the proceeds of which now flow to the creator of the upcycled product as a result of the new purpose or embellishment. Some upcyclers defend their practice as creating "one-of-a-kind" works of art and are seeking the protection of the U.S. Constitution's First Amendment or as a "fair use" of the branded product. However, the creators of the original products that are being upcycled typically have not agreed to have their products

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<sup>1</sup> James Reinhart, *Foreword*, Thred Up 2019 Resale Report, <https://www.thredup.com/resale>.

<sup>2</sup> Sara Radin, *What's Behind the Rise of Upcycled Garments?*, Fashionista, Jan. 16, 2019.

repurposed or embellished. As a result, those engaged in upcycling of famous branded fashion and accessories do so at their legal peril.

While large portions of the public support the fashion industry's sustainability movement, the upcycling of branded luxury merchandise faces a number of legal hurdles.

Whether an entrepreneur or an artist is upcycling vintage scarves for use as the fabric "upper" for espadrilles, taking vintage handbags and covering them in "hip" art renderings, or using handbag "skins" to upholster furniture, these upcycling efforts likely run afoul of the protections afforded intellectual property rights holders under the law. The practice of cutting original garments to extract the trademarks and logos of popular rock bands or sports teams and reapplying those same trademarks and logos to recycled army jackets, t-shirts, and flannel shirts is another example of the upcycling phenomenon. The embellishment of a famous watch bezel with gemstones or the use of different branded parts in a famous watch fall into the same category. U.S. trademark law, unfair competition law, and copyright law often afford remedies to the intellectual property rights holders whose products have been upcycled or reused in these ways.

Here we look at the most relevant legal issues surrounding the upcycling phenomenon. This article is divided into issues relating first to U.S. trademark and unfair competition law and second to U.S. copyright law. Depending on the particular facts of a matter, there are likely other relevant areas of the law, including those at the state level, such as those related to unfair trade practices or rights of publicity, which are not covered here.

## II. APPLICATION OF TRADEMARK LAW TO UPCYCLING

### *A. Trademark Law*

It is important to remember that the underlying rationale for the existence and enforcement of U.S. trademark law under the U.S. Trademark (Lanham) Act of 1946<sup>3</sup> is the protection of the consumer: to prevent the consumer from being confused or deceived as to the origin of a product or service. Through extensive sales and promotion, famous trademarks serve as a type of guarantee to the consumer of a product's quality, as representative of a direct relationship to a designer, and in the case of personal care products, trademarks serve as a type of guarantee of the efficacy of the product.

In order to establish trademark infringement (and unfair competition), the rights holder must establish that there is a likelihood of confusion among the relevant public as to source,

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<sup>3</sup> U.S.C. §§ 1051-1128 (1946).

authorization, approval, or sponsorship.<sup>4</sup> Courts look to various multi-factor tests, such as the *du Pont* factors or the *Sleekcraft* factors to determine if there is a likelihood of confusion.<sup>5</sup>

### ***B. The First Sale Doctrine— Limitations on Trademark Rights***

Once an item of clothing or an accessory is sold by its producer, does the new owner not have the right to use the purchased good for whatever purpose he or she desires?

The “first sale doctrine” can limit a trademark owner’s right to control distribution of its products.<sup>6</sup> Under the first sale doctrine, “resale by the first purchaser of the original article under the producer’s trademark is generally neither trademark infringement nor unfair competition.”<sup>7</sup> The Ninth Circuit in *Sebastian International, Inc. v. Longs Drugs Stores Corp.* viewed the doctrine as simply reselling the very same product originally purchased.

It is the essence of the “first sale” doctrine that a purchaser who does no more than stock, display, and resell a producer’s product under the producer’s trademark violates no right conferred upon the producer by the Lanham Act. When a purchaser resells a trademarked article under the producer’s trademark, and nothing more, there is no actionable misrepresentation under the statute.<sup>8</sup>

Upcycling by nature is not simply reselling the original product. There are exceptions to the first sale doctrine, and upcycling can fall within any one of these exceptions, resulting in liability to the entrepreneur or artist who is upcycling.

### **1. Alteration of Products and Post-Purchase Confusion**

Upcycling typically involves the alteration of a product. Current iterations of upcycling are often found in connection with products that bear well-known or famous trademarks or designs.

However, several courts have held that by altering the original product an upcycler is going beyond the limits of the first sale doctrine and that the unauthorized sale of upcycled or altered products can cause post-sale confusion. Unlike traditional point-of-

<sup>4</sup> 15 U.S.C. § 1125(a).

<sup>5</sup> *In re E.I. du Pont de Nemours & Co.* 476 F.2d 1357 (C.C.P.A. 1973); *AMF, Inc. v. Sleekcraft*, 599 F.2d 341 (9th Cir. 1979).

<sup>6</sup> *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1085 (9th Cir. 1998).

<sup>7</sup> *Id.*

<sup>8</sup> *Sebastian Int’l, Inc. v. Longs Drugs Stores Corp.*, 53 F.3d 1073, 1076 (9th Cir. 1995); *see also Au-Tomotive Gold Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133, 1136 (9th Cir. 2010).

sale confusion, post-sale confusion does not occur when consumers buy an infringing product, but rather when third parties observe the product at a later time, and incorrectly believe that the trademark owner is the source of the product.

“When a producer purchases a trademarked product, that producer is not purchasing the trademark. Rather, the producer is purchasing a product that has been trademarked. If a producer profits from a trademark because of post-purchase confusion about the product’s origin, the producer is, to that degree, a free-rider.”<sup>9</sup> Even with an adequate explanation on the label, trademark infringement may still exist when a reseller alters a trademarked product.<sup>10</sup>

Multiple cases have found that resellers “committed trademark infringement by selling upcycled or altered goods under an original trademark[,] thereby causing one type of consumer confusion, post-purchase confusion.”<sup>11</sup> In *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, Surgical Technologies repaired or rebuilt Storz endoscopes.<sup>12</sup> “Storz submitted evidence of confusion on the part of surgeons who were not the purchasers of the endoscopes but who used them and mistakenly blamed Storz when they malfunctioned.”<sup>13</sup> The *Karl Storz* court found a triable issue of fact on Storz’s trademark infringement claim.<sup>14</sup> According to the court, this type of reputational damage among sophisticated users can be very harmful to a brand.<sup>15</sup>

In *Au-Tomotive Gold Inc.*, the Ninth Circuit held that the first sale doctrine did not provide a defense against trademark infringement for the sale of marquee license plates bearing altered Volkswagen badges.<sup>16</sup> Au-Tomotive “purchased the badges, altered them by removing prongs and (in some cases) gold-plating them, and mounted them on the marquee plates.”<sup>17</sup> The plates created a

<sup>9</sup> *Au-Tomotive Gold*, 603 F.3d at 1138.

<sup>10</sup> *Id.* at 1138-39; see also *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) (“By applying a trademark to goods produced by one other than the trademark’s owner, the infringer deprives the owner of the goodwill which he spent energy, time, and money to obtain.”)

<sup>11</sup> *Au-Tomotive Gold*, 603 F.3d at 1137.

<sup>12</sup> *Karl Storz Endoscopy-America, Inc. v. Surgical Tech., Inc.*, 285 F.3d 848, 851-52 (9th Cir. 2002).

