

**THE PUBLIC'S PERCEPTION ON
FUNCTIONALITY IS IRRELEVANT and
ONLY COMPETITION DESTORTING
SHAPES GIVE 'SUBSTANTIAL VALUE
TO THE GOODS'**

C-237/19

Gömböc

In 2015, Gömböc Kft. applied for the registration of a national Hungarian three-dimensional trademark for decorative items and toys. The sign was represented by a single view image of a homogenous stone-like object. This object is recognizable for the public in Hungary as a popular gadget that has the characteristic to always fall into the same position, which apparently is a mathematical discovery. The Hungarian Intellectual Property Office refused registration of the application on the basis that the shape of the good is necessary to obtain a technical result.

The matter at hand

After the appeals were dismissed in first and second instance, Gömböc Kft. brought an appeal before the *Kúria* (Supreme Court of Hungary). The Supreme Court of Hungary raised three preliminary questions, asking the ECJ to clarify the interpretation the grounds of exclusion for signs that consist exclusively of the shape of goods that are necessary to obtain a technical result and that gives substantial value to the goods (Articles 3(1)(e)(ii) and (iii) Trade Mark Directive 2008/95 respectively).

The first question addresses whether, upon assessing Article 3(1)(e)(ii) of Trade Mark Directive 2008/95, other information than to the graphic representation, such as the perception of the public, should be taken into account. In that regard, the ECJ recalls that a three-dimensional sign must be refused registration as a trade mark if the 'essential characteristics'

The Judgment
of the ECJ

of the shape perform a technical function. The ECJ notes that the competent authority must first identify the essential characteristics of the three-dimensional sign at issue, and second, determine whether these characteristics correspond to a technical function of the product (paragraph 28).

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With reference to *Lego Juris* [C-48/09 P], the ECJ states that the identification of the essential characteristics of the sign at issue must in principle begin with the assessment of the graphic representation of the sign, but that other information, such as the presumed perception of the relevant public, may also be used to identify the essential characteristics, albeit not as a decisive factor (paragraphs 29 through 31).

As to the second step of the analysis, i.e. to establish whether these characteristics perform a technical function of the product concerned, the ECJ holds that the ground of refusal of registration provided for in Article 3(1)(e)(ii) of Trade Mark Directive 2008/95 “*may be applied when the graphic representation of the shape of the product allows only a part of the shape to be seen. Provided that the visible part of the shape is necessary to obtain the technical result sought by that product, even if it is not sufficient, on its own, to obtain that result*” (paragraph 32). Hence, additional features relating to the function of the goods in question may be taken into consideration (paragraph 33). The determination of the technical functions of the good must be based on information that originate from objective and reliable sources, but it may not include the perception of the relevant public (paragraphs 34 through 36).

The second question raises the issue of whether the finding that the shape gives substantial value to the good can be reached on the basis of the perception and knowledge of the relevant public alone.

Before answering this question, the ECJ considers that application of this ground for refusal requires “*an objective analysis, intended to demonstrate that the shape in question, on*

account of its characteristics, has such a great influence on the attractiveness of the product that restricting the benefit of the shape to a single undertaking would distort the conditions of competition on the market concerned” (paragraph 40). “As a result”, the ECJ holds, “in order for the ground of refusal [...] to apply, it must be apparent from objective and reliable evidence that a consumer’s decision to purchase the goods in question is, to a very great extent, determined by one or more features of the shape” (paragraph 41).

Commentary

These paragraphs 40 and 41 are surprising, of great importance for the trademark protection of product design, but still somewhat unclear – all at the same time.

To explain what’s happening here, it is important to understand that the rationale behind this ground of exclusion has been unclear from the start: is it meant to prevent only competition hampering monopolies, is it meant to exclude from registration all shapes that should be in the domain of design and copyright law, or is it meant to serve another purpose? The wording ‘substantial value to the goods’ is not very helpful in this regard, as ‘substantial’ is ambivalent (it can mean anything from ‘more than irrelevant’ to ‘vital’) and ‘to the goods’ can refer to the type of good in general and to the particular item executed in this shape. As a consequence, ‘substantial value to the goods’ can mean to exclude from registration anything from ‘shapes that are vital for goods to compete on the market’ to ‘shapes that increase the attractiveness of the item concerned’.

