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Summary

The “functionality doctrine” discussed in this paper was developed in the American trademark law as a judicial concept. It emerged soon after the adoption of the U.S Federal Trademark Act in 1946 and was aimed to define the implementation of the provisions of the Act prohibiting the trade mark protection for the functional signs.

The doctrine gained its universal application and nowadays is equally applicable both to the traditional “functional” signs such as shape and packaging and to the non-traditional trade marks.

Gradually, the doctrine was expanded and today it includes not only the technically functional features but also all other dimensions of the possible trade sign functionality.

With the harmonization of the trademark law in Europe and the appearance of the Community Trademark, “functionality doctrine” already well known in the U.S found its place in the European trademark law provisions.

However, the European trademark law adopted different view on functionality. Figuratively speaking it interpreted the notion with the linguistic thoroughness.

Thus, in the European trademark law trade sign is deemed functional if it possesses utilitarian features necessary to obtain technical result or/and if those features give a substantial value to the goods.

Provisions of the Community Trademark Regulation covering this issue make clear that a ban on the trademark protection for the functional features of the product is firm and absolute.

The ban, though, gives a rise to the number of relevant questions, such as: What makes shape or packaging functional? Obviously, that every basic shape of the product bears certain technical function.

If it is so, then, is the provision prohibiting a shape and packaging trade mark per se?

If not, what the particular criteria should be applied to distinguish the functional from the non-functional shape and trade dress of the product?

And finally: what are the objectives of making the ban on any technical shape or packaging absolute?

The paper aims at providing some clarification on the functionality theory adopted in the European trademark law.

The methodology of the paper, however, is not limited to the analysis of the provisions of the European trademark law only, but pays a substantial

attention to the relevant provisions of the American trademark law and existing there interpretation of functionality.

Abbreviations

OHIM	Office for Harmonization in the Internal Market
CTM	Community Trademark
PTO	the U.S. Trademark and Patent Office
ECJ	European Court of Justice
CFI	Court of First Instance

1 Introduction

1.1 Purpose

The purpose of this paper is to explore possible interpretations and the application of the “functionality doctrine,”¹ including utilitarian and aesthetic functionality, employed in the American trademark law, some element of which is acutely evolving in the European trademark legal practice and is particularly being limited in its application to the dimensional shape and packaging trade marks. However, the paper aims at investigating the nature of the “functionality doctrine” itself. The challenge taken in this paper is to define to what extent the functional features can be protected as a trade mark under the EC and US law trade mark provisions and to compare legal grounds with underlying economic rationale.

In order to clarify the aims of the paper, it seems appropriate to explain the general characteristics of trademark as a market equity intentionally omitting its legal definitions.

While building up a product for its successful operation on the market, the economic entity is actively investing both its material and non-material funds. Moreover, the investment includes primarily its reputation, as well as human resources, and its previous success on the market. Producing a product with unique features, an economic player has a foremost interest in a certain level of protection, both of its financial efforts and of its reputation. Furthermore, often the market equity of the reputation of the enterprise, the so-called goodwill embodied in the particular trademark, is scaled higher than any financial input. Thus, from the economic standpoint, the main functional feature of the trade mark is to uphold a fair competition and to secure a life-warranty of the reputation of the company and distinctiveness of its product on the market. Equally, it insures for the consumers certain quality and characteristics of the product which mainly are associated with its producer and reduce the potential risk-taking connected with the purchase of the product.²

Thus, it is possible to conclude that the main economic features of the trade mark are distinctiveness and protection of the reputation associated in mind

¹ [http://www.marklaw.com/trademark-glossary/D-F.htm#Functionality doctrine](http://www.marklaw.com/trademark-glossary/D-F.htm#Functionality%20doctrine)

Functionality doctrine is a judicial concept developed in the U.S. trademark law. According to this doctrine, the functional feature of a trademark, or those features having primarily a utilitarian purpose, are not granted protection.

² Ellwood, Iain P. “The essential brand book: over 100 techniques to increase brand value”, Kogan Page Ltd. 2000, p.224.

of a consumer with the certain product, its possible incentives and commercial success on the market.³

This paper, however, aims at dealing with the only functional features of the trade mark defined in law and to what extent these functional features are considered to be entitled to the trade mark protection.

The background that gives rise to this problem and makes it acute for the investigation in this paper closely relates to the recent decisions of the European national courts concerning LEGO and different views presented there on the notion of “functionality.”

Since LEGO’s major patents on the production of the brick blocks composing LEGO toys expired in the 1980s, the company has persistently tried to gain a trade mark protection, arguing that its basic building block should be protected by a trade mark law.

Over the past decade LEGO has been trying to pursue its block-brick-competitors in suing Tyco toys, Best Lock, Ritvik Toys Europe and other toy producing companies in France, Austria, Germany, Denmark, Holland, Spain, Great Britain, Italy, Sweden, the US and Canada. The legal battles with LEGO cost its major competitors on the market, such as Best Lock, more than 1 million US dollars and have significantly slowed down the company’s growth.⁴

Even though the Office for Harmonization in the Internal Market (OHIM) in Alicante allowed registration of LEGO as a Community trademark, the national courts were consistent in their evaluation and revocation of the trade mark protection of the LEGO three-dimensional trade mark consisting of a 4 x 2 pronged rectangular construction block.

The line of the argument used to declare the LEGO’s trade mark invalid was that the form and function of the block shown in trademark registration had merged, and, as its shape was primarily dictated by technical imperatives, disclosed in the long-expired patents owned by LEGO, it could not be registered.

Moreover, in its decision, the French court emphasized that non-registration could not be varied by the fact that the shape of LEGO 4 x 2 block had acquired secondary meaning and whether the competitor could have adopted a different arrangement and prong shape for their construction block system. The only constraint on the marketing of look-alike construction blocks by the competitors would be recognized in relation to how the product is marked and packaged, which means that only distinctiveness of the product to avoid the likelihood of confusion could gain a trade mark protection.⁵

³ Ibid., at p.228

⁴ see <http://www.jrn.columbia.edu/studentwork/reutersjournal/polysci/pg91.html>

⁵ Kirkbi A/set als. V. Ritvik Toys Europe, 1994 (French trial court unblock LEGO rivals)

Thus, it may be concluded that pre-emptive strikes of LEGO against its competitors and aggressive policy intended to prosecute any trademark infringements might simply lead to the loss by the company its trade mark protection.

Any national court can ask the European Court of Justice for a preliminary reference. In light of the last ECJ “Phillipshave” decision the outcome of the dispute between LEGO and its opponents does not leave much space for doubts.

Taking all above stated into consideration, the ambition of this paper is to provide a comprehensive advice on the current development of the European trade mark legislation concerning the functional features of the trade mark for the companies which are similar to LEGO in trying to protect their market equity by use of the trade mark protection. Equally, advice could be taken by the companies striving to protect their leading positions on the American market by virtue of the trade mark protection or by taking a challenge to overcome the monopoly of their competitors on the market and to invoke a revocation of the “functional “trade mark.

1.2 Functionality notion

To meet the objectives of this paper, both the narrow and broad interpretations of the notion “functionality” are provided.

The narrow view of functionality is limited to the technical function of a trade mark, and includes certain features of the product, such as color, three-dimensional shape, packaging and sound facilitating for specific technical results to be achieved or becoming a natural consequence of the technical characteristics of the product or giving a substantial value to the product.⁶

In other words, the notion of functionality in its narrow meaning concerns the admissibility of trade mark protection for certain features of the product in case if the features by their nature are subject to the patent law protection.

The LEGO case analysis, conducted above, is to explicitly demonstrate what implication the notion of “functionality” in its narrow meaning may have in the European trade mark law.

Theoretically, one may strongly support the idea that function can be trademarked *per se*.

As it has been demonstrated, the majority of the court cases interpret the provisions of Article 3(1)(e) of the Trademark Directive and Article 7(1)(e) of the Regulation as an absolute ban on the trade mark protection for the technically functional features.

⁶ see: <http://www.marklaw.com/trademark-glossary/D-F.htm#Functionality> doctrine

Meanwhile, there is an alternative, “middle-side” vision on the notion of “functionality” recently expressed by the Stockholm Court of Appeals in the LEGO case, implying that in order to define trade mark as functional, there is a necessity to scale a degree of functionality of the mark and distinctiveness it has acquired.⁷

However, the narrow meaning of the “functionality” notion has not found its unified interpretation and understanding.

The broad vision on the notion of functionality expressed in this paper relates to the particular features of the product’s exclusive use, which might put other competitors on the market in a non-reputation-related competitive disadvantage.

Generally, the broad vision on functionality defines the certain features of the goods particularly determining the final choice of the consumer and non-relating with the distinctive features of the product aiming at designating its producer as functional.⁸

1.3 Method

In order to produce detailed and accurate results in my research, both the traditional legal method and law and economics method are to be applied. As such, the paper is to investigate, describe and compare different approaches to the functionality theory existing in European and American trade mark law doctrine, legislation and case law.

Likewise, the use of law and economics method is particularly helpful and explicitly employed to conduct a comprehensive analysis of consistency and logic of the current E.C. and U.S. trade mark legislation with the underlying economic theories and empirical knowledge.

1.4 Case law studies

In light of the broad margin of interpretations of the notion of “functionality” existing in American trade mark law, the only appropriate way to find out what “functionality” comprises in these two legal systems is to analyse an available spectrum of the case law. The case law analysis is also particularly helpful in order to keep track of its development and foresee the future of its application.

For the purposes of this paper, however, the case analysis is limited to the decisions coming from the European Court of First Instance, the European Court of Justice, the U.S. Supreme Court and the U.S. Court of Appeals, as well as Circuit and District Courts.

⁷ www.juridicum.su.se/english/master/.../european_trade-mark. Lectures.Lego

⁸ see: <http://www.marklaw.com/trademark-glossary/D-F.htm#Functionality> doctrine and

Since it may be argued that the American trade mark law doctrine and litigation was the first to pave the way to the roots and developments of the “utilitarian functionality,” which later was “borrowed” and adopted in a more limited way by the European trade mark law and litigation, the case analysis conducted in this paper is to become a factual reflection of these developments.

Even though this paper is to research the emerging of the trade mark functionality in Europe through the case studies, the particular emphasis put on the U.S. case analysis helps to keep track of the evolution and the “deepening” of the doctrine.