<sup>13</sup> *Au-Tomotive Gold*, 603 F.3d at 1137.

<sup>14</sup> *Id.*

<sup>15</sup> See also *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 707, 710 (9th Cir. 1999) (defendant reconditioned Rolex watches creating new products, and even the addition of defendant’s independent mark on the non-Rolex parts was insufficient to prevent “confusion to subsequent or downstream purchasers as well as to persons observing the product.”)

<sup>16</sup> *Au-Tomotive Gold*, 603 F.3d at 1134.

<sup>17</sup> *Id.* at 1135.

“likelihood of post-purchase confusion among observers who see the plates on purchasers’ cars.”<sup>18</sup> Observers would likely associate the marquee license plate with Volkswagen. Moreover, “customers [bought] marquee license plates principally to demonstrate to the general public an association with Volkswagen,”<sup>19</sup> which was not the case.

## 2. The Material Difference Factor

Recycling and upcycling of trademarked products manifest changes to the product in many ways. In the case of ADOBE software, it was the unbundling of a “collection” and selling each component separately. “The first sale doctrine does not apply . . . when an alleged infringer sells trademarked goods that are materially different [from] those sold by the trademark owner.”<sup>20</sup>

Multiple circuit courts have cited the “material difference” standard to find a likelihood of confusion in cases involving altered or upcycled products. For example, the Eleventh Circuit ruled in a case involving the obliteration of batch codes on bottles and boxes containing a fragrance product that “the resale of a trademarked product that is materially different can constitute a trademark infringement. This rule is consistent with the purposes behind the Lanham Act, because materially different products that have the same trademark may confuse consumers and erode consumer goodwill toward the mark.”<sup>21</sup> In addition, “[a] material difference is one that consumers consider relevant to a decision about whether to purchase a product. Because a myriad of considerations may influence consumer preferences, the threshold of materiality must be kept low to include even subtle differences between products.”<sup>22</sup> The resale of an altered trademarked product can result in “physical differences in the product” and “can create a likelihood of consumer confusion.”<sup>23</sup>

The “material difference” need not simply be a physical difference. The material difference may be in services or the lack of service support or warranty related to the purchase of the product. “When the reseller’s conduct goes beyond the mere resale of trademarked goods, such conduct may be sufficient to support a cause of action for infringement.”<sup>24</sup> Material differences will cause

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<sup>18</sup> *Id.* at 1136.

<sup>19</sup> *Id.* at 1138.

<sup>20</sup> *SoftMan Prods. Co., LLC v. Adobe Sys., Inc.*, 171 F. Supp. 2d 1075, 1092 (C.D. Cal. 2001).

<sup>21</sup> *Davidoff & CIE, S.A. v. PLD Int’l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001) (citation omitted).

<sup>22</sup> *Id.* (citation omitted).

<sup>23</sup> *Id.*

<sup>24</sup> *SoftMan Prods.*, 171 F. Supp. 2d at 1092.

consumer confusion and affect the consumer's decision on whether to purchase the product.<sup>25</sup> For example, as set forth in *Softman Products*, “the sale of software without access to customer support and technical services is a difference that an average consumer would consider relevant to a decision about whether to purchase a product.”<sup>26</sup> However, as long as resellers of materially different upcycled or altered products take the necessary steps to adequately alleviate this confusion and prevent injury to the trademark's goodwill—by, for example, sufficiently disclosing that the product differs from the originally sold product—those differences may be unlikely to cause consumer confusion.<sup>27</sup> The question as to how a customer can know prior to purchase that support services or warranty of merchantability do not attach to the altered trademark product seems to remain unanswered.

In one case in the Southern District of New York, in which the defendants added diamonds and sold the plaintiff's watches without any indication that the defendant had altered the watches, the court found that the modified watches were counterfeit because their modifications were not disclosed to the public.<sup>28</sup> Further, in *Scarves by Vera Inc. v. American Handbags, Inc.*, the defendant used the plaintiff's branded towels to create handbags.<sup>29</sup> In order to help prevent consumer confusion, the court issued an injunction requiring clearly visible labels stating that the plaintiff was not the manufacturer of the handbag.<sup>30</sup> Other courts have also held that a materially different product “is not genuine and therefore its unauthorized sale constitutes trademark infringement.”<sup>31</sup>

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 1092; see generally *Harman Int'l Indus., Inc. v. Pro Sound Gear, Inc.* No. 2:17-cv-06650-ODW (FFMx), 2018 WL 1989518 (C.D. Cal. Apr. 24, 2018) and *HM Elecs., Inc. v. R.F. Techs., Inc.* No. 12-CV-2884-MMA (WMC), 2013 WL 12074966 (S.D. Cal. Oct. 3, 2013) (defining a material difference, describing material differences that establish trademark infringement, and discussing how adequate disclosure eliminates consumer confusion.)

<sup>27</sup> *Beltronics USA, Inc. v. Midwest Inventory Distrib., LLC*, 562 F.3d 1067, 1074 (10th Cir. 2009).

<sup>28</sup> *Cartier v. Aaron Faber, Inc.*, 512 F. Supp. 2d 165, 169-70 (S.D.N.Y. 2007).

<sup>29</sup> *Scarves by Vera Inc. v. American Handbags, Inc.*, 188 F. Supp. 255, 258 (S.D.N.Y. 1960).

<sup>30</sup> *Id.* at 258. *But see* *Major League Baseball Players Ass'n v. Dad's Kid Corp.*, 806 F. Supp. 458 (S.D.N.Y. 1992) (defendant's use of trademarked trading cards to create three-dimensional playing cards did not create a likelihood of confusion because baseball trading cards are regularly repacked or displayed differently; *Forstmann Woolen Co. v. Murray Sices Corp.*, 144 F. Supp. 283, 290 (S.D.N.Y. 1956) (defendant allowed to use Forstmann trademark to indicate its finished garments contained Forstmann fabric).

<sup>31</sup> *Davidoff*, 263 F.3d at 1302. See *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 644 (1st Cir. 1992) (material differences in the quality control, composition, presentation, and shape of premium chocolates); *Original Appalachian Artworks, Inc. v. Granada Elecs., Inc.*, 816 F.2d 68, 71-73 (2d Cir. 1987) (material differences because the infringing CABBAGE PATCH KIDS dolls had incorporated the Spanish-language, rather than the English, birth certificates and adoption papers). *But see* *Iberia Foods*

Therefore, in order to reduce the risk of liability for trademark infringement, an upcycler should be careful always to include with the upcycled product visible labels or other disclaimers stating that the trademark owner is not the producer or seller of the upcycled product.

### 3. The “Quality Control” Factor

If trademark law exists for the purpose of protecting the consumer, the lack of supervision over a product’s quality by the mark owner undermines the goodwill of the mark and may tarnish the mark. In the case of altered or upcycled products, the owner of the trademark that was displayed on the original product does not have the ability to control the quality of the altered product.

