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Registering patented subject matter as trademarks- a competition concern or allowed use of intellectual property law?

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## **Preface**

As no man is an island, I would not have been able to do it without the people around me.

Firstly, for his ever-enthusiastic e-mails with exclamation marks and his constant belief in me and my subject, I would like to thank my supervisor Ulf Maunsbach.

Secondly, for the scholarship that helped fund my studies during my second year in Lund, I would like to extend my gratitude to the Estonian Students Fund in USA.

Last but most definitely not the least, I would like to say a huge thank you to my friends and family. To my friends, both in Estonia, in Sweden and wherever the world you are now – an immense thank you for the love, support and cat pictures you provided me with. To my family, I am me because of you. Thank you for being there for me.

Kati Pino, June 2015.

## **Abbreviations**

AG – Advocate General

EU – European Union

ECJ – European Court of Justice

EPC – European Patent Convention

EPO – European Patent Office

GC – General Court

IPR – intellectual property right

TFEU – Treaty on the Functioning of the European Union

TRIPS Agreement – Agreement on Trade-Related Aspects of Intellectual Property Rights

# 1. Introduction

"One man's patent is another man's anticompetitive practice" was submitted by Peter Jennings to the intellectual property blog IP Kat's contest of intellectual property proverbs.<sup>1</sup> Even though this was done jokingly and not in a professional capacity, there is some truth in the proverb's paraphrasing. The relationship between intellectual property and competition law has been complex and is ever complicating due to fact that the scope of intellectual property is widening.

The starting point of the thesis is the well-known fact that competition law and intellectual property law have the same objectives. Mario Monti, the European Commissioner for competition policy, stressed that competition policy is looking to enlarge consumer welfare and to encourage innovation in his 2004 speech.<sup>2</sup> However, the methods used by the systems are rather different. Whilst intellectual property law encourages monopolies, competition law is looking to curtail them and pose limits to the extent of market power the players are able to use.

This thesis is focused on the overlap between patents and trademarks and the possible implications this has on the competition.

## 1.1. Purpose

The purpose of the thesis is to analyse if there is a possibility to register once patent-protected technology with a trademark and where such a possibility would stem from. Furthermore, the thesis aims to analyse if such a registration in itself can give rise to competition concerns or if the use of a trademark that comprises of an essentially patent-protected matter amounts to a competition law infringement.

## 1.2. Method and material

This thesis focuses on the overlap between patent and trademark law and if such overlaps can constitute competition law violations. Thus, the thesis touches upon trademark and competition law from the European perspective.

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<sup>1</sup> Jeremy Phillips, IP proverbs competition: the winner! (IPKat, 17.01.2010) available at <http://ipkitten.blogspot.com/2010/01/ip-proverbs-competition-winner.html> (28.04.2015).

<sup>2</sup> Mario Monti, The New EU Policy on Technology Transfer Agreements (Speech held at Ecole des Mines, Paris, 16.01.2004) available at: [http://europa.eu/rapid/press-release\\_SPEECH-04-19\\_en.htm?locale=en](http://europa.eu/rapid/press-release_SPEECH-04-19_en.htm?locale=en) (28.04.2015).

This thesis uses a traditional (dogmatic) method to interpret and systemize the relevant sources of law and legal doctrine. The analysis is carried out firstly to establish the present legal framework, including references to relevant case-law.

After concluding on the legislative framework, the analysis turns to the relevant case law. On 25 November 2014, the GC delivered its judgement in *Simba Toys*<sup>3</sup>, concerning the registrability of the Rubik's Cube, in which the GC reached a contrary conclusion than in the now-famous *Lego*<sup>4</sup> and *Philips*<sup>5</sup> cases. The case law analysis focuses on the question if the *Simba Toys* ruling allows for a wider possibility of overlap. Lastly, the very recent *Yoshida*<sup>6</sup> case is presented and the possible effects of this case on the *Simba Toys* outcome are explored.