Attention is to be specifically paid to the decision in *Koninklijke Phillips Electronics NV v. Remington Consumer Products Ltd*⁹ and the methodology developed there, which concerns the functional trade mark in shape later re-emphasised by the ECJ in *Linde AG (C-53/01)*, *Winward Industries Inc.(C-54/01)* and *Rado Uhren AG (C-55/01)*, joined case initiated by the German undertakings, decision on which has been delivered in 8 April, 2003, just before the work on this paper has been started.

An account is also to be taken the US Supreme Court decision in *Qualitex Co v. Jacobson Product*¹⁰ on the trade mark protection of a single colour; Circuit Court decisions in *AmBrit v. Kraft*¹¹, *Speciality Surgical Instrumentation Inc v. Phillips*¹² and other District Court decisions supporting an “aesthetic functionality” doctrine denying a trade mark protection for colour marks on the ground of colour’s functionality and belief that the function of the colour lies in its aesthetic appeal; cases from the U.S. Court of Appeals – *Aromatique Inc. v. Gold Seal Inc.*,¹³ *Disc Golf Association Inc. v. Champion Discs*¹⁴, *Ziegenfelder Co. v. Ice Cream*¹⁵ rising a problem of the trade mark in packaging functionality

⁹ *Koninklijke Phillips Electronics NV v. Remington Consumer Products Ltd* Case C-299/99 www.lawreports.co.uk

¹⁰ *Qualitex Co. v. Jacobson Products Co.* (93-1577), 514 U.S. 159 (1995)
<http://supct.law.cornell.edu/supct/html/93-1577.ZO.html>.

¹¹ *AmBrit Inc. v. Kraft, Inc.*, 812 F. 2d 1531 (11th Cir. 1986)

¹² *Specialty Surgical Instrumentation, Inc. v. Phillips*, 844 F. Supp. 1211, 1214 (M.D. Tenn. 1994) (surgical instruments design features).

¹³ *Aromatique, Inc. v. Gold Seal, Inc.*, Nos. 93-3260, 93-3482, 28 F.3d 863, 869-870 (8th Cir. 1994), *reh. denied*, 1994 U.S. App. LEXIS 26010 (September 20, 1994) (physical features of potpourri packaging).

¹⁴ *Disc Golf Association, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002 (9th Cir. 1998)
http://library.lp.findlaw.com/articles/file/00051/000830/title/subject/topic/intellectual%20property%20law_other/filename/intellectualpropertylaw_1_324

¹⁵ *Ziegenfelder Co. v. Dunkirk Ice Cream Co.*, 30 USPQ2d 1604 (N.D.W.V. 1993).

1.5 Delimitations

The paper is aiming to look at the development of the functionality theory limiting its analysis to the European legislation; the treatment of the “functional” trade marks on the national level is intentionally omitted.

The limitation is also set up with regard to the notion of “trade mark function” to its utilitarian (technical) and aesthetic meanings only.

The functions of the trade mark defined in economics are not being considered.

2 Legal developments in European trade mark law and trademark functionality.

2.1 Background

It was not long ago that the trade marks became protected in Europe. For the most part they were registered before the trade mark registration authorities of each nation of interest. However, trade mark registrations obtained under the national laws have sometimes been used as essential barriers to achieve the legitimate free trade within the European Union.¹⁶ Since the free flow of goods and services between Member States is one of the fundamental freedoms enshrined in the Treaty of Rome establishing the European Community, certain steps had to be taken to harmonize the various national trade mark legislation in accordance with the objectives declared in Article 3 of the Treaty of Amsterdam in order to achieve “ an internal market characterized by the abolition, as between Member States, of obstacles to the free movement of goods, persons, services and capital”.

Not only did these steps include the harmonization of the national trade mark laws of the Member States but also an establishment of the Community Trade Mark system (CTM).

One of the first harmonization measures was an adoption of a First Council Directive to approximate the laws of the Member States relating to Trade Mark (89/104/EEC).

Later, the Community Trade Mark and the Office for Harmonization in the Internal Market in Alicante, the Community body responsible for exercising a single trade mark registration having an equal legal effect in the territory of all member states of the E.U. , were created.

Thus, the general registration system was simplified and the adoption of the Council Regulation (EC) on the Community Trade Mark of 20 December 1993¹⁷ brought the questions relating to the trade mark protection and registration on the Community level, de facto depriving the national trade mark law of its prior monopoly power.¹⁸

A Community trade mark is valid in the European Community as a whole. It is not possible to limit the geographical scope of protection to the certain

¹⁶ www.lectlaw.co/files/il

¹⁷ Council Regulation EC (40/94) of 20th December 1993 on the Community trade mark.

¹⁸ <http://www.compulink.co/willpower/tmeurope.htm> Community trademark

Member States, and consequently, invalidation, refusal or expiry of a Community Trade Mark necessarily applies to the whole common market of the European Community. Everyone is still free to apply for national trade mark instead of Community trade mark. It is also a possibility that a national and Community trademark can lapse and one can enjoy both a national and a Community trade mark protection.

Such simplification and creation of the unified Community trade mark system have a significant international implication, as they facilitate and substantially ease the process of gaining a trade mark protection, not only for the undertakings operating within the territory of the Community, but also for the undertakings operating on the international level.

Since the EU is a party to the Paris Convention, other parties to the Convention, including their citizens and companies may file their applications to register trademarks under the CTM Regulation.¹⁹

Moreover, with the accession of the EU to the Madrid Protocol relating to the Madrid Agreement concerning the International Registration of Marks (1989), the Community trade mark also gains an international protection.²⁰

In this way, enterprises, nowadays, own a precious opportunity to use the benefits offered by the European trade mark system. Should the trade mark protection be granted, certain absolute requirements stated in Articles 4 and 7 of the Council Trade Mark Regulation are to be satisfied.

In accordance with Article 4 of the Community Trade Mark Regulation, “a Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods and their packaging, provided that such signs are capable of distinguishing the goods and services of one undertaking from those of other undertakings”. Hence, European trade mark legislation determined that the basic requirements for the sign in order to qualify for trade mark protection are distinctiveness and its graphic representation.²¹

2.2 Article 7(1) (e) of the Regulation on the Community Trade Mark and notion of “functionality”

Whereas Article 4 of the Trade mark Regulation states criteria which are to be met by the Community trade mark, Article 7 of the Regulation defines absolute grounds for refusal of such trade marks to be registered.

¹⁹ Community Trade Mark Handbook. Sweet & Maxwell 2000 p.122

²⁰ Ibid at p. 127

²¹ Tritton, Guy “Intellectual Property in Europe” Sweet & Maxwell 1997 p.40

Article 7 (1)(e) of the Regulation especially deals with a refusal of trade mark protection for the shape trade marks. According to it, “signs which consist exclusively of: (i) the shape which results from the nature of the goods themselves; (ii) the shape which is necessary to obtain a technical result or (iii) the shape which gives a substantial value to the goods cannot be registered as a trade mark”.

Since the provisions of the CTM Regulation accommodating the utilitarian functionality doctrine (“the shape which is necessary to obtain a technical result and the shape which gives a substantial value to the goods”) are applicable only to the shape and packaging trade marks, it is possible to conclude that functionality rationale in Europe is limited to the protection of shape and packaging (trade dress) of the product.

Such a limited application of the functionality doctrine in Europe may give rise to certain legitimate questions. First off, why is the European trade mark functionality doctrine only applicable to the shape trade marks? Are the criteria applied to the shape trade marks generally stricter than those applied to the other distinctive and graphically represented signs, constituting a trade mark under the European trade mark law?

The possible explanation of why the functionality doctrine in European trade mark law is mostly directed to the shape trade marks relates to the fact that the basic shape of the product is generally predetermined by its intentional use, technical features comprised in this product and certain economic rationale.²²

It means that often certain technical developments and economic factors find their reflection in a particular look of the product. While designing a particular shape of the product the manufacturer is primarily concerned with the future use of the product, the way to implement the best technical solutions in a certain form, the way to meet the required technical standards, and the cost and efficiency of the future production process.

Another factor that plays an important role in a product’s look is its competitiveness on the market.²³

If the manufacturer finds the best technical solutions which later will be expressed or incorporated into the shape of the product, he is fully entitled to secure his investments and efforts. The protection becomes an incentive for further inventions and facilitates technological innovation.

However, the patent protection gives the inventor a right to benefit exclusively from the invention for a limited time only.²⁴

²² <http://www.hk-lawyer.com/2001-6/June01-ip.htm>

²³ Ibid. See the competitive shape of the product

²⁴ Cornish, WR, *Intellectual Property: Patents, Copyright, Trade Mark and Allied Rights*, Second Edition, Sweet & Maxwell 1998.p.115

Opposite to the patent protection, the trade mark protection secures only an accustomed sign of the manufacturer incorporating its distinctive features and reputation.

As far as features expressing distinctiveness of the product are only those which are entitled to the European trademark law protection, it must be insured that trade mark protection is not granted for the functional features or technical solutions related to the use, production and purpose of the product. To put it simply, there are no such objectives of the European trademark law as by virtue of the trade mark protection to exclude a fair competition from the Common market.²⁵

From this standpoint, it can be argued that the criteria applied in European trade mark law are stricter once they are applied to the shape trade marks.

In order to gain the European trademark protection, the shape should pass the two-step test, which is not a requirement for the other distinctive graphically represented signs.

First, in accordance with the standard procedure, its distinctiveness is to be reassured.

Even though the ECJ in paragraph 48 of its judgment in Phillips case observed that “the criteria for assessing the distinctiveness of three-dimensional shape of goods marks are no different from those to be applied to other categories of trade mark”,²⁶ upheld later in Linde AG (C-53/01), Winward Industries Inc. (C-54/01) and Rado Uhren AG(C-55/01), factually, the requirement applied to the shape and packaging trade mark is more difficult to satisfy, as “regard must be had to the fact that the variety of shapes that may be given to product and their packaging is, in certain trade sectors, likely to make it harder for the relevant persons to recognize the shape of a product or its packaging as a trade mark”²⁷

Second, the lack of shape functionality is to be proven, which means that it must be reassured that shape does not integrate any technical solutions facilitating use, production or sale of the product, possibly putting other competitors on the market in the unfair competitive disadvantage.

Thus, it is conceivable that the mechanism applied particularly for the shape and packaging trade marks is more complex and that the possible explanation of it can be that shape is entitled to protection under more than one mechanism of the European Intellectual Property Law.