Some courts have held that the first sale doctrine does not apply when an unauthorized seller is reselling trademarked goods that are not subject to the trademark owner’s quality control standards. The Ninth Circuit recognized the quality control exception to the first sale doctrine in *Enesco*.<sup>32</sup> The court held in that case that Costco could repackage and sell Enesco-manufactured porcelain figurines but was required to place labels on the packages disclosing that Costco had repackaged Enesco’s original item.<sup>33</sup>

What if there is a defect or potential defect in the product resulting from the upcycling? Here, too, the Ninth Circuit recognized that the quality control exception applies where there is a defect or potential defect in the product and a consumer would not be easily able to detect it.<sup>34</sup> If found, the defect could result in a consumer’s dissatisfaction with the underlying product or the brand.

### 4. Alterations to a Product May Lead to Source Confusion

Has a new product not authorized by the mark holder been created as a result of the upcycling process? In *Karl Storz*, the Ninth Circuit listed some of the factors to consider in determining whether a different product has been created.<sup>35</sup> “Those factors include the nature and extent of the alterations, the nature of the device and how it is designed (whether some components have a shorter useful life than the whole), whether a market has developed for service and spare parts . . . and, most importantly, whether end users of the

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Corp. v. Romeo, 150 F.3d 298, 303-05 (3d Cir. 1998) (different quality control inspections for household cleaning products did not create a material difference).

<sup>32</sup> *Enesco*, Op. Cit. 146 F.3d at 1087.

<sup>33</sup> *Id.* at 1084-86.

<sup>34</sup> *Id.*

<sup>35</sup> *Karl Storz*, 285 F.3d at 856.

product are likely to be misled as to the party responsible for the composition of the product.”<sup>36</sup>

In cases where no liability has been found, the courts have concluded that in the specific circumstances the consumer was not likely to be confused or deceived as to source or origin. In an older case, *Prestonettes, Inc. v. Coty*,<sup>37</sup> the Court held that there was no trademark violation where the defendant purchased the plaintiff’s toilet powder and perfumes, incorporated them into its own products, and stated that the products’ contents were the plaintiff’s, but independently rebottled.

Upcycled products that have been materially changed, altered, or damaged may give rise to claims of infringement if the lack of quality control is hidden from the end user. In some cases, the consumer may not only be hurt by the upcycled product, but damage to the goodwill of the brand will also result.

### 5. Upcycling and Counterfeiting

Consumers of upcycled fashion or accessories may purchase these items knowing that the additional elements or changes to the original pieces were made by a non-authorized or unrelated entity. However, what the consumer is not likely to be told is that the branded part of the upcycled product may very well be a knockoff itself. Sales of bootleg-branded fabric can be found with some ease on the Internet. To a segment of the consuming public, it has become “cool” to wear counterfeit apparel.<sup>38</sup> Why purchase a high-priced genuine product if you are going to cut it up or embellish the original design with additional artwork or findings? The sale of trademark counterfeits and piratical copies are crimes.<sup>39</sup> While the purchase itself is not a crime in the United States, the consumer of upcycled fashion may still be a victim.

### 6. Trademark Dilution and Upcycling

Should famous fashion brands be content to have obscenities and other expressions chosen by an unrelated party painted on their

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<sup>36</sup> *Id.* at 856-57 (citation omitted).

<sup>37</sup> 264 U.S. 359, 366-69 (1924); *see also* *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (sale of reconditioned spark plugs acceptable if clear indication that they were sold as repaired or reconditioned; *Kealoha v. E.I. Du Pont de Nemours and Co., Inc.*, 82 F.3d 894, 903 (9th Cir. 1996), where the court found no consumer confusion over identity of implant manufacturer because it was clear that the manufacturer, whose trademark was used, actually designed the implants, and the supplier did not.).

<sup>38</sup> Anna Battista, *On the Upcycling Bandwagon Where Persian Rugs Abound and Where History is Often Forgotten*, [https://www.irenebrination.com/irenebrination\\_notes\\_on\\_a/2019/04/upcycling-trends.html](https://www.irenebrination.com/irenebrination_notes_on_a/2019/04/upcycling-trends.html).

<sup>39</sup> 18 U.S.C. §§ 2318-2320.



products alongside their famous marks and resold to the public not as protected works of art but as fashion accessories?

An example of this is the luxury handbag that, in addition to its famous, instantly recognizable monogram, now bears obscene words scrawled in large print over a world-renowned cartoon character, middle finger raised. This handbag is currently for sale and on display on the Internet—not by the owner of the famous monogram, or even by the creator of the famous cartoon character, but by the individual who rendered the obscene language and finger symbol on the luxury accessory. What recourse do either of these rights holders have to continue to enforce the rights in their own creativity?

The Federal Trademark Dilution Act<sup>40</sup> provides protection against acts of “dilution by tarnishment” that will harm the reputation of the famous mark. In such an instance, no showing of actual or likely confusion, of competition, or of actual economic injury is required.<sup>41</sup>

In the instances where there are material changes to a product not authorized by the brand, there may now exist elements that detract from the brand’s intended message of quality, reliability, or purpose. Must a luxury brand allow the carefully produced material that bears its famous distinctive mark or trade name be cut and wrapped around a cigarette lighter or allow a haute couture silk scarf with its one-of-a-kind print be shredded to become the outer cover of a ladies’ espadrille shoe? These are marketplace examples of upcycled products that dilute the distinctiveness and reputation associated with the intellectual property of a brand.

Without the participation of the intellectual property rights holder in the creation and production of the upcycled product, there is a substantial risk that its famous marks will be blurred through unauthorized use. In addition, as noted above, in many instances the marks will be diluted by tarnishing, as the rights holder cannot prevent its marks’ being associated with profanity or there being a mutilation of the marks in the upcycled product.<sup>42</sup> For most upcycling of luxury products, there is only a single motive to commercially hitchhike upon the goodwill of the famous brand: to make the upcycled product more marketable in order to achieve greater sales revenue without the same development investment that was made by the rights holder.

As noted in the following section, there are members of the creative community who are engaged in upcycling for reasons other than commercial gain. Fair use protection under U.S. copyright law protects those who upcycle for artistic or non-infringing purposes from a finding of copyright infringement.

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<sup>40</sup> 15 U.S.C. § 1125(c).

<sup>41</sup> 15 U.S.C. § 1125(c)(1).

<sup>42</sup> 15 U.S.C. § 1125(c)

### III. APPLICATION OF COPYRIGHT LAW TO UPCYCLING

In addition to the remedies provided for trademark infringement under the Lanham Act, intellectual property rights holders may also have grounds to allege that the unauthorized upcycling of their products constitutes copyright infringement under the Copyright Act. The key question in these cases is whether the upcycled product constitutes a “derivative work.” Under U.S. copyright law, the owner of an original work generally has the exclusive right to create derivative works based upon the original work. Unless the fair use defense applies, it is considered copyright infringement to make or sell derivative works without permission from the original owner.

#### A. Copyright Law

Section 102 of the Copyright Act<sup>43</sup> sets out those categories of original works of authorship that are protected under the statute. Section 103<sup>44</sup> relates to the lawful creation of derivative works based on preexisting material.

In particular, Section 103 of the Copyright Act states that a “‘derivative work’ is a work based upon one or more preexisting works, such as a translation[,] . . . sound recording, art reproduction[,] . . . or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions . . . or other modification, which, as a whole, represent an original work of authorship, is a derivative work.”<sup>45</sup>

A work is derivative “if it would be considered an infringing work if the material which it has derived from a preexisting work had been taken without the consent of a copyright proprietor of such preexisting work.”<sup>46</sup> If the pre-existing copyrighted work “pervades the derivative work,” the new derivative work is not entitled to copyright protection.<sup>47</sup>

The copyright holder maintains “the exclusive right to prepare derivative works.”<sup>48</sup> And, copyright in a derivative work “extends only to the materials contributed by the author of such work, as distinguished from the preexisting material employed in the work,

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<sup>43</sup> 17 U.S.C. § 102.