Secondly, the possible competition law infringements the possibility to register patent-protected subject matter as trademarks raises, are analysed. To carry out the analysis about the possible competition concerns, the dichotomies and theories prevalent in competition law are presented. The relevant case law from the ECJ, the legislative materials, articles and competition law textbooks are used to conduct the analysis.

Since the ECJ has established a dichotomy between the exercise and the existence of IPR:s, first, the possibility of the registration in itself constituting a competition law violation is explored. Later, the use of the trademark amounting to a competition law infringement is analysed. Since competition law provisions are vague, the ECJ's case law and the definitions established therein are used to conduct the analysis. The different concepts of competition law are further explained by the definitions offered by textbooks.

The questions the thesis is looking to answer concern both the overlap and the competition law infringement possibilities. The first question to be answered is the possible implications holding up the *Simba Toys* ruling has. Will upholding the ruling mean a wider possibility for an overlap? The research questions for the second part of the thesis concerning competition law are concerned with the possibility of the registration of a patent-protected subject-matter constituting an infringement. Firstly,

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<sup>3</sup> Case T-450/09 *Simba Toys v OHIM* [General Court, 25 November 2014].

<sup>4</sup> Case C-48/09 P *Lego Juris v OHIM* [2010] ECR I-08403.

<sup>5</sup> Case C-299/99 *Philips* [2002] ECR I-05475.

<sup>6</sup> Joined Cases T-331/10 RENV and T-416/10 RENV *Yoshida Metal Industry v OHIM* [General Court, 21 May 2015].

is the dichotomy between the existence and exercise of IPR:s meaningful? Can the registration of patent-protected subject matter as a trademark be a violation of competition law? Does the registration of patented inventions as trademarks lead to the proprietor's infringing behaviour?

### **1.3. Delimitations**

This thesis will only encompass the possibility to register patented subject matter as a trademark. Overlaps with utility model and design registrations are not touched upon. IPR:s are more and more harmonised in the European Union. The overlap between patents and trademarks is chosen due to its non-obviousness which provides for a more interesting analysis. Another factor which contributes to the choice of trademarks and patents is the fact that trademark system is already harmonised and the patents are soon to be harmonised. Even without the European patent, there is the TRIPS Agreement<sup>7</sup> and the European Patent Convention (EPC or Convention)<sup>8</sup> which allow for a common understanding of patent law across Europe. Furthermore, the fact that sets trademarks and patents apart is the central decision making and judicial procedure – the OHIM and the European Patent Office and the soon-to-be Unitary Patent Court.<sup>9</sup> With some reservations, one can talk about a unified understanding of patent law.

The possible competition law infringements are only explored from article 102 TFEU perspective.<sup>10</sup> TFEU presents three main possibilities of distorting competition. Article 101 TFEU is concerned with multilateral agreements which distort competition.<sup>11</sup> The possible agreements the proprietor concludes are not in the scope of this thesis. Article 106 TFEU prohibits the disruption of competition by the State<sup>12</sup>. Since the thesis is not concerned with the intervention of the state, these possible infringements are not explored.

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<sup>7</sup> Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement).

<sup>8</sup> European Patent Convention (EPC).

<sup>9</sup> The Unified Patent Court will be established on the basis of the Agreement on the Unified Patent Court (draft available at <http://www.unified-patent-court.org/images/documents/upc-agreement.pdf> (24.05.2015)).

<sup>10</sup> Article 102 of the Treaty on the Functioning of the European Union [TFEU] Consolidated Version (OJ 2012 C 326/88102).

<sup>11</sup> TFEU (n 10) art 101.

<sup>12</sup> TFEU (n 10) art 106.



Mergers as a possible threat to competition are not explicitly mentioned in the TFEU. However, article 3 of the TFEU prescribes the possibility to rules which enable to guarantee effective competition. Mergers are regulated in the Merger Regulation<sup>13</sup> but are not analysed in this thesis due to the fact that mergers require multilateral conduct.