²⁵ Tritton, Guy “Intellectual Property in Europe” Sweet & Maxwell 1997. p 49

²⁶ Koninklijke Phillips Electronics NV v. Remington Consumer Products Ltd (Case C-299/99), paragraph 48

Linde AG (C-53/01) Winward Industries Inc. (C-54/01) and Rado Uhren AG(C-55/01), paragraph 49

Electronics NV v. Remington Consumer Products Ltd Case C-299/99, paragraph 48;

²⁷ Linde AG (C-53/01), Winward Industries Inc. (C-54/01) and Rado Uhren AG(C-55/01), paragraph 32

What the European intellectual Property law emphasizes, however, is the borders in various types of the intellectual property rights that can be granted.²⁸

Dealing with a shape, it is of a particular importance to draw the line defining its eligibility for the protection under the trade mark law, rather than under any other European Intellectual Property Rights Law mechanisms. In this way, the functionality doctrine employed in the European trade mark law and applied to the shape trade marks may only be viewed to become such a borderline.²⁹

Clearly the logic implied in the requirements applicable to the shape trade marks is to protect the functional features and solutions integrated in the product from their possible monopolization. In case law it is especially emphasized that “regard must be taken the public interest underlying the requirement”³⁰. In *Linde AG (C-53/01)*, *Winward Industries Inc. (C-54/01)* and *Rado Uhren AG(C-55/01)* case the ECJ upheld that the requirements stated in Article 3(1)(e) of the Directive, which is identical to the one stated in Article 7(1)(e) of the Regulation, must be construed and applied in the light of public interest implied in the provision.³¹

The other possible explanation of the application of the functionality doctrine to the shape trade marks may only be that the European trade mark law perceives that the only category that may contain certain technical features is a shape.

Being more conservative than the relevant U.S. legislation, European trade mark law does not recognize as functional the aesthetic features of the product, as well as that other distinctive graphically represented trade signs such as color, sound, words or their combination may possess any other characteristics besides distinctiveness.

Understanding behind it may be that neither color and sound nor graphical signs can potentially impede the further technical development of the market and its innovation.³²

The conclusion may be drawn that the functionality doctrine being of the strategic importance as a borderline between the trade mark and patent law protection is applied in Europe only in its narrow meaning. Its application is limited to the shape: dimensional and packaging trade marks only. The possible explanations of it can be the possible technical complexity of the shape, as well as an existence in the European Intellectual Property Rights

²⁸ www.lectlaw.com/fellesh

²⁹ *Ibid*, functionality concept.

³⁰ Cornish, WR, *Intellectual Property: Patents, Copyright, Trade Mark and Allied Rights*, Second Edition, Sweet & Maxwell 1998

³¹ *Linde AG (C-53/01)*, *Winward Industries Inc. (C-54/01)* and *Rado Uhren AG(C-55/01)*, paragraph 76,77.

³² www.lectlaw.com/fellesh

Law of the multiple mechanisms with the different regimes of protection which are specifically applied to the product's configuration.³³

2.3 Functional features and functional shape

In order to reach a better understanding of how the trade mark is perceived in Europe, there is a need to define what the notions “functional features” and “functional shape” in trade mark law may imply.

The meaning of the functional features in Europe, first, in the wording of the trade mark Directive,³⁴ Article 3(1)(e), and later in Article 7(1)(e) of the Regulation,³⁵ is defined as features of the product necessary to obtain a certain technical result or/and giving a substantial value to the goods.

Factually, the functionality in European trade mark law being applicable only to the shape trade marks consists of technical (utilitarian) functional features, including functional characteristics of the product and functional solutions found their expression in a certain type of the product's configuration.³⁶

As it was stated above, if functional features are discovered in the shape claimed for the trade mark protection, the finding becomes an absolute ground for refusal for the trade mark registration or if the mark has been already registered a possible ground for its revocation on the claim of the interested party.

As LEGO case was to demonstrate, there was neither common view on how to address the functional features of the trade mark in shape nor unified interpretations of the provisions of the Article 7(1)(e) of the Regulation covering the issue “of how-much-of-functionality v. of-how-much-of-distinctiveness” is acceptable in order the shape of the product to be susceptible of the trademark protection.³⁷

The interpretations available on how to address functional features in the trade mark law used to give a rise for an abundant number of questions rather than to provide comprehensive answers.

As a general tendency in EU Member countries, courts and authorities try to avoid the interpretation of the functional features of the shape trade mark and application of the relevant provisions of the trade mark law whatever it

³³ Ibid, shape functionality

³⁴ First Council Directive to approximate the laws of the Member States relating to Trade Mark (89/104/EEC).

³⁵ Council Regulation EC (40/94) of 20th December 1993 on the Community trade mark.

³⁶ www.ladas.com/Bulletins/1996/0496Bulletin/Europe/functionality.

³⁷ www.juridicum.su.se/english/master/.../european_trademark. signs consisting of shape

is possible. In most European states, to avoid giving such interpretations it had even become customary to say that the second ground for exclusion contained in article 7(1)(e) of the Regulation- as shape resulting from the technical nature of the goods –only applies when there is no (technical) alternative in order to obtain the same technical result or in order to design a product of the same sort and description.³⁸

The success last year of Remington Consumer Products in the European Court of Justice (the ECJ decision in *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd* delivered on June 18, 2002)³⁹ has finally provided some clarification on the questions with regard to the functionality issue in the European trade mark law and its application.⁴⁰

The case deals with the long-term Phillips monopoly in the production of triple-headed rotary shaves. After expiry of the patent protection for this design, Philips sought to exclude competitors from the market by registering the shape of this particular type of a shaver as a trade mark. When Remington introduced its own triple-headed rotary shaver onto the market Philips brought an action against it claiming a trade mark infringement.

Remington, however, counterclaimed that the trade mark registration was invalid. Following success against Philips in The High Court and the Court of Appeal, the Court of Appeal referred a number of questions on the interpretation of the implemented in the UK a Trade Mark Directive and particularly the Article 3(1)(e) of the Directive stating that “shape, which consists exclusively of the shapes of goods necessary to obtain a technical result” cannot be validly registered as a trademark.

In its turn Philips agreed that the purpose of the provision in the Directive⁴¹ is to prevent a monopoly to be granted in a particular technical result by means of a trade mark protection.

However, it has presented the “traditional” argument that if the registration of trade mark consisting of a shape that has a technical result does not prevent competitors from achieving the same technical result by other shapes, i.e. if other alternative shapes are available, then there is nothing to prevent a trade mark protection of the functional shape.

In its case Philips claimed, there were many alternatives to its triple-headed rotary shaver’s shapes that achieve identical result in shaving terms at an equivalent cost. On the basis of this argument it insisted that its shape trade mark is valid.

The ECJ in its decision upheld that following the purposeful interpretation, an objective of the Article 3(1)(e) of the Directive is to prevent the

³⁸ Ibid., as a general tendency.

³⁹ *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd* (Case C-299/99)

⁴⁰ Simon Chapman, Laytons “Viagra in shape despite close shave”pharmafile.com

⁴¹ First Council Directive to approximate the laws of the Member States relating to Trade Mark (89/104/EEC

functional features of the product to be monopolized, as well it is to prevent the protection conferred by the trade mark being extended, beyond signs that serve to distinguish a product or service from those offered by the competitors. This is so it does not form an obstacle that would deprive competitors from freedom to sale products incorporating such technical solutions or functional characteristics with the owner of the mark.

The Court made it very clear that where the essential functional characteristics of the product are exclusively attributable to the technical result, in case of Philips it was the close shave achievable by the application of the triple-headed rotary shaver, the shape trade mark cannot be registered, even if the same technical result can be achieved by other alternative shapes available on the market at an equivalent cost.⁴²

A year later the shape functionality concept developed in Philips was supported by the ECJ in Linde AG (C-53/01), Winward Industries Inc.(C-54/01)

and Rado Uhren AG (C-55/01), joined case, decision on which has been recently delivered .

Here the German undertakings were appealing against the refusal of the Bundespatentgericht (the German national trade mark registration authority) to conduct a trademark registrations applied by the undertakings. Linde ⁴³ sought registration of vehicles such as a three-dimensional trademark for the motorized trucks and other mobile work vehicles; Winward ⁴⁴ sought a registration of a torch as a three-dimensional trade mark ; Rado ⁴⁵ filed a registration for a three-dimensional trade mark already registered as an international trade mark, of which Rado is the proprietor, consisting of the graphic representation of a wrist watch.

While assessing the eligibility of the three-dimensional shapes of the products for the trade mark protection, the Bundespatentgericht applied functionality test fully in conformity with the previous ECJ Philips judgment. Moreover, in application of the functionality test the German national patent office went

further and defined “essential features attributable to the technical result” constituted the functional shape as “features exclusively imposed by reason of the intrinsic nature of the goods and essential to obtain a particular technical result.” The definition was later confirmed by the ECJ in its conclusion on the case matter.⁴⁶

Thus, the meaning of the features attributable to the technical result and which are essential for the shape of the product have been found.

⁴² Simon Chapman, Laytons “Viagra in shape despite close shave”pharmafile.com

⁴³ see: Case C-53/01

⁴⁴ see: Case C-54/01

⁴⁵ see: Case C-54/01

⁴⁶ Linde AG (C-53/01), Winward Industries Inc.(C-54/01) and Rado Uhren AG (C-55/01), paragraph 20

However, another question requiring clarification still remains. Could the basic shape following from the nature of the product and used in the production of the particular goods be functional itself or should there be some capricious additions bearing functional features?

The Article 7 (1)(e)(i) of the Regulation states that shape following from the nature of the product cannot be granted a trademark protection. The assumption could be done that every basic shape or shape following from the nature of the product is functional per se, as the rationale driving creation of the natural shape is to provide the most efficient use of the natural characteristics of the product and it is precisely what the notion “functional” implies.⁴⁷

Therefore, it may be concluded that the provision of Article 7(1)(e)(ii) is addressing the shape beyond its basic traditional functionality.⁴⁸

The only plausible answer is that functionality addressed in the above stated provisions is to be sought in the capricious features of the basic shape of the product. At least, exactly the same approach was taken by the Office for Harmonization in the Internal Market in its view on the application of the three-dimensional trade mark submitted by Procter & Gamble.⁴⁹

The company was attempting to gain the trademark protection for the shape of the soap claiming that a three-dimensional shape was distinctive because its bone shape formed by indentations on the longest side was not common in the trade and by its features made the basic shape of the good distinctive.