<sup>44</sup> 17 U.S.C. § 103.

<sup>45</sup> 17 U.S.C. § 101 (2010).

<sup>46</sup> *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343 (9th Cir. 1988) (quoting 1 David Nimmer, *Nimmer on Copyright* § 3.01 (1986)).

<sup>47</sup> *Sohani v. @Radical. Media Inc.*, 257 F. Supp. 2d 1234, 1239-40 (C.D. Cal. 2003).

<sup>48</sup> 17 U.S.C. § 106(2) (2002); *Mirage Editions*, 856 F.2d at 1344.

and does not imply any exclusive right in the preexisting material.”<sup>49</sup>

In *Mirage Editions*, the defendant cut and mounted the plaintiff’s copyrighted artwork prints onto ceramic tiles.<sup>50</sup> The Ninth Circuit Court of Appeals found copyright infringement, as the defendant’s actions “certainly recast or transformed the individual images,” and thus, such defenses as the first sale doctrine did not apply.<sup>51</sup> In that case, “the ceramic tiles physically incorporated the copyrighted works in a form that could be sold. Perhaps more importantly, sales of the tiles supplanted purchasers’ demand for the underlying works.”<sup>52</sup> In *Lewis Galoob*, the court contrasted the transformed tiles of *Mirage Editions* from an audiovisual display that merely enhanced, but did not recast, a Nintendo video game.<sup>53</sup> In *Lewis Galoob*, the court held that the defendant’s GAME GENIE device did not create a derivative work because the enhancement of the Nintendo video game’s audiovisual displays created by the device were not “fixed” under the meaning of the Copyright Act.

### ***B. The First Sale Doctrine— Limitations Under Copyright Law***

As with trademark law, there is a “first sale doctrine” in copyright law protecting the rights of purchasers of copyrighted products. The first sale doctrine under copyright law limits the copyright owner’s exclusive right to distribute copies of the copyrighted work to the first sale of the copyrighted work.<sup>54</sup> Owners of a copy may sell or dispose of their own copies without the authority of the copyright owner.<sup>55</sup> Notably, the first sale doctrine does not apply to licensees.<sup>56</sup>

Additionally, the copyright holder maintains “the exclusive right to prepare derivative works” based upon the copyright owner’s original work.<sup>57</sup> As a result, the first sale doctrine is inapplicable if the purchaser of the original product modifies or transforms the product to the point where it would be considered to be a derivative work. The question of whether a modification or transformation of a product rises to the level of creating a derivative work turns on

<sup>49</sup> 17 U.S.C. § 103(b); *Entm’t Research Grp., Inc. v. Genesis Creative Grp., Inc.*, 122 F.3d 1211, 1219, 1220 (9th Cir. 1997).

<sup>50</sup> 856 F.2d at 1342.

<sup>51</sup> *Id.* at 1344.

<sup>52</sup> *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965, 968 (9th Cir. 1992).

<sup>53</sup> *Id.* at 969.

<sup>54</sup> *Close v. Sotheby’s, Inc.*, 894 F.3d 1061, 1070 (9th Cir. 2018).

<sup>55</sup> 17 U.S.C. § 109(a) (2008).

<sup>56</sup> *Vernor v. Autodesk, Inc.*, 621 F.3d 1102, 1107-08 (9th Cir. 2010).

<sup>57</sup> 17 U.S.C. § 106(2) (2002); *Mirage Editions*, 856 F.2d at 1344.

whether the modification or transformation has sufficient originality to acquire copyright protection on its own.

If an owner of a lawful copy elects to create a new work using the lawful copy, the first sale doctrine will not be useful as a defense if the owner of the lawful work has recast, transformed, or adapted the work to the point where it would be considered an original work of authorship. However, where there is no original work of authorship associated with the modification, the courts generally will not consider the modification a derivative work and will typically allow the modification under the first sale doctrine.<sup>58</sup>

Thus, copyright in a derivative work “extends only to the materials contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material.”<sup>59</sup>

### *C. Fair Use and the Four Factors*

Depending on the specific facts regarding the upcycled product, an entrepreneur or artist who upcycles might claim that its use of the copyright holder’s work was a permitted “fair use.”<sup>60</sup> A fair use analysis under copyright law is a mixed question of law and fact.<sup>61</sup> The fact finder must weigh four factors in the analysis of fair use: (1) the purpose and character of the use, (2) the nature of the copyrighted work, (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and (4) the effect of the use upon the potential market for or value of the copyrighted work.<sup>62</sup>

While the statute provides for the above four-factor analysis, the statute also calls for a flexible case-by-case analysis.<sup>63</sup> Courts are required “to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which the law is designed to foster.”<sup>64</sup> In addition, the four factors are “nonexclusive.”<sup>65</sup> In almost all cases, the specific facts surrounding the use of the copyrighted work will control the success of a fair use defense.

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<sup>58</sup> 142 Am. Jur. Proof of Facts 3d 489 § 4; *Asia Entm’t, Inc. v. Nguyen*, No. SACV 94-985 GLT (EEx), 1996 U.S. Dist. LEXIS 17792, at \*5 (C.D. Cal. June 10, 1996).

<sup>59</sup> *Id.*

<sup>60</sup> *Harper & Row Publishers Inc. v. Nation Enters.*, 471 U.S. 539, 561 (1985).

<sup>61</sup> *Id.* at 560.

<sup>62</sup> 17 U.S.C. § 107; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-78 (1994).

<sup>63</sup> *Id.* at 577.

<sup>64</sup> *Id.* (internal quotations and citation omitted).

<sup>65</sup> *Harper & Row*, 471 U.S. at 549.

The central focus of the first factor is whether a new work “supersede[s] the objects of the original creation” or whether it is “transformative” of the underlying work.<sup>66</sup> A work is transformative when it “adds something new, with a further purpose or different character, altering the first with new expression, meaning or message.”<sup>67</sup> “The more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.”<sup>68</sup>

With respect to the second factor, creative works should be accorded more protection from copying.<sup>69</sup>

The third factor evaluates whether “the amount and substantiality of the portion used in relation to the copyrighted work as a whole . . . is reasonable in relation to the purpose of the copying.”<sup>70</sup> Thus, a new work may use the entire original work if it creates a “new expression, meaning or message.”<sup>71</sup> However, if one is using a large portion of the original work in order to simply ride on the creativity of the original work, it is unlikely that this third factor will give the alleged infringer an advantage.

The Supreme Court in *Harper & Row* held that the fourth factor is the most important fair use element.<sup>72</sup> The fourth factor considers “the extent of market harm caused by the particular actions of the alleged infringer [and] also whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse impact on the potential market for the original.”<sup>73</sup> This fourth factor also looks at the possible “harm to the market for derivative works.”<sup>74</sup>

With respect to luxury goods, in certain instances, upcyclers are embellishing existing luxury products with added elements that will compete in the same marketplace, or they are creating upcycled apparel items that will compete with items produced by the original apparel manufacturer. This, of course, makes it difficult for upcyclers to assert a fair use defense in these instances.