The unfair competition can also be seen from a consumer's perspective. This thesis is not concerned with the meaning of fair competition from a consumer's point of view. The consumer perspective is mostly concerned with confusing the consumer and the consumer's suffering, however, the abuses which are deemed to be detrimental to the competition are in the end detrimental to the consumer as well. Furthermore, the basis of unfair competition from the consumer's perspective is the confusion but the registration of the patented subject-matter as a trademark does not lead to confusion. On the contrary, the registration guarantees that the products are from the same origin. However, the consumer perspective should not be disregarded as a whole but is simply not addressed in this thesis.

#### **1.4. Outline**

The thesis proceeds as follows. The first part of the thesis analyses if and to what extent there is an overlap in patent and trademark law. Firstly, the legislative framework of trademarks and patents is presented. This cannot be avoided if one wants to grasp where the possibility of such multiple registration lies.

Following that, the relevant case law of the ECJ is presented and analysed. The case law is not excessive and thus every case is presented and analysed in great detail. The analysis encompasses comparison to the existing case law and the possible implications of upholding or overturning the *Simba Toys* decision on appeal.

The second part of the thesis turns to competition law. Competition law infringements are interesting to explore since the ECJ has held that in case of registering functional shapes, the effective competition is impaired.<sup>14</sup> If the legislation allows for a registration possibility, it is likely that registration of a patented subject-matter as a trademark occurs in practice as well. First, the overall framework and the theories

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<sup>13</sup> Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (OJ L 024 , 29/01/2004).

<sup>14</sup> C-299/99 (n 5), para 79.

about competition law infringements are presented. Later the analysis turns to whether the registration in itself constitutes abuse of a dominant position or if the conduct of the proprietor amounts to a violation. Finally, the conclusions are presented and the main findings are summarized.

## **2. Theoretical and practical possibility of registering patented subject matter as a trademark**

### **2.1. Legislative framework**

The EU has established a system of Community<sup>15</sup> trademarks and central governance thereof by the Trademark Regulation.<sup>16</sup> Trademark legislation in the Member States is also harmonized by the Trademark Directive.<sup>17</sup> Furthermore, the EU is also a signatory to the TRIPS Agreement,<sup>18</sup> thus the provisions of this agreement also apply.<sup>19</sup> Besides the EU, all the Member States of the Union are also signatories to the TRIPS agreement, most of them having ratified the TRIPS Agreement before joining the Union.

When it comes to patents, the legislative framework is not as clear. The EU has tried during almost all of its existence to create a unified patent system. This has been met by many hurdles and has eventually led to moving away from the harmonisation into a voluntary system.<sup>20</sup> The EU has established a unitary patent system by enacting two regulations and concluding an international agreement among Member States setting up a single and specialised patent jurisdiction.<sup>21</sup>

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<sup>15</sup> After coming into force of the Lisbon Treaty, the system should be called a Union system (author's note).

<sup>16</sup> Council Regulation (EC) no 207/2009 of 26 February 2009 on the Community trade mark OJ L 78/1 (Trademark Regulation).

<sup>17</sup> Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade mark OJ L 299/5 (Trademark Directive).

<sup>18</sup> List of signatories to the TRIPS Agreement, available at [http://www.wipo.int/wipolex/en/other\\_treaties/parties.jsp?treaty\\_id=231&group\\_id=22](http://www.wipo.int/wipolex/en/other_treaties/parties.jsp?treaty_id=231&group_id=22) (28.04.2015)

<sup>19</sup> List of signatories to the TRIPS Agreement (n 18).

<sup>20</sup> Hanns Ullrich, Harmonizing Patent Law: The Untamable Union Patent (Harmonisation of european IP law: from European rules to Belgian law and practice, M.-Chr. Janssens, G. Van Overwalle, eds., Brussels (Bruylant) 2012, Forthcoming; Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 12-03), available at SSRN: <http://ssrn.com/abstract=2027920>, pg 5-8, 18.

<sup>21</sup> The system comprises of Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection (OJ L 361), Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard

However, the unitary patent system is not in force yet since not enough Member States have ratified the agreement, only six countries having done so this far. Furthermore, for the unitary patent system to enter into force, France, Germany and the UK need to be among the ones who have ratified the agreement. Thus far only France has done so.<sup>22</sup> Consequentially, it might take a lot of time before the system enters into force. Additionally, joining the system is voluntary, so some Member States might not join the system at all. Hence, there might not be a European patent with unitary effect in the end.