In its examination of the application filed the OHIM was not raising the functionality argument towards the basic shape of the trade mark claimed, but observed that particularities of the shape, its capricious feature such as indentations on the longest side of the soap has a functional purpose, as it allows a better grip of the product.⁵⁰ Therefore, the overall shape claimed in the trade mark application was declared to be functional in the meaning of Article 7(1)(e)(ii) of Regulation No 40/94.

In line of the arguments presented above, the CFI while analyzing possibilities for the trade mark protection for the shape of the torch claimed by Winward in its application, declares that the trade mark protection cannot be denied on the functionality ground if the capricious features of the basic shape are non-functional and are not in any way attributable to the technical result achievable by the basic shape of the product.⁵¹ It observes that the trademark in question displays characteristics going beyond the basic shape of the torch that result from technical requirements, which are neither exclusively imposed by reason of the intrinsic nature of the goods nor

⁴⁷ see: Case C-55/01

⁴⁸ www.lectlaw.com/fellesh, shape functionality.

⁴⁹ Case R 74/1998-3, Community trademark application No230680

⁵⁰ Case T-122/99 The Procter & Gamble Company v. Office for Harmonization in the Internal Market (Trade Mark and designs), paragraph 19

⁵¹ case C-54/01 (Winward)

essential to obtain a particular technical result and therefore is not subject to the refusal on the grounds of Article 3(1)(e) of the Directive. The conclusions reached by the CFI were later upheld by the ECJ.⁵²

The Linde AG (C-53/01), Winward Industries Inc. (C-54/01) and Rado Uhren AG (C-55/01) case was to become a direct confirmation of the Philishave methodology. In the course of the case analysis, the definition of non-functional shape was given. It was stated that non-functional shape trade marks are conceived as such and thus not excluded from registration by virtue of the Article 3(1)(e) of the Directive if “apart from those basic generic features of the basic shape of the products in question that result from technical requirements, the trade marks display a number of characteristics in their shapes which are not exclusively attributable either to the nature of the goods themselves or to technical considerations pertaining to their value”.⁵³

The discussed case law made an essential contribution in the clarification of the shape functionality in Europe. The message sent here is clear. The functional shape marks now appear to be dead in the water.⁵⁴ The availability of the alternative shapes leading to the achievement of the same technical result cannot serve as an argument justifying the trade mark protection for the functional shape. Nor can it be claimed that the shape has acquired the secondary meaning and is distinctive in the eyes of the reasonably observant and circumspect consumers.⁵⁵

The conclusion drawn by the European Court of Justice defined that the so-called middle-side test “of how much of functionality v. of how much of distinctiveness” is acceptable in order to determine whether the shape is susceptible to the trade mark protection applied by some of the national courts are no longer acceptable.

It was clearly stated that if a presence of the technical functionality is determined, no trade mark protection can be granted. Yet, the definitions concerning the provision expressed in Article 7(1)(e)(iii) and dealing with functional features “giving a substantial value to the goods” has not found its reflection in the case law.

2.4 1.1 Shape and packaging functionality in practice

⁵² Linde AG (C-53/01), Winward Industries Inc.(C-54/01) and Rado Uhren AG (C-55/01), paragraph 20

⁵³ Ibid, paragraph 20

⁵⁴ Simon Chapman, Laytons “Viagra in shape despite close shave”pharmafile.com

⁵⁵ Ibid.,”Philishave” decision

As it was stated above, the Court practice determines that a shape constituting the trade mark of the product and at the same time having certain functional features is not entitled to the trade mark protection. However, the practical question may arise: what explicit characteristics of the shape can indicate its functionality? How is it possible to determine that the shape of the product bearing or searching a trade mark protection is functional?

Even though these questions have not explicitly been answered in the settled case law, the following assumptions with regard to the answers can still be made.

In accumulating the court and the OHIM practice, it can be concluded that for the competitors, in most cases, it is enough to know that the shape of the product the trade mark protection is applied for in the past owned either utilitarian or design patent protection. This assumption stays acute for both cases discussed above.

For example, before obtaining its trademark for the triple-headed rotary shaver shape under the UK Trade Mark Act., Philips Company was protecting its “sign” by the utilitarian patent and after its expiry was looking for possibilities to prolong its exclusive ownership of the shape on the market.

Likewise, LEGO was protecting the shape of its cubes both with the design and utilitarian patents and after their expiry was filing for the trade mark protection on the ground that the shape has gained its particular distinctiveness and associated in the mind of consumers with a particular manufacturer.

In both situations the trade mark protection was challenged. In the challenging process LEGO, however, was so far more successful, as the registered Community Trade Mark keeps being valid.

At the same time, the company’s counsellors should think twice before trying to prosecute their competitors for the trade mark infringement, at least on the territory of the Community.

Further, the developments in the European trade mark law with regards to the functional features of the shape trade mark above discussed may also bring to mind such a classic packaging trade mark as the “Coca-Cola” bottle.⁵⁶

As it is known, at the beginning of the century the company was struggling to create a package for its product so that “a person could recognize as “Coca-Cola” bottle when feeling it in the dark, so shaped that even if

⁵⁶ www.adbusters.org/magazines/15/famousmarks

broken, a person could tell at glance what it was.”⁵⁷ The result of this work became the creation of the original “hobble skirt” bottle, nowadays universally associated in the mind of consumers with the Cola drink.

The counter of the bottle, however, was also enjoying two different patent protections, both utilitarian and design patents, for more than twenty years and once the patent expired the company was filing for the trade mark protection for the shape of the bottle.

In the context of everything discussed above, the “untouchable” classic distinguishing mark of the “Coca-Cola” bottle may ultimately be questioned through the application of the functionality argument.

What will happen if Coca-Cola Inc.’s competitors will launch a similar configuration of the packaging for their drinks and will argue that the shape, however distinctive it is implies certain functional features, as a vertical groove of the bottle facilitating the easier grip?

Even if the possibility of such challenge is highly hypothetical, it should be recognized that the ECJ “Philishave” decision did open the door to challenge even validity of the Cola bottle trademark.

The significance of the last developments in the European trade mark law can also be estimated by its impact on the day-to-day life economic activities.

It is clear, for instance, that trademarked packaging shapes such as perfume bottles vastly spread in the luxury cosmetics industry or medicine bottles are deemed nothing but the distinctive shapes designating the product and its manufacturer and thus are entitled to the trade mark protection.⁵⁸

For the pharmaceuticals industry, however, the significance of shape marks is not just limited to the shape of medicine bottles only. The industry is also looking at the opportunities to protect the shape of the tablet itself. Here, it seems to be the best chance for the competitors to challenge such a trade mark protection on a ground, for instance, that the shape of the tablet is predetermined by its intentional use and has a significant medical effect.⁵⁹

Once again, the distinctiveness argument, an acquisition of the secondary meaning or the availability of the alternatives on the market achieving the same result at an equivalent cost are not supposed to become acceptable arguments in the case.

⁵⁷ <http://www.rubylane.com/shops/thecolacorner/item/10533> All about Cola bottle.

⁵⁸ Simon Chapman, Laytons “Viagra in shape despite close shave”pharmafile.com Pharmacy industry

⁵⁹ Ibid, consequences of the “Philishave” decision for the pharmaceutical industry.

2.5 1.2 Brief summary

In the conclusion it could be stated that the trademark protection of the non-functional shapes will still be granted in the future.

However, , in light of the current developments in the European trade mark law, the industries and especially undertakings, owners of the trademarks in shapes which can be recognized as technically functional should be very careful in initiating any infringement cases, as the result can be an overall loss of the trade mark protection.

The distinctiveness argument and existence on the market of the alternative shapes achieving the same technical result at an equivalent cost once being willingly accepted by some of the national courts, is no longer the argument to rely on.

Thus, over the last few years, even being limited in its application to the shape and packaging trade marks only the European trade mark functionality concept has been gaining more weight.

Evaluation of the intentions for its application may differ.

On one hand, it may be seen as a tricky instrument evoked by the competitors in their attempts to obtain a substantial margin of the relevant market.

On the other hand, the functionality doctrine is to become a relevant mechanism lately integrated into the European trade mark legislation to secure that healthy competition and innovative processes on the Common market are not being impeded.⁶⁰

⁶⁰ Tritton, Guy "Intellectual Property in Europe" Sweet & Maxwell 1999 p.77

3 2 Trademark and function in the US trade mark law

3.1 2.1 Background

In the American federal trademark law all-related trademark definitions are to be found in the Lanham Act, the federal trademark statute adopted in the US in 1946 and in the recently adopted Trademark Law Treaty Implementation Act from the October 30, 1998.⁶¹

Here, the trademark is defined as a trade sign "including any word, name, symbol, or device, or any combination thereof" which grants a seller or producer the exclusive right to register and use a trade mark and thus to prevent other competitors from using that trade sign in the course of their commercial operations.⁶²

This particularly broad definition under the Trade Mark Act was granted to the trade symbol⁶³. The US Patent and Trade Mark Office, as well as the courts have interpreted the term "symbol" in order to allow registration besides the traditional trade signs of the non-traditional marks such as sound and color scheme marks.⁶⁴

The notion of functionality, the object of discussion in this paper, has found its place in the original Trade Mark act and later was expressly enumerated in the Trademark Law Treaty Implementation Act as an absolute ground for challenge even the incontestable trade marks.⁶⁵

As it will be shown below the notion has acquired its universal application. Sustainability of functionality criterion has gained a particular importance in the registration of the non-traditional trade mark.

Article 1052 (e) (5) of the Lanham Act holds that "no trade mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it- comprises any matter that, as a whole, is functional".

⁶¹ www.findlaw.com The U.S Trademark legislation.

⁶² Erik W. Kahn & George Stephanopoulos, "Starting to register: Moving Image Marks," 18 Nat'l, 1996

⁶³ The trademark registrability of the Harley Davidson roar . A Multiple Analysis http://infoeagle.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1998101101.html

⁶⁴ Qualitex Co. v. Jacobson Products Co. (93-1577), 514 U.S. 159 (1995)

⁶⁵ Maury Audet "Functionality Unanimously Tumps, Incontestability adter Trademark Law Treaty Act" The U.S Journal of Law and Technology, 2000, p2

Article n 4 of the Trademark Treaty Implementation Act states that "functionality is a ground for challenge an incontestable trade mark registrations".⁶⁶ Any trade mark registered under the Lanham Act and after the 5-year period since is registration gained the statues incontestable can still be challenged on the functionality ground.