In one instance, an artist used protected photographic images of the Sex Pistols rock band for his fine art endeavor.<sup>75</sup> His minor alterations, however, were not sufficient to be deemed to be a fair

<sup>66</sup> *Campbell*, 510 U.S. at 579 (alteration in original).

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> *Sony Corp. of Am. v. Univ. City Studios, Inc.*, 464 U.S. 417, 496-97 (1984); 4 David Nimmer, *Nimmer on Copyright* § 13.05 (2018); *Campbell*, 510 U.S. at 586.

<sup>70</sup> *Campbell*, 510 U.S. at 586.

<sup>71</sup> *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1178-79 (9th Cir. 2013) (citation omitted).

<sup>72</sup> *Harper & Row*, 471 U.S. at 566.

<sup>73</sup> *Campbell*, 510 U.S. at 590 (internal quotation marks and citations omitted).

<sup>74</sup> *Harper & Row*, 471 U.S. at 568.

<sup>75</sup> *Morris v. Young*, 925 F. Supp. 2d 1078, 1081-82 (C.D. Cal. 2013).

use.<sup>76</sup> The artist merely added to it to create “grittiness,” and slightly cropped and changed the medium of the original photographs to create his pieces.<sup>77</sup> The court also found that the protected photographs and the infringing works “could appeal to similar audiences and markets” especially given “the lack of any transformative purpose or message conveyed by the works.”<sup>78</sup>

However, in *Cariou v. Prince*,<sup>79</sup> the well-known artist Richard Prince altered and incorporated several copyrighted photographs into a series of paintings and collages that were found to be for the most part transformative because the images were presented with a “fundamentally different aesthetic.” The use of concert posters for a timeline in a book on the history of the Grateful Dead was also found to be transformative, as the court found their use was as “historical artifacts” rather than for “artistic expression and promotion.”<sup>80</sup> In another case, well-known artist Jeff Koons, who incorporated and altered a copyrighted fashion photograph of a pair of women’s legs as part of a larger work of art, was found to have created a transformative work.<sup>81</sup>

These cases and others demonstrate that the success of a fair use defense is highly dependent upon the facts of a particular case. However, in the context of product upcycling, it may be difficult for the sellers of upcycled fashion products or accessories to succeed on a fair use defense given that the primary goal of most upcyclers is to make money selling the upcycled products to the public, rather than to criticize or comment upon the original product or its manufacturer.

#### IV. CONCLUSION

Some may want to view upcycling as a form of artistic expression or commentary upon a famous brand that could or should be protected under U.S. law. However, in instances where the upcycled product is being marketed like a consumer product and at high prices, the upcycling seems less to be about the message and more about hitching a free ride on the investment in creativity and finance of the brand. Depending on the specific facts of each case of upcycling, there are legal remedies available to the brand owner based on the premise that but for the fame of the brand, the entrepreneur or artist of the upcycled product would likely have chosen another vehicle and a different route toward financial gain.

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<sup>76</sup> *Id.* at 1085.

<sup>77</sup> *Id.* at 1085.

<sup>78</sup> *Id.* at 1087-88.

<sup>79</sup> 714 F.3d 694, 708 (2d Cir. 2013).

<sup>80</sup> *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 608-09 (2d Cir. 2006).

<sup>81</sup> *Blanch v. Koons*, 467 F.3d 244, 252-53 (2d. Cir. 2006).

Individuals and brands leading the effort to ameliorate the problems of waste, safety, and environmental harm within the fashion and luxury goods industries are to be commended. The problem solving and innovations in sourcing and manufacturing should be applauded and financially supported. The practice of recycling and upcycling in these industries should also be a source of optimism when the objectives are those aimed at the betterment of our environment and human condition. It is laudable that many in the fashion community are seriously engaged in these efforts.

However, these efforts notwithstanding, those who engage in upcycling by riding the financial and artistic coattails of the rights holders simply out of financial greed should face the legal challenges discussed in this article.

Sometimes it simply comes down to a matter of fairness. Should intellectual property rights holders allow their investments in building the goodwill and creative output of brands to be hijacked by those who seek to use the intellectual property rights and make their lesser efforts more profitable? Upcyclers are more likely to show their real talent in working toward the worthy goals of recycling, if that is the intent, by creating their own attractive garments and accessories, not by using the famous brands of others.

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## REFLECTION

### INNOVATION AND COOPERATION IN TIMES OF CRISIS: THE EUIPO

*By Christian Archambeau\**

Like organizations all over the world, the European Union Intellectual Property Office (“EUIPO” or “the Office”) has had to adapt rapidly during 2020 in response to the Covid-19 pandemic.

The transition to new conditions was eased by the fact that the Office was already planning a further evolution of its role in supporting businesses and society. Change was needed, since intellectual property (“IP”) rights of all sorts, including the unitary European Union (“EU”) rights that the Office administers directly, were continuing to rise in importance globally.

As part of this strategy, during 2019, the Office introduced facilities for widespread mobile and flexible working. Consequently, during the early months of this year, staff were able to transition to almost universal teleworking for an extended period, during the period of restricted mobility introduced in response to the pandemic.

This meant that the Office was able to continue serving customer needs for EU trademarks and designs and also work on the other parts of its core mission, supporting cooperation, research, communication, education, and certain aspects of enforcement with regard to IP rights.

It is clear that the Covid-19 crisis is both a health and an economic crisis with effects that will be long-lasting. However, it is much too early to calculate with accuracy what this full impact will be and how this may change priorities for IP offices.

In order to help customers cope with the crisis, the Office’s immediate response included extending all time limits in all proceedings before the Office twice, with the second extension expiring on May 18. Thereafter users received information and support on how further extensions of the same time limit could be granted in “exceptional circumstances.”

The Office also worked with the World Intellectual Property Organization (“WIPO”) and other major IP offices and helped foster a coordinated approach toward Covid-19-related trademarks.

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\* Executive Director, European Union Intellectual Property Office (EUIPO). A Belgian national, Mr. Archambeau took up the position of Executive Director on October 1, 2018. Previously, he was Deputy Executive Director of the EUIPO (from 2010). Prior to joining the EUIPO, he held senior management positions in the European Patent Office and the European Space Agency.



We supported the EU's anti-fraud body, L'Office européen de lutte antifraude ("OLAF"), and the European Commission in relation to counterfeit health material and brought forward possible actions to support small and medium-sized enterprises ("SMEs"), by making filing more user-friendly and providing greater support in terms of information and guidance.

To understand the Office's role across the broad range of its mission as the EUIPO, and its potential, it is necessary to look at the more normal conditions that applied during 2019 and the plans that were already being developed.

A new multi-annual strategy for the years up to 2025 (the "Strategic Plan 2025" or "SP2025") was drawn up and approved by our governing bodies, and the EUIPO celebrated receiving its two millionth EU Trade Mark Application.

Demand for EU trademarks ("EUTMs") and Registered Community Designs ("RCDs") was high in 2019, though external factors including international trade disputes and the ongoing Brexit process, following the United Kingdom's decision to leave the EU, meant there were at times extreme fluctuations.