The ECJ has been all over the place in this regard: In *Philips* [C-299/99] the ECJ considers that the rationale of all grounds of exclusion of Article 3(1)(e) is to “prevent 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” (paragraph 78) – i.e. a competition-oriented interpretation. This is confirmed for Article 3(1)(e)(ii) in

Lego Juris [C-48/09 P, paragraph 43], but with the addition that this “ensures that undertakings may not use trade mark law in order to perpetuate, indefinitely, exclusive rights relating to technical solutions” (paragraph 45). In *Hauck* [C-205/13] the latter is extrapolated as the rationale behind Article 3(1)(e)(iii) where the ECJ considers that the “immediate aim of [...] the prohibition on registering shapes which give substantial value to the goods [...] is 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” (paragraph 19) – i.e. an interpretation aimed at preventing the coexistence of several forms of legal protection for the same shape.

This latter interpretation is now abandoned, in paragraphs 51 through 57, as will be discussed below. In contrast, paragraph 40 appears to limit application of this ground of exclusion to exceptional shapes, as it is hard to imagine a shape that is so special that monopolization thereof would “distort the conditions of competition on the market concerned” (other than functional shapes and shapes that result from the nature of the goods, both of which are excluded from registration on the basis of the other two paragraphs of Article 3(1)(e)). In other words: this tends towards allowing trademark protection of trade dress similar to the tradition in the US – which is nothing short of a revolution in EU trademark law.

Paragraph 41 however muddies the water somewhat as it refers to shapes that determine “a consumer’s decision to purchase the goods in question [...] to a very great extent”. This is also ambivalent and may well apply to a far greater number of shapes. For example: it is hard to see how monopolization of the shape of the Porsche 911 would distort competition on the market for sports cars, but it may ‘to a very great extent’ determine a consumer’s decision to purchase it – depending on how ‘great’ exactly the “very great extend” must be. As paragraph 41 is meant to be the logical consequence of paragraph 40 [vide “as a

result”), it appears that the “*very great extend*” to which the shape must determine the consumer’s decision is to the level that, if the shape were to be monopolized, the conditions of competition would be distorted.

The ECJ continues by considering that “*characteristics of the product not connected to its shape, such as technical qualities or the reputation of the product are [...] irrelevant*” for the application of this ground of exclusion (paragraph 42). Further on in the judgment, the ECJ extends the list of circumstances that should not be taken into account in this regard: “*inter alia, the story of [the product’s] creation, its method of production [...] the materials that it contains [...] or even the identity of its designer*” (paragraph 60).

Commentary

The finding that the reputation of a product should not be taken into account is important as it implies that, upon assessing this ground of exclusion, regard must be had to the shape as it would be perceived on first sight. Many distinctive product shapes have particular appeal as a result of their fame, rather than as a result of their intrinsic design qualities – although it will often be difficult to separate the two. For example: Who’s to say to which extend the attraction of a Porsche 911 is the result of its intrinsic design quality, and to which extend this is the result of its technical qualities and reputation?

The ECJ then applies these criteria to the shape at hand (paragraphs 43 through 46), more specifically it assesses whether it is relevant for the application of the present ground of exclusion if the substantial value of that product was conferred on it by the fact that that shape has become the tangible symbol of a mathematical discovery. It is considered that “*although the presumed perception of the sign at issue by the average consumer is not, in itself, a decisive element*” upon assessing this ground of exclusion, it may “*be a useful criterion of assessment for the competent authority in identifying the essential characteristics of that sign*” (paragraph 44).

With its third question, the Supreme Court of Hungary asks whether shapes that enjoy protection under design law are systematically excluded from registration on the basis of Article 3(1)(e)(iii) of Trade Mark Directive 2008/95. In this regard, the ECJ considers that while “*the objective of the ground of [exclusion is] to prevent the exclusive and permanent right that a trade mark confers from serving to extend indefinitely the life of other rights in respect of which the EU legislature has sought to impose time limits, [this] does not mean that EU intellectual property law prevents the coexistence of several forms of legal protection*” (paragraphs 50 and 51). In fact, the ECJ holds, “*the rules of EU law concerning the registration of designs and those applicable to the registration of trade marks are independent, without any hierarchy existing as between those rules*” (paragraph 54). “*As a result, the analysis which allows the individual character of a design to be established differs from the analysis [...] which the competent authority must carry out in order to establish whether a sign consists exclusively of the shape which gives substantial value to the goods*” (paragraph 57).