The functionality concept has been employed in the US trade mark law for more than half a century.⁶⁷

In comparison to the European functionality doctrine, however, which is limited in its application to the shape trademarks only, the US functionality concept is far reaching and in practice often applies not only to the shape and packaging trademarks but also to the non-traditional trade signs such as sound and color.

The universal applicability of the functionality rule in the US trade mark law can be explained by its special importance as a competition safeguard mechanism.

Factually, the "functionality" requirement prevents trademark law, which seeks to promote competition by protecting a company's reputation, from inhibiting legitimate competition by allowing a producer to control a useful product feature.⁶⁸ In *Qualitex v. Jacobson Products, Co* the US Supreme Court explained, "It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation." The Court also reasoned that if a product's functional features could be used as trademarks, a monopoly over such features could be obtained without regard to whether they are patentable or, moreover, could be extended forever because trademarks may be renewed in perpetuity.⁶⁹

As such, being applicable to all trade signs without consideration whether a trademarked object can be or cannot be a subject to the patent law, the functionality requirement guarantees that no single competitor by means of a trade mark protection for any non-reputation related features is barred from the market entry.

3.2 2.2 What is "functional" in the US trademark law?

The registration of a trade sign under the US law is a subject to certain mandatory requirements such as distinctiveness and functionality. The

⁶⁶ Ibid. at p. 3.

⁶⁷ Ibid at p. 5

⁶⁸ *Qualitex Co. v. Jacobson Products Co.* (93-1577), 514 U.S. 159 (1995)

⁶⁹ Ibid. 54 U.S., at 169

interpretation of trade sign functionality, first, can be found in the trademark law doctrine.

According to the doctrine the functional features of a trademark, or those features having primarily a utilitarian purpose, are not to be granted a trademark protection.⁷⁰

Another variety of functionality is recognized as an "aesthetic functionality" which deems as functional, and thus not eligible to the trademark protection any product design feature which is an important ingredient in the commercial success of the product. In accordance with such interpretation, if a floral pattern on china, for instance, makes the china more commercially desirable, such a pattern would be deemed not eligible to the trademark protection.⁷¹

The practical application of Article 1052(e)(5) of the Lanham act made, however, substantial changes in the theoretical vision on the trade mark functionality.

The Inwood Laboratories Inc v. Ives Laboratories case⁷² held that in general terms a product feature is functional if its essential to the use or purpose of the article or if it affects the cost or quality of the article. Later, this definition of functional features was upheld in *Qualitex Co v. Jacobson Production Co*,⁷³ where the trade mark protection to the single color was granted.

In *Traffix Devices Inc v. Marketing Displays Inc* the US court of Appeals has expanded on that meaning that a functional feature is one where "the exclusive use of which put competitors at a significant non-reputation-related disadvantage". However, later the Court stated that "language here does not mean that a competitive necessity is necessary test to define functionality. Where the feature of the product is deemed functional under the *Inwood* formulation there is no need to proceed further to consider competitive necessity. More recently, courts have recognized that a feature of the product may be commercially successful and still operate as a product identifier worthy of trademark protection particularly if an equal commercial success can be achieved by the competitors using the other alternatives faceable available on the market.

Settled case law allows to conclude that the following factors are particularly used by the Court to determine if a feature of the articles is functional: 1) whether a particular feature of the article or the article itself yield a utilitarian advantage, 2) whether the alternatives are available in order to avoid hindering competition, and 3) whether the particular feature in the article achieves economies in manufacturing or use.⁷⁴

⁷⁰ Maury Audet "Functionality Unanimously Tumps, Incontestability adter Trademark Law Treaty Act" The U.S Journal of Law and Technology, 2000, p. 2-4

⁷¹ <http://www.marklaw.com/trademark-glossary/D-F.htm#Aestheticdoctrine>.

⁷² *Inwood Laboratories., Inc. v. Ives Laboratories., Inc.*, 456 U.S. 844, 863 (1982);

⁷³ *Qualitex Co. v. Jacobson Products Co.* (93-1577), 514 U.S. 159 (1995)

⁷⁴ The trademark registrability of the Harley Davidson roar . A Multiple Analysis http://infoeagle.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1998101101.html

It may be concluded that the US court practice sticks to the general definition of functionality and its utilitarian concept and thus has not been eager to invoke the doctrine of aesthetic functionality as a defense in trademark infringement.⁷⁵

3.3 2.3 Functional features of the color in the US Trademark Law

Under the US trademark law, as it was stated above, a functionality test is fully applicable to the color. Trademark protection to a particular color can be granted only if the color is found to lack functional features.

In general term, color is recognized as functional and therefore cannot be granted a trademark protection if it is essential to the use of the product, for example, green and grey for camouflage clothing. Further, the color may still be deemed as functional, if a consumer prefers a particular color or if the color due to its certain technical characteristics following from its nature becomes functional *per se*.⁷⁶

In *Qualitex*, a case related to a trademark protection for a single color , looking for the functional features of color mark, the US Supreme Court concluded that a green-gold coloring of *Qualitex's* dry cleaning press pads did not violate the functionality doctrine, because the color served no function in the product's operation other than as a source-identifying symbol. Here, the Court applied the general functionality concept of how the color is essential to the use or purpose of the product or it affects its cost or quality.⁷⁷

However, keeping in mind the definition of the functional features employed in *Traffix Devices, Inc. v. Marketing Displays*,⁷⁸ there is always a possibility that in defining functionality of the color the Court may invoke the utilitarian definition of functional features and declare that color trademark has a functional significance if it offers a non-reputation-related competitive advantage to the owner of the mark.

⁷⁵ Maury Audet "Functionality Unanimously Tumps, Incontestability adter Trademark Law Treaty Act" The U.S Journal of Law and Technology, 2000, p. 2-4

⁷⁶ www.tourlaw.edu/Publications/Lawreviews/vol12n1/pg.183.htm

⁷⁷ The trademark registrability of the Harley Davidson roar . A Multiple Analysis http://infoeagle.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1998101101.html see::Lanham Act and *Qualitex* case

⁷⁸ *Traffix Devices Inc. v. Martketing Displays Co.* (99-1571) 532 U.S.(2001)

As the US litigation practice indicates any color or color combination applied for the trademark protection may be deemed functional if the choice of a certain color for a particular product aims at achieving technical effects produced by the color or its combination having a special appeal to

to the consumers, monopolization of which is a hinder to the vigorous competition on the market.⁷⁹

The technical effects produced by the color are closely relate to the nature of the color itself and its specific functional characteristics such as visibility, conspicuity, meaningfulness, space and size perception.⁸⁰

Visibility characteristics refer to the ease of form and shape detection and identification. Likewise, certain color combinations enable better detection, discrimination and recognition of objects. Thus, the chosen color of the product or its combination enable viewers to perceive objects and to read letters and numbers that are smaller in size, seen at greater distance, located in the visual periphery (off the direct line of sight) and presented for a briefer time.⁸¹

The second color characteristic essential for the trade mark law is conspicuity. It refers to the ability of an object to attract attention. Conspicuity is a combination of several factors, including size, contrast and color. Some colors attract attention better than others. One purpose of the colored products is to attract consumer attention, which is a major concern of most businesses.⁸²

Based on this functional characteristic of the color, the court in *Specialty Surgical Instrumentation Inc.v. Phillips*⁸³ found that the use of the color grey by the plaintiff, SSI, in its promotional materials was primarily functional, and thus refused to grant protection for its trade dress. The color grey was found to be utilitarian because it "serves to make SSI's catalogs more effective as the color grey highlights the design of the instruments in SSI's catalogs" Had the court provided protection for the color grey in this case, it would have precluded competitors in the surgical instrument industry from their "reasonable right" to use the color grey to highlight their instruments. Thus, the court found a "competitive need for the color gray in surgical instruments industry".

⁷⁹ Trademark protection for color:basking in the warmth of "Sun Glow"
www.tourlaw.edu/Publications/Lawreviews/vol12n1/pg_183.htm. Functionality requirements for color.

⁸⁰ Green, M The Science of Conspicuity, Brand Packaging. pp. 38-42., Nov/Dec 2001

⁸¹ Ibid. at p.39

⁸² Ibid. at p.39

⁸³ Specialty Surgical Instrumentation, Inc. v. Phillips, 844 F. Supp. 1211, 1214 (M.D. Tenn. 1994)

Another functional characteristic of the color is its meaningfulness or the ability of some colors to automatically create mental associations that convey specific meanings.⁸⁴

Many colors convey a special meaning. While there is some variation across cultures and drifts over time as to these meanings, people are likely to form specific mental associations when seeing colors. For example, white symbolizes purity and cleanliness; green is frequently used in the packaging of organic, healthy and natural products because of the association with trees, grass and nature. Blue brings water and coolness to mind because water is blue and cool.⁸⁵ As it has been scientifically proved and upheld by the Court in *AmBrit v. Kraft*⁸⁶ the association of a color with a particular product class is not arbitrary. Here, the court held that royal blue, when used to package frozen desserts, was functional and could not be monopolized in a trade mark. "Royal blue is a "cool color"; it is suggestive of coldness and used by a multitude of ice cream and frozen dessert producers because of this color association."

The use of certain colors can also affect perception of size and 3-dimensional space, which is also deemed to be functional.

For instance, the eyes of the consumer will automatically interpret blue/violetness and loss of sharpness as signs of distance. Conversely, "warm" colors such as red, yellow and orange appear closer. Thus, through the manipulation of these color properties, it is possible to add a 3D feeling to a flat display and enhance separation of foreground and background.⁸⁷ Moreover, perceived distance also affects apparent size. The size of a candy bar could be enhanced. Using this concept of color functionality, in *Brunswick Corp. v. British Seagull*⁸⁸ court held that a company could not receive registered trade mark protection for the color black used on the outboard engines it manufactured. The Federal Circuit supported the decision of the PTO Board of Appeal to deny protection because black as applied to engines was "de jura" functional as "objects colored black appear smaller than they do when they are painted either lighter or brighter colors and there is also some evidence that people who buy outboard motors for boats find it desirable under some circumstances to reduce the perception of the size of the motors in proportion to the boats"

The trade mark protection of color may also be precluded on the grounds of its "aesthetic functionality".