As a result of the popularity of the EU trademark, which accounts for the majority of the Office's workload and fee income, the Office is financially autonomous. It is currently the EU's largest decentralized agency, with 1,100 EU staff.

The Office's history and its performance to date, as outlined in the remainder of this article, have demonstrated its adaptability, flexibility, and willingness to evolve in order to face new challenges.

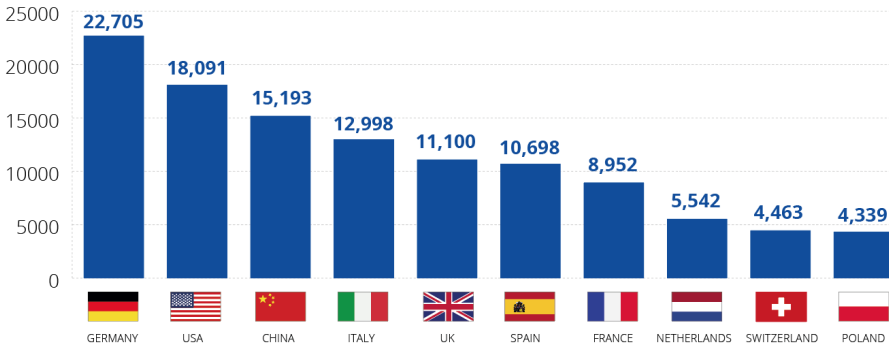
Given the crisis, it is more important than ever to push forward with strategic initiatives to optimize the efficiency and effectiveness of the IP system for the benefit of intellectual property rights ("IPR") owners, businesses, and society at large.

## Volume

In 2019, the Office received just over 160,000 applications for EU trademarks, an increase of 5.15 percent over the previous year, which is in line with the historic growth rate. Demand for RCDs was steady at just over 111,000.

Germany was the largest filing country for EU trademarks, followed by the United States and China.

## EU TRADE MARK FILINGS 2019 BY COUNTRY (TOP 10)



While the EUIPO receives applications from almost every country in the world—with strong growth from China, in particular—the majority of EU trademark applications continue to come from Europe, and U.S. companies have consistently been major customers, ranking second after Germany.

Almost all EUTMs (99.8 percent) received directly by the Office now follow the e-filing route, and registration is completed in close to four months, including the mandatory three-month publication period.

In the early months of the year, Covid-19 depressed demand for EU trademarks and designs in many European countries and in the United States, but by April–May, demand from China was already recovering. Nevertheless, it is prudent to expect that lower filings and income will persist across 2020, even if there is a turn for the better from September–October, as many hope.

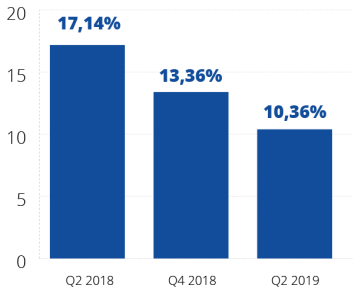
### Quality

In 2019 a series of measures were put in place to further improve quality. Efforts focused on ex ante quality checks and consolidating the results of the internal quality checks and external audits carried out by representatives of user organizations, including the International Trademark Association (“INTA”), in our Stakeholder Quality Assurance Panels (“SQAP”).

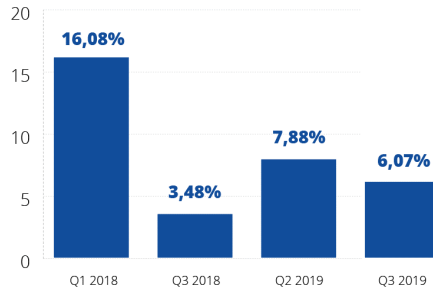
The SQAP checks play an important role by providing a “reality check” that helps the Office understand better what users really value in terms of quality.

Last year four SQAP sessions took place—two on absolute grounds, one on oppositions, and a pilot on design invalidity. The results of these audits confirmed the positive trend observed in 2018 for a narrowing gap between internal quality check measurements and perceived quality.

GAP: AG SQAP AUDIT RESULTS vs. IQC



GAP: OPPO SQAP AUDIT RESULTS vs. IQC



For example, at the beginning of 2018 the gap for opposition decisions was 16 percent, but by the end of 2019 it was 6 percent—that’s a 10 percentage point decrease. For absolute grounds, the gap was 17 percent at the beginning of 2018 but just over 10 percent by the end of 2019. The panels have been very useful in helping the Office analyze all the different dimensions of quality so effective remedial action can be taken.

From the end of June this year, in response to the Covid-19 restrictions, the SQAP checks went online, in a modified format.

In all the SQAP checks, the quality of examination is judged against the Office’s published Guidelines for Examination of both EUTMs and RCDs, which are regularly updated in regular cycles by “Knowledge Circles” representing a cross-section of internal experts, supported by national and regional IP offices and users. The latest feedback cycle got under way in mid-May when the draft guidelines were published.

As well as the outcome of the user audits, the revisions to the Guidelines take account of changes in case law and are intended both to guide internal work and to make the examination process more transparent and predictable.

The Guidelines are available in a user-friendly HTML version covering the twenty-three official EU languages. They provide online navigation and search facilities, including an easy means of comparing the changes between editions.

### Interactive Collaborative Examination

As regards the Office’s internal working methods, there has been a continual effort to make both output and quality gains by expanding the use of teamworking supported by advanced digital tools.

Interactive Collaborative Examination (“ICE”), as this teamworking strategy is known, covers a wide range of examination proceedings supported by a number of helper tools.

At present, the ICE teamworking concept is employed in practically all operations in trademarks and designs, including

absolute grounds, classification, recordals, relative grounds decisions, inter partes proceedings, and geographical indications.

It has also been extended to customer areas such as owners and representatives and search and publication, and a collaborative framework for discussing and solving customer queries has been set up.

### **Digital Transformation**

Digital transformation plays an important role in the effectiveness of the ICE teams, with helper tools employed to improve both production and quality. The Operations Department uses a number of so-called helpers that are in-house-developed IT solutions to support smart task allocation.

For instance, in the area of Absolute Grounds examination (including the work of the ICE team) the helper is used to identify parallel cases of the same applicants. In the area of opposition procedures the helper is particularly used to identify cases based on the same earlier rights and legal basis to effectively deal with them in the same manner. Further helpers support the distribution of tasks related to classification, quality checks, and cancellation decisions.

Other parts of the Office's strategy are designed to reduce the number of problematic cases by assisting users to make higher quality applications so they face fewer problems down the line.

Meanwhile, the back office systems of the core activities were successfully revamped in 2019. As part of the IP Tool project, for the first time in the Office's history nearly all examiners are now working with the same tool, covering different processes of the entire lifecycle of an EUTM—from filing and publication to final registration and possible renewal.

Furthermore, examination procedures for international applications and subsequent designations were integrated into the IP Tool with the support of a multi-disciplinary and multi-departmental team in close collaboration with WIPO.

In addition, the Office is introducing new tools to facilitate decision drafting in the core business back office. Whilst the part for absolute grounds is still under development, improvements for relative grounds decisions have shown first signs of the technological possibilities for simplifying the handling of complex decisions and long lists of goods and services.

### **Customer Service**

While having good tools is very important, the Office's customer-led approach relies on staff delivering a high level of services to provide users with valuable information and guidance for an optimal use of its tools and processes.

In addition to running a very popular series of webinars covering key aspects of the Office's work, the EUIPO has been increasingly reaching out to users via the "The IP for You" program, which organizes seminars in conjunction with Member State IPOs.

This program reaches both large and small users in the EU Member States.

During 2019, thirty-nine seminars took place in twenty-five Member States, including seven seminars in the third quarter, which reached well over 200 customers.

The goal of IP for You and of a number of other customer-related initiatives is to increase the efficient use of the EUTM and RCD systems and to promote online tools such as e-filing, the Goods and Services builder, and the Enforcement Database.

At present, 73 percent of trademarks received are "straight-through," meaning there are no deficiencies, in part due to high levels of use of fast-track filing, which is now used in close to 41 percent of filings.

Meanwhile, the Key User Programme continues to develop and currently has around 740 members who collectively account for 45 percent of the Office's filings.

Work is also under way to further reinforce customer focus among trademark and design examiners with the start of a program designed to enable a group of examiners to see first-hand why IP protection is important for our customers, how they work with us, what tools they use to interact with us, and what kind of problems they generally encounter.

The results of a pilot are being evaluated with the intention of scaling up the initiative to involve all trademark and design examiners.

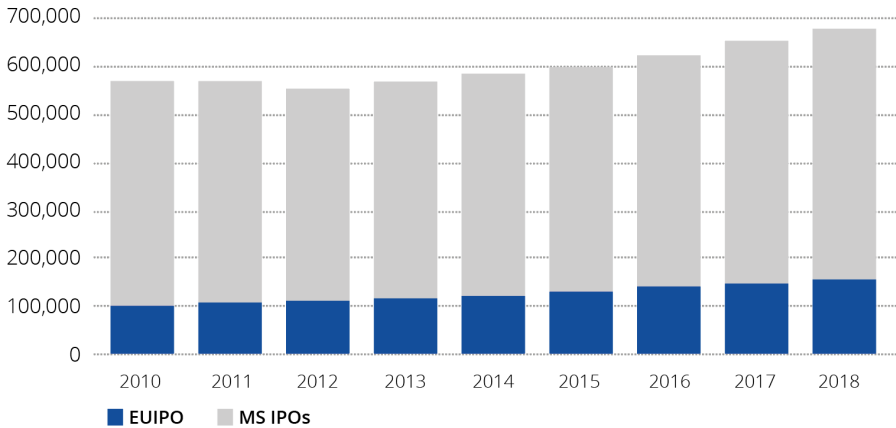
The increased use of customer information and new technologies are areas that will be further explored, especially when supporting direct filers or SMEs. The Office has expanded its online chat function to support all users in EUTM and RCD e-filings and help them use the system in an efficient and error-free manner.

### **Cooperation on IP**

EUTMs and RCDs form part of a two-tier system of IP rights within the EU. The EU-wide titles complement the rights in individual Member States, or in regions, and were designed to support the Single Market in Europe.

The complementary nature of these rights is indicated in the table below, which shows that the majority of trademark filings in the EU continue to be for national or regional titles and that both national and EU filings have grown over the period since 2010.

## TRADE MARK FILINGS IN THE EU



In order to help ensure that the two-tier system works in the interests of users, the EUIPO has been cooperating closely with the Member State IPOs and users, including INTA, for a number of years, under the umbrella of the European Union Intellectual Property Network (“EUIPN”).

Since 2010, the Office has invested nearly EUR 100 million in capacity building of Member States’ IP offices. This investment has covered the development and implementation of a wide range of tools covering the needs of IP offices, including front and back office systems, quality tools, global databases for trademarks and designs, the Harmonised Database mentioned earlier, examiner support tool, and tools to support enforcement.

To date, across the Intellectual Property Offices that compose the EUIPN there have been approaching 800 implementations of tools, projects, and common practices.

With regard to tools, the continued growth in the use of the back office and front office is strengthening core areas of the EU trademark and design systems. For example, 80 percent of trademarks within the EU are e-filed using tools created within the EUIPN.

Looking beyond the EU, the EUIPO acts as the implementation agency for EU-funded IP projects in third countries. This work is continuing to grow and now covers China, Southeast Asia, Latin America, the Caribbean, Africa, and Georgia.

While the Covid-19 pandemic initially resulted in a slowdown in these projects, many of the activities have been virtualized and this cooperation effort will continue to be important for the future. For example, an online liaison meeting to try and reach a coordinated approach to Covid-19 trademarks took place in June.

In parallel, the EUIPO has bilateral agreements with more than forty other IP Offices and administers a number of global IP

databases that have been developed under the auspices of the EU Intellectual Property Network.

The TMview and Designview databases, for example, now contain information from over sixty different IP offices. These databases give access, free of charge, to more than fifty million trademarks and in excess of thirteen million designs and attract around two and a half million searches every month.

### **European Observatory on Infringements of IP Rights**

Before 2012 when the EUIPO was entrusted with the European Observatory on Infringement of IP Rights, within the EU there was no central office or agency looking systematically at information, education, and enforcement as well as the other aspects of a smoothly running IP system.

Since then, the Office, through the Observatory, has been putting accurate numbers on the contribution that industries that use IPR intensively make to the EU and also fostering better understanding of the attitudes of citizens including young people.

An updated economic study published by the Office and the European Patent Office last year shows that over a three-year period the contribution to GDP in the EU made by industries that use IP rights intensively rose to 45 percent or €6.6 trillion.

In parallel, the number of jobs directly or indirectly supported by these industries is also up to over 39 percent and they account now for 96 percent of EU exports.

On the other hand, there is a constant, and growing, problem of IP infringement. The scale of the task facing enforcement authorities was made very evident by another major report on the global trade in counterfeit and pirated goods prepared by the OECD jointly with the EUIPO.

This updated report shows that in 2016 the trade in counterfeit and pirated goods amounted to up to 3.3 percent of world trade, which is a significant rise compared with the 2.5 percent shown just three years earlier.

Finding a solution is not easy. No single organization or agency can tackle this global phenomenon on its own. Having clear strategies, not just within Europe but across the world, and making a coordinated effort to carry them out is the only way forward.

The challenges ahead include improving trademark protection on online marketplaces, especially for SMEs, and encouraging policymakers to make IP crime a higher priority for enforcement.

### **The EUIPO's Strategic Plan 2025 (SP2025)**

Looking forward, the EUIPO's current Strategic Plan is now nearing completion. This strategy has successfully built strong

networks of IP stakeholders, including IP offices, users, judges, prosecutors, and enforcement and education authorities.

It has resulted in the modernization of the EU trademark and design system and closer links between IP offices, and enforcement and education authorities, all of which contribute to making the IP-system more “joined-up.”

However, while progress has been achieved, changes are taking place both in technology and society and the EU is also going through a process of adaptation and renewal.

As previously outlined, the Office’s new Strategic Plan—SP2025—was drawn up after consultation with stakeholders. SP2025 was conceived in parallel with the development of a new Industrial Strategy by the European Commission in which IP rights play an important role.

The EU industrial strategy, which was published in March before the impact of Covid-19 was known, sets out a range of actions to support all players of European industry, including big and small companies, innovative start-ups, research centers, service providers, suppliers, and social partners.