According to this doctrine, the function of a color lies in its aesthetic appeal, making it especially desirable to consumers. This differs from the traditional doctrine of functionality in which the color serves a certain

⁸⁴ Ibid. at p. 40

⁸⁵ Visual Expert Human Factors. Color in trademark and trade dress disputes www.visualexpert.com Color functionality.

⁸⁶ *AmBrit Inc. v. Kraft, Inc.*, 812 F. 2d 1531 (11th Cir. 1986)

⁸⁷ Visual Expert Human Factors. Color in trademark and trade dress disputes www.visualexpert.com Color functionality

⁸⁸ *Brunswick Corp. v. British Seagull*, 115 S. Ct. 1426 (Fed. Cir. 1994)

utilitarian purpose contributing either to the use or purpose of the article or its commercial success through its defined functional characteristics. The example of the aesthetic functionality rule application is *Deere & Co. v. Farmhand Inc.*,⁸⁹ where the court denied the trade mark protection for the color green due to the alleged strong consumer preferences of the color. The court stated that "the determinative question on the issue of functionality is whether protection against imitation will hinder the competitor in competition".

To sum up the issue of application of the functionality doctrine to the color, it may be concluded that in the U.S. trade mark law functionality criterion is a significant impediment for the color to gain its trademark protection. In defining functional features of the trade sign in color, the US court practice goes further than an application of the general functionality formula coming from *Inwood* case⁹⁰. Not only do they take an impact of the color for the use or purpose of the article or its cost and quality, but among the important considerations of the courts also are functional characteristics following from the nature of the color itself, as well as an impact of the color to the non-reputation-related commercial success of the product and its particular consumer appeal.

3.4 Functionality doctrine application to the sound trade marks.

Until recently the US trademark law practice had not known much of how the functionality rule applies to the trade signs in sound.

However, the Harley Davidson Co was the one to set a precedent. It decided to trademark the sound of its "45-degree V-twin single crankpin motor."⁹¹ Harley-Davidson was not the only company seeking a trade mark in sound. However, Harley was the only company which attempted to get registration failed on the functionality ground.

Crucial for such a failure became an acknowledgement that the sound of the motorcycles applied for the trade mark protection was a result of the technical construction of the V-twin crankpin motor.

While applying the functionality rule, the PTO reasoned that no trade mark protection can be granted to "de facto" monopolize an engine technology producing the sound claimed by Harley Davidson for the trade mark law protection.⁹²

The reasoning in the Harley case allows you to conclude, that with regard to the sound trade marks *Inwood* functionality formula applies. Thus, a

⁸⁹ *Deere & Co. v. Farmhand Inc.*, 721 F. 2d 25 (8th Cir. 1983) (holding that Deere's use of the color green was functional within the meaning of the Lanham Act.)

⁹⁰ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 863 (1982);

⁹¹ http://infoeagle.bc.edu/bc_org/avp/law/st_org/iptf/articles/content/1998101101.html The trademark registrability of the Harley Davidson roar . A Multiple Analysis

⁹² *Ibid.* see Sound Functionality

trademark in sound can never be obtained if it directly relates or is produced by the article itself, as well as if it is essential to the use or purpose of the article or if it affects its quality or cost.

Examples of other sound trademarks granted in the US such as the NBC successfully registered musical notes for its radio broadcasting services, MGM lion's roar, the spoken letters "AT&T" with a distinctive musical flourish in the background, and the Beneficial financial services jingle ("At Beneficial, toot, toot, you're good for more.") also proves that application of the functionality rule to the sound marks is limited by its general term.⁹³ Yet, expanded in *Traffix Devices Inc v. Marketing Displays Inc* the meaning of the functional features which are applicable to the color marks has not found its application to the trade marks in sounds.⁹⁴

3.5 2.4 Functional features of the packaging trade marks in the US trade mark law

While discussing of what is considered to be functional features of the packaging trade mark under the U.S trade mark law, attention is to be paid to the two recent cases in which the court was to determine whether a trade dress consisting of packaging for simple consumer product was functional. In *Aromatique Inc. v. Gold Seal Inc.*⁹⁵ the U.S. Court of Appeals for the Eighth Circuit denied protection and registration of trade dress for packages containing potpourri. On the other hand, in *Ziegenfelder Co. v. Dunkirk Ice Cream Co.*,⁹⁶ the U.S. District Court for the Northern District of West Virginia upheld preliminary protection for the trade dress consisting of packaging for popsicles.

In *Aromatique*, the packaging claimed for the trade mark protection included pillow-shaped double cellophane bags closed at the top by gathering excess cellophane and tying the cellophane closed with the cord tied in a square-knot bow. Although other marks appeared on the packaging, the claimed trade dress included no words or marks that identified the products as those of *Aromatique*, except for the shape and configuration of the packaging itself.

Addressing functionality of the *Aromatique* trade dress consisting of packaging, the court noted that trade dress may be considered nonfunctional if "it is an arbitrary embellishment primarily adopted for purposes of identification and individuality".

⁹³ Ibid. see Sound Functionality

⁹⁴ Ibid., Conclusions

⁹⁵ *Aromatique, Inc. v. Gold Seal, Inc.*, Nos. 93-3260, 93-3482, 28 F.3d 863, 869-870 (8th Cir. 1994), *reh. denied*, 1994 U.S. App. LEXIS 26010 (September 20, 1994) (physical features of potpourri packaging)

⁹⁶ *Ziegenfelder Co. v. Dunkirk Ice Cream Co.*, 30 USPQ2d 1604 (N.D.W.V. 1993)

The Court observed that "if the trade dress is an important ingredient in the commercial success of the product, it is functional".⁹⁷ In the end, the court held that Aromatique's trade dress was functional. In support of its holding, the court noted that Aromatique's witnesses testified that the appeal of its potpourri is both aesthetic and old factory. The court, however, also observed that the clear cellophane packaging and the way it is wrapped allows customers to see and smell the potpourri before they purchase it. It was noted that double-baggaging increases the shelf life of the product and that the shape of the bag is a consequence of using cellophane bags. It was also noted that preventing others in the industry from using it would unduly impair competition. Accordingly, the court stated that "there can be no doubt that the cellophane bag is functional and lacks arbitrary embellishment"⁹⁸

The functionality rule applied here implies that packaging of the product closely relates with the product itself and adds to it a certain value. Moreover, the particular stress was made that the packaging has a sufficient impact on the commercial success of the product. Even though, it was observed that alternative packaging which may achieve a similar result are available, the functionality doctrine in its expanded meaning prevailed and packaging was recognized to be functional.

In *Ziegenfelder*, however, the court took a bit different opinion on how functionality rule is to be applied. Here, the trade dress consisted of six different flavors of twin pops wrapped in clear film in a clear bag with sticks facing each other and the twin pops facing outward toward the edges of the bag. The bag contained two rows of nine twin pops each and was referred to as the "Rainbow Array".

In its assessment of the functionality issue the court was applying the utilitarian functionality formula and submitted that "the trade dress is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article".⁹⁹

Even though the defendant in the case argued that the trade dress was functional because it was used to indicate the flavor of the food product, the court rejected this argument mainly focusing on "whether the trade dress somehow impacts upon the function of the product itself".¹⁰⁰ Coming to the conclusion that there was insufficient evidence that the trade dress had any impact upon the function of the twin pops, the court declared the trades dress nonfunctional. However, the commercial success argument which was applied in the Aromatique's case has never been taken into account.

From the different results on finding packaging of the product functional reached by the court in the cases discussed above, one may conclude that the court employed different tests for assessing functionality of the

⁹⁷ www.pillsburywinthorp.com ⁹⁷ *Aromatique, Inc. v. Gold Seal, Inc.*, Nos. 93-3260, 93-3482, 28 F.3d 863, 869-870 (8th Cir. 1994), *reh. denied*, 1994 U.S. App. LEXIS 26010 (September 20, 1994) (physical features of potpourri packaging), at 1448

⁹⁸ *Ibid.* at 1448

⁹⁹ *Ziegenfelder Co. v. Dunkirk Ice Cream Co.*, 30 USPQ2d 1604 (N.D.W.V. 1993), at 1611

¹⁰⁰ *Ibid.* at 1611

packaging and the results of this assessment depends on which criterion was used to define the functionality prevails .¹⁰¹

While the court of Appeals applied the commercial success standard of the *Traffix Devices Inc v. Marketing Displays Inc* case-"if the trade dress is an important ingredient in the commercial success of the product, it is clearly functional", giving, however no indication as to the meaning of "commercial success" or in what way it should be measured, in the other case, however, the court focused on the relationship between the product and the trade dress in terms of use, purpose, cost and quality and ignored the commercial success argument.

It can be also argued, though, that the functionality rule applied by the court in both cases has the same mechanism of application.

For instance, first in *Aromatique's* case the court observed that packaging of potpourri is recognized as functional not only due to its commercial success, but also on the basis of its direct connection with the product as the trade packaging was to prolong its shelf life. Thereby, the court was primarily applying the *Inwood* formula and only later in its findings it was addressing the commercial success of the trade dress.

In *Ziegenfelder* however, the court's finding of the absence of functional features in the trade dress without any evaluation of the commercial success criterion was based upon the fact that it did not discover any direct relationship between the product and the trade dress itself and determined that the trade dress was separable from the product.

The conclusion drawn from such a line of argument can be that the commercial success of the product as one of the criterion for the assessment of the trade mark functionality is applicable to the packaging trade marks only if it relates to the technical characteristics of the packaging which have a close connection to the use or purpose of the product itself, its quality or costs defined as the so-called *Inwood* functionality formula.¹⁰²

The ambiguity of the interpretations of the functionality notion applicable to the packaging trade marks raised in the court practices made the U.S. Court of Appeals clarify the issue. The court observed that neither of the opinions or speculations on the functionality doctrine demonstrated above address the subject matter of the functionality rule.

To assess whether the packaging of the product is entitled to the trade mark protection, the U.S. Court of Appeals for the Federal Circuit employs the distinction between two notions: functionality *de facto* and functionality *de jure* .¹⁰³

¹⁰¹ www.pillsburywinthorp.com

¹⁰² *Ibid*, trade dress functionality...*Inwood* formula is named after the *Inwood Laboratories Inc. v Ives Laboratories Inc* case.