A comprehensive set of future actions is proposed, including an Intellectual Property Action Plan and a dedicated Strategy for SMEs.

Consequently, a number of the broad aims of the new policy have been included in SP2025, which has a strong emphasis on helping SMEs, tackling technological change, and helping IP enforcement. SP2025 is also designed to be flexible in order to adapt to the emerging priorities of the EU, in particular as regards IP rights and their role in future economic success.

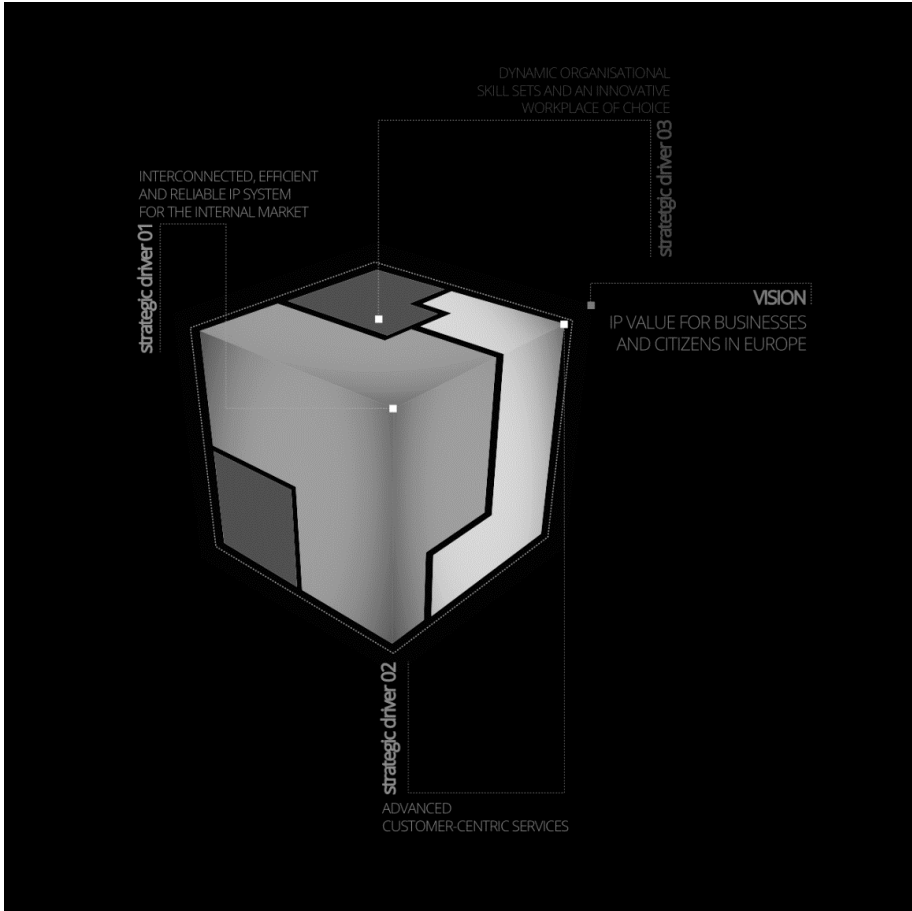
The Office’s new strategy is built on a vision of delivering “IP value for businesses and citizens” and sets out to ensure that Europe offers “the best possible IP environment for users.”

In order to move forward, the Office has been analyzing the characteristics and behaviors of the main user groups for IP rights. That is: direct filers who are often small businesses; Key Users who account for a significant proportion of our filings; and other users including both small and large professional representatives.

One of themes in SP2025 will be increased personalization of the way that we interact with these groups. We know that a “one-size-fits-all” approach does not work for everyone.

The plan is based on three interdependent strategic drivers that focus respectively on **stakeholders**, our **users or customers**, and the **internal evolution of the Office** that will be required. We have tried to illustrate this inter-dependence via a three-dimensional image that we call “THE CUBE”:





### *Stakeholder driver*

The stakeholder driver will be the vehicle for initiatives that build upon the Network that has been already created, in order to further improve the IP system.

More broadly, more effort will be put into communication and education, in collaboration with the relevant national authorities, and into understanding the needs of the different user segments.

The Office realizes that new partners need to be included, such as the intermediaries that play a pivotal role in the increasingly important digital marketplaces that appear to be evolving parallel systems of IP rights.

A reinforced Network with an enhanced role for Member State IPOs in the area of SMEs and of enforcement is the way forward, and this also relies on enhanced cooperation with users.

In February of this year, the Office started the process of widening its networks by holding a very useful first meeting with

the main online marketplaces to try and see how to enhance trademark protection on their platforms.

### *Customer driver*

The customer driver concentrates on the actions that will be taken in order to provide IP users, including large businesses, practitioners, and SMEs, with the state-of-the-art tools and services that they need to thrive.

In response to the Covid-19 crisis, the EUIPO is actively engaging with the European Commission, to see how we can make a wider contribution to the EU's new industry strategy, given the focus on both IP rights and on helping SMEs.

The Office is particularly sensitive to the situation facing SMEs seeking to protect their assets.

We are, therefore, currently investigating the possibility to accelerate a number of initiatives that we believe can have a positive impact on the costs and efforts facing EU SMEs seeking to protect their innovation or enforce their rights.

This will include pro bono help from professionals that wish to join, in close collaboration with User Associations, and also setting up new mediation services.

In addition, a specific SME corner and mobile app for easy and quick access to these new services as well as to the Office's more traditional information and filing services will be developed.

Advanced customer-centric services based on the specific needs of the different categories of users will be piloted.

The Office will be seeking to employ more helper tools using Big Data, and ultimately Artificial Intelligence and other innovations, to provide more transparency and predictability as well as improved access to help.

As the European Commission has stressed, SMEs need help to understand the IP landscape and know where they can get finance, easier paths to registration of the most appropriate and accessible rights, and help with other tools such as domain names or trade secrets.

All the new solutions developed will, of course, be available to all applicants who need them, and not just SMEs.

### *Internal driver*

The third strategic driver in SP2025 is the internal one and will guide how the Office will continue to evolve in terms of skill sets and working practices.

In particular, we need to try and help fill the important gaps in the assistance available to companies such as our SMEs when they try to take advantage of their innovation and creativity, whether in Europe or the global marketplace.

This will mean the adaptation of skill sets and competencies and the addition of new ones like “new technologies” or “customer-facing skills.”

### **Looking Forward**

The EUIPO entered the Covid-19 crisis with advanced preparations for mobile and flexible working, and a Business Continuity Plan that allowed the Office to continue to provide service to customers. There is also a heavy ongoing investment in online tools and advanced methods of interacting with all stakeholders.

While physical meetings were cancelled or curtailed during the height of the crisis, virtual team meetings and online interaction with stakeholders, as well as studies and communication campaigns, have all continued, as has international cooperation in IP.

The Office’s next Strategic Plan includes projects that are important to support the European Union’s new industrial strategy and, indeed, the measures put in place across the EU in order to mitigate the consequences of the pandemic and stimulate recovery.

For the future, the EUIPO is dedicated to continuing to contribute, adapting and evolving as necessary, in order to serve its customers and support innovation and creativity, in close cooperation with its partners in user organizations such as INTA.

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