¹⁰³ *Ibid*, trade dress functionality

De facto functionality of the trade dress as it was found, for instance, in *re Smith Inc* or in *re Morton-Norwich Products*¹⁰⁴, Inc is entitled to the trade mark registration and protection.

That means that if a given trade dress or packaging of the product simply happens to have a function, either technical function relating with an impact of the functional feature of the trade dress on the use, purpose, quality or cost of the product itself, referred to as an Inwood formula above or function related with the non-reputation-based commercial success of the product, it is de facto functional, but still registerable and protectable under the US trade mark law

On the other hand, if the certain feature of the product packaging makes it one of the few superior designs available on the market, then it is de jure functional, and not entitled to protection.¹⁰⁵

It is to be noted that the application by the US Court of Appeals of "possible-feasible-alternatives functionality test" to the trade marks in packaging, while not using this kind of functionality test to the non-traditional trade signs, demonstrates that packaging and shape trademarks in general, are susceptible to a bit more liberal functionality criterion evaluation.¹⁰⁶

However, it may be added that the parameters of the application of the functionality rule to the trade marks consisting of packaging are evolving in spite of the clarification provided by the U.S. Courts of Appeal for the Federal Circuit addressed above and may differ, depending on jurisdiction in which the party finds itself. Companies looking for the protection of the packaging of their product as those looking for stripping off such form of protection from their competitors need to be cognizant of these varying standards and their applications.¹⁰⁷

3.6 Shape and functionality

It is to be noted that the shape trade mark functionality rule closely relates with the one applied to the trade mark in packaging, where the standard Inwood and Traffix device formulas equally apply.

The last developments of how functionality rule is to be applied to the shape trade marks may well be tracked in *Disc Golf Association, Inc. v. Champion Discs, Inc*¹⁰⁸. This recent case emerged from the lawsuit initiated

¹⁰⁴ *In re Morton Norwich Products, Inc* 213 (1982)

¹⁰⁵ *Ibid.* at 1117

¹⁰⁶ www.pillsburywinthorp.com Conclusions

¹⁰⁷ *Ibid.*, Recommendations.

¹⁰⁸ *Disc Golf Association, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002 (9th Cir. 1998)
http://library.lp.findlaw.com/articles/file/00051/000830/title/subject/topic/intellectual%20property%20law_other/filename/intellectualpropertylaw_1_324

by Disc Golf Association (DGA) against Champion Discs (Champion) alleging shape trade mark infringement, where the Ninth Circuit affirmed the district court's finding that the plaintiff's design of a disc golf target shape was functional.

The case rose from the fact that both DGA and Champion manufactured disc entrapment devices serving as targets for the disc and constituted "holes" on a disc golf course, used in the game of disc golf, played throughout the United States and abroad, where the Professional Disc Golf Association establishes the technical specifications for disc golf equipment, including targets.

In the mid 1970s, the DGA invented the "disc pole holle", a disc golf target which contained hanging chains that formed a parabolic shape. The invention was granted a patent protection and, as a result, the company became a dominant manufacturer of disc golf targets on the market. Once the patent expired in 1994, Champion, DGA's ultimate competitor on the relevant market, began marketing the device called the "Dispatcher Pro", a disc golf target employing a parabolic shape developed by the DGA.

Shortly thereafter, DGA filed suit against Champion under the Lanham Act, asserting violation of its trade mark exclusively consisting of the parabolic shape of the device employed by its competitors. The US district court making the decision on the case, stated that the shape claimed for the trade mark protection is functional and on this ground declared that the trade mark protection claim is null and void.

On appeal, the federal court confirmed the district court position and gave a valuable insight into the functionality rule applicable to the shape trade marks.

In its analysis of the functional features of the trade mark claimed by the DGA for the protection against infringement, the Ninth Circuit considered whether the shape yields a utilitarian advantage; whether alternative designs are available; whether the particular design results from a comparatively simple or inexpensive method of manufacture. In its assessment of functionality of the shape the factors were weighed collectively.

As a result of such assessment, first off, the court held that the existence of a utility patent, even if it has expired, is weighty evidence of functionality itself, provided that the disclosure of the configuration in question is not merely incidental.

Secondly, evaluating the "utilitarian advantage" of the parabolic shape of the product claimed for the trade mark protection, the Court held that a product feature need only have some utilitarian advantage to be considered

functional not that the product feature must provide superior utilitarian advantages. In its decision the Court emphasized that there is no such a double standard which can allow a claim that shape is functionally advantageous in order to obtain utility patent and at the same time is non-functional for the purpose of trade mark protection.¹⁰⁹

As to other elements of the functionality test, the Court reiterated that the "availability of alternative designs" element must be more than theoretical or speculative; it must be commercially feasible. The Court also held that in the failure of the plaintiff to offer evidence that the cost of manufacturing of the alternative designs are equal to the expenses incurred to manufacturing the present shape supported a finding of its functionality.

The outcome of the case specially supports the assumption that shape protectable under the provisions of the patent law is precluded to acquire a trade mark protection by means of application a functionality ground and no exceptional circumstances such as secondary meaning acquired by the feature through the long time existence of the product on the market can ever become an argument.

While discussing the functionality issue relating with the shape trade marks, *Traffix Devices Inc v. Marketing Displays¹¹⁰ Inc* case significant for understanding the notion of functionality must be taken into account.

It has particularly contributed on the expansion of the utilitarian functionality concept and included non-reputation-related commercial success of the product attributable to its particular feature under the functionality notion.

Hence, with regard to the shape trade marks, it may be concluded that both utilitarian and aesthetic functionality doctrines are applicable. The only possible exclusion of functionality rule application acceptable is an existence of the commercially feasible alternatives available on the market which may provide the same technical result at the equivalent cost.¹¹¹

3.7 Brief Summery

Any utilitarian (technical) features having an impact on the use, purpose, quality or cost of the product, as well as aesthetic features generally defined as features exclusive use of which in a particular product secures its manufacturer a non-reputation-related commercial success of the product are to be deemed functional.

¹⁰⁹ Ibid. at 1018 (Gray Cary Ware &Freidenrich")

¹¹⁰ *Traffix Devices Inc. v. Martketing Displays Co.* (99-1571) 532 U.S.(2001)

¹¹¹ www.pillsburywinthorp.com Conclusions

The judicial application of the functionality rule to the traditional trade marks such as shape and packaging makes clear that functionality rule being universal in its application is yet not being applied in a universal way. While the court practice upholds the traditional functionality rule, the last developments in litigation practice indicate that there is a substantial difference between de facto functional features of the shape and packaging trade marks and their de jura functionality. The borderline here becomes an existence on the market of the commercially feasible alternatives achieving the same result at an equivalent cost.

It is also possible that the court will recognize functional per se any feature of the product claimed for the trade mark protection which has previously been a subject to the patent protection.

Discussing functionality of non-traditional trade marks, attention is to be paid to the notion of functionality applied to the color and sound marks. Functionality rule applied to the color includes both utilitarian (technical) functionality and the aesthetic features of the color recognized as functional. Functionality also exists if the design or color is so superior to available alternatives that competition would be hindered by giving its first user an exclusive right¹¹².

As it was demonstrated in Harley Davidson case, sound, however, is deemed functional only on the basis of the utilitarian functionality doctrine, i.e. if the sound is a result of the use or purpose of the product.

3.8 Trademark challenge on the ground of its functionality

To conclude trade mark functionality discussion it is of great importance to address the issue of the possible challenge of the mark on the ground of its functionality under the US trade mark law.

Until recently, first users of the functional features were able to attain exclusive rights indefinitely through incontestable status of the trade mark gained under the Lanham Act after a 5-year term since the first registration of the mark.

However, the 1998 enactment of the Trademark Law Treaty Implementation Act brought about corrections to specifically prevent future protection of functional features through trademark law. The provided in the Trademark Law Treaty Implementation Act revisions profoundly reinstated the critical balance between patent and trade mark law by expressly adding functionality

¹¹² Frawley, Alfred C. "True Colors", American Journalism Review, Vol. 21, September 1999.

as a ground for defense against infringement and cancellation of incontestable trade mark registration for wholly functional features.¹¹³

Thus, the knowledge on the functionality rule and its application becomes a useful tool in the arms of the competitors aiming to challenge the exclusive use of certain features bearing either technical or commercial non-reputation- based advantages of the product covered by the US trade mark law protection.

¹¹³ Maury Audet "Functionality Unanimously Tumps, Incontestability adter Trademark Law Treaty Act" The U.S Journal of Law and Technology, 2000, p. 2-4

4 An Economic Perspective on Trademark Law and Functionality doctrine

Economists of many persuasions would agree that trade mark law is a form of government intervention which is likely to increase the welfare of society and which is also supposed to reflect needs and interests of the economy and its active players¹¹⁴. Thus, to evaluate the economic rationale and public benefits that trademark functionality doctrine bears, it is of importance to consider how the doctrine adopted both in European and American law goes along with the existing economic theories.

According to the "maximizing-benefit" theory accepted in economics and strategic management, nowadays¹¹⁵, the ultimate goal of the successful economic player on the market is to eliminate its possible competitors and to approach to the monopolistically dominant position on the market as close as the checks- and- balances of the market itself or government interventions existing on the market may allow.¹¹⁶The particular strategy to achieve this result may vary from case to case and depends on the individual market strategy adopted by the company on its relevant market.¹¹⁷

The economic analysis estimates that one of the ways to gain a share of the market and to exclude efficiently any other competitors from the market is to use particular competitive advantages provided by the intellectually property rights system.

Economists assume that under certain conditions the owner of the intellectual property rights may even gain legitimately justified economic monopoly.¹¹⁸

¹¹⁴ Peter Gorran. An economic perspective on Trademark Law The US Journal of Law and Technology, 1998

¹¹⁵ Besen, Stenly M, Raskind, Leo J "An Introduction to the Law and Economics of the Intellectual Property", Journal of Economic Perspectives, vol. 5, 1991.p.17

¹¹⁶ Scott M. Davis. Driving Profitable Growth Through Your Brands. Brand Asset Management. Jossey-Bass. A Wiley Company San Francisco.2000, p.117

¹¹⁷ Ibid. at p. 130

¹¹⁸ Kitch, Edmund W "Elementary and Persistent Errors in the Economic Analysis of Intellectual Property", Vanderbilt Law Review, p 1729, vol. 53:6:527

Not a monopoly in the sense of an exclusive right- an intellectual property right as one of the property rights which enables the owner to exclude others from the use of the subject matter of the right- but a monopoly in the sense that the owner of the intellectual property rights is literally protected from any competition and able to sell into the market with a downward sloping demand curve.¹¹⁹

This assumption is most commonly made in connection with patents. Patents, which confer the exclusive right to make, use or sell the invention covered by the claim of the patent, are in intellectual property rights most plausibly characterized as a monopoly. This is particularly true if the claims cover all of economically relevant markets, i.e. there is no alternative way for competitors to provide the same economic functionality to their customers without infringing the claims.¹²⁰

In case of the patent protection, the achievement by the company its monopolistic positions on the market is justified by the considerations of a temporary nature of a monopoly and its public good. Specifically, monopoly on the results of the invention gives to the inventor an incentive to create relying on the justified exclusive benefits from its invention.¹²¹

On the other hand, trademarks, protecting the exclusive right to commercial identity, are more difficult to characterize as a monopoly, since the ability of a firm to identify itself would seem to be an essential prerequisite for competition rather than its limitation.

Trade mark as a part of the intellectual property rights law is an essential guarantee for the protection of the distinguishing reputation-related signs of the company.¹²²

Not only does it aim at protecting the company's reputation, accommodated in the goodwill of the trade sign, but also it protects the consumers on the market from the potential risk taking.

As often, consumer buying the product often relies on the brand and the reputation of its manufacturer rather than the characteristics of the product itself.¹²³

¹¹⁹ Ibid. p.1729

¹²⁰ Perlman S. Harvey "Taking the Protection Tradeoff Seriously", American Intellectual Property Rights Journal, 2001.

¹²¹ Mazzoleni, Roberto, Nelson, Richard "Economic theories about the benefits and costs of patents", Journal of Economic Issues, Vol.32, 1998.

¹²² Ellwood Iain "The essential brand book. Over 100 techniques to increase brand value", Kogan Page 2000, p.185

¹²³ Ibid. p.220

Another important economic characteristic of the trade mark protection is its product-life longevity. Trade mark lasts in perpetuity, subject to the renewal fees and grants a company monopoly on the exclusive use of its trade sign and its own identification. It is also clear that trade mark monopoly may only comprise ¹²⁴ reputation-related features of the product, leaving all technical functional embellishments into the patent law competence.

Through the economic analysis conducted above, it is easy to understand why the functionality doctrine issue, developed both in European and American trade mark law became a subject of the detailed discussion in this paper.

To put it simply, developed in the trade mark law functionality doctrine secures that no functional features of the product can ever gain trademark monopoly intended to cover reputation-related distinguishing features of the product.¹²⁵

Thus, the main economic function of the functionality doctrine is to find a balance between right to protection and right to the market access owned by any economic entity undertaking its entrepreneurial activities on the market.¹²⁶

On the basis of all stated above, it may be concluded that there are several economic factors underlying the legal notion of "functionality" bar found both in the European and American trademark law and doctrine.

First of all, it is accommodation to the important principle of free competition and that there is only one legal source of exclusive rights in utilitarian features-utility patent, which constitutes de jure temporary monopoly on the feature.¹²⁷

Second of all, functionality doctrine is aiming at preserving free and effective competition by insuring that competitors can copy features they need to compete efficiently.¹²⁸

¹²⁴ Perlman S. Harvey "Taking the Protection Tradeoff Seriously", American Intellectual Property Rights Journal, 2001.

¹²⁵ Kitch, Edmund W "Elementary and Persistent Errors in the Economic Analysis of Intellectual Property", Vanderbilt Law Review, p 1733vol. 53:6:527

¹²⁶ Perlman S. Harvey "Taking the Protection Tradeoff Seriously", American Intellectual Property Rights Journal, 2001.p 6

¹²⁷ Howell, Dorothy J."Intellectual Properties and the Protection of Fictional Characteristics Copyright, Trademark or Unfair Competition?", Quorum Books, New York · Westport, Connecticut · London 1990. p.230

¹²⁸ Ibid. p.230

By its economic essence and legal nature, the trademark law is interested in precluding any protection to the functional features of the product in order to provide the reputation-related competitive advantage to the owner of the mark.

5 Conclusion

5.1 The Essence

The paper was intended to explore the last legal developments in the European trade mark law and, particularly, to address the problem to what extent the functional features of the product may be entitled to the trade mark protection.

The last developments in the European trademark law indicate that the European Intellectual Property Rights system in general has a need to designate how the different mechanisms of the intellectual property rights protection operate. There is also a need to draw the borderlines between the different regimes of the intellectual property rights protection.

The concept of the functional features recently created in the European trademark law is deemed to become such a borderline mechanism.

First and foremost, the concept secures that limited in time patent protection will not be extended forever by means of the trade mark law once the patent expires.

The last but not least, the concept is to become a guarantee that no patentable feature bearing certain technical function will ever be able to gain a trade mark protection.

5.2 Functional features in the European trademark law.

The European trademark legislation recognizes as functional only those technical characteristics and solutions which are necessary to obtain a certain technical result or give a substantial value to the product.

In its estimation it does not recognize the broad view on the functionality practiced in the American trade mark law stating that any feature “exclusive use of which is possible to put other competitors on the market in non-reputation-related disadvantage” is functional per se.

The adopted ban on trade mark protection for the technical features and solutions in Europe is limited in its application to the shape and packaging trade marks only.

The ban on the protection of the functional features is rigid and absolute. Article 7(1)(e)(ii)(iii) of the Trade Mark Regulation states that shape of the product which “is necessary to obtain a technical result or gives a substantial value to the goods” can never obtain the trade mark protection irrespective of secondary meaning which it might acquire.

The recent court practice brought some light on a few questionable issues relating with the shape and packaging trade mark functionality.

Thus, it was defined that the functional features should be indispensable to achievement of a certain technical result and be directly connected with the ultimate use, purpose and the cost of the product.

In “Philishave” decision, the ECJ established the methodology employed by the Court later in its recent decision in *Linde AG (C-53/01)*, *Winward Industries Inc.(C-54/01)* and *Rado Uhren AG (C-55/01)*, which defines the absolute ban on the trade mark protection for the functional shape even if the functional shape has the commercially feasible alternatives available on the market capable of achieving the same technical result at an equivalent cost.

It was also recognized that the possibility of application of the “middle-side test” aiming to scale the “degree-of-distinctiveness v .degree-of-functionality” applied by some of the national authorities of the Member States in order to evaluate the functionality of the shape or packaging trade mark cannot be justified.

In light of all stated above, it must be concluded that the functionality problem addressed in LEGO case which gave a rise to this paper is not likely to have any alternative solutions other than to declare the shape of the LEGO cube functional and as such not entitled to the Community Trade Mark protection. It may also be concluded that the other cases addressing the same problem in the same context are likely to be resolved in favour of the trade mark infringer as no justification capable of outweighing the functionality ground can be accepted.

However, it can hardly be expected that all shapes which are functional to a certain extent will be absolutely barred from the trademark registration in the future. It is of great importance to know to what extent the general principle on which the absolute exclusion clause is found can or must be taken into account in a case where a shape is capable of attracting protection as a matter of principle.

The European Court of Justice in its practice clarified that functional can be considered only that shape and packaging which owns certain functional embellishment.

As well it was recognized that the basic shape and packaging of the product being “de facto” functional but not owning any capricious functional features are not perceived as being “de jura” functional.

However, multiple questions concerning the application and interpretation of the “functional features concept” in Europe stay. It is still unclear how high the threshold of its application should be and what the possible legal definition of the “technical result” aimed to achieve by the shape or packaging claiming for the trade mark protection is.

However, the analysis conducted in this paper allow to conclude that shape or packaging bearing any functional features making it qualified as functional is becoming automatically excluded from the European trademark law protection. The same is applied to the product configurations some features of which have been a recent subject to the patent protection.

5.3 “Functionality doctrine” in the American trade mark law

The previous significance of the accepted in the U.S. judicial concept of functionality has been particularly increased with the adoption of the Trade Mark Treaty Implementation Act defining functionality as an absolute ground for challenge the incontestable marks.

While looking at the functionality concept adopted in the U. S. law, it is important to notice a broad and universal application of the functionality rule.

In the U.S. trade mark law functionality criterion is applied both to the traditional trade signs, such as shape and packaging, and to the non-traditional signs, such as colour schemes and as the recent case law demonstrated- trade marks in sound.

American doctrine of the functionality in its application expands on the meaning of the technical (utilitarian) functionality rule accepted in the European trade mark law.

It considers to be functional not only the functional embellishments of the trade sign, but any feature” exclusive use of which provides a product with non-reputation-related advantage and excludes other competitors from the efficient competition on the relevant market.”

Functionality concept in the American trade mark law, being broadly formulated, is also characterised by an extremely broad interpretation.

For instance, colour sign may be deemed functional if it facilitates to achieve a certain aesthetic result making the product of special appeal to the consumers. Colour signs can be recognized as functional per se if the choice of the particular colour for the product was predetermined by the implicit technical characteristic of the colour. Sometimes, court in its functionality analysis adopt interdisciplinary approach taking into consideration

technical, aesthetic and even pure psychological functions that particular trade sign may own.

Though being universally applicable and very broadly interpreted, the functionality concept adopted in the U.S trade mark law is fairly flexible. Particularly flexible is its application to the traditional trade signs such as shape and packaging.

As it was recognized in the findings of the U.S. Court of Appeals, the shape and packaging of the product which are “de facto” functional will be recognized as functional “de jura” only if it is one of the superior designs and no commercially feasible alternatives are available on the market.

Thus it may be concluded that the American trade mark law functionality doctrine may be viewed as universal and very flexible instrument well adapted to the competitive environment of the market economy.

5.4 Possible Developments

The comparative approach adopted in this paper was aiming to give a broader overview on how the functionality rule is applied both in the European and American trademark law.

Considering that functionality doctrine first dates its emergence in the U.S. trade mark law and counts the years of the court interpretations and applications, it is possible to foresee that the “functional features concept” of the European trade mark law in the course of its further practical application will gain more flexibility and universality of its application important for the dynamic operation on the Common market.

Meanwhile, the European functionality rule is that line defining the borders between temporary monopoly of the patent rights protection and de facto permanent exclusive property rights on the reputation-related features of the product.

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