Furthermore, establishing the system has met opposition from the ECJ. The ECJ gave an opinion declaring the Unified Patent Court incompatible with EU law.<sup>23</sup> In accordance with article 218 TFEU, this will have to lead to amending the agreement.

One of the strongest opponents to the system has been Spain, which has filed an action of annulment for both of the regulations. The AG opinions in both cases do not see a reason to declare the regulations invalid.<sup>24</sup> ECJ followed the AG's opinion so Spain, the fiercest fighter against the unified patent system, has exhausted all their options.<sup>25</sup> Furthermore, after the ECJ had declared the regulations compatible with EU law, Italy has been said to contemplate joining the system as well, despite their initial reluctance.<sup>26</sup>

There have been other attempts by the EU to enforce common patent law but these have been to no avail.<sup>27</sup> Concluding, it can be said that there is no EU patent legislation in force but this does not mean that there is no unity in the field of patent law.

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to the applicable translation arrangements (OJ L 361) and the Agreement on a Unified Patent Court (draft available at <http://www.unified-patent-court.org/images/documents/upc-agreement.pdf> (04.05.2015).

<sup>22</sup> List of the Member States and their ratification: <http://www.consilium.europa.eu/en/documents-publications/agreements-conventions/agreement/?aid=2013001> (28.04.2015)

<sup>23</sup> Opinion of the Court (Full Court) 1/09 [2011] ECR I-01137

<sup>24</sup> Case C-146/13 Spain v Parliament and Council [n.y.r], Opinion of AG Bot and Case C-147/13 Spain v Council [n.y.r], Opinion of AG Bot.

<sup>25</sup> See: Case C-146/13 Spain v Parliament and Council [n.y.r] and Case C-147/13 Spain v Council [n.y.r].

<sup>26</sup> See: "Italy wants to join the Unitary Patent" (Kluwer Patent Blog, 14.05.2015) available at: <http://kluwerpatentblog.com/2015/05/14/italy-wants-to-join-the-unitary-patent/> (19.05.2015) and Jeremy Phillips "After Spain loses, Italy falls into line: unitary patent package edges closer" (IPKat, 15.05.2015), available at: <http://ipkitten.blogspot.com/2015/05/after-spain-loses-italy-falls-into-line.html> (19.05.2015).

<sup>27</sup> Proposal for a Directive of the European Parliament and of the Council on the patentability of computer-implemented inventions (Commission proposal COM(2002) 92) OJ C 151E.

The TRIPS Agreement includes provisions on all types of IPR:s, including patents, thus one could even say that since the EU is a signatory, there is no need for EU patent law since a common basis for national patent law already exists. It must be noted, though, that the TRIPS Agreement leaves quite a lot of discretion to the signatories. Thus, even though the TRIPS Agreement is the same in every signatory state, the patent law does not necessarily need to be.

In addition to the TRIPS Agreement, there is the European Patent Convention (EPC or Convention).<sup>28</sup> The EU is not a signatory to the Convention but all the EU Member States are, most of them having joined the Convention before or simultaneously with joining the EU.<sup>29</sup> Since the EPC is a lot more detailed than the TRIPS Agreement, this could be compared with the Trademark Regulation, allowing for a common understanding of patent law. The fact that the EU Member States are signatories to both, the TRIPS Agreement and the EPC also means that they are deprived of some of the discretion awarded by the TRIPS Agreement.

However, there is still no equivalent to the Community trademark in the field of patents. The EPC provides for a bundle of rights in countries in which the patent owner wishes to protect the invention. This could mean all countries of the EU but the substance of the rights is still up for national law to furnish.<sup>30</sup>

In conclusion, there is not a unified European patent law just yet. Considering that all the Member States are signatories to the TRIPS and EPC and the possibility of actually establishing a European Patent, there still needs to be a common understanding of patent law and thus, the comparison can be conducted from a European perspective. Since the harmonisation provided for by the EPC can be compared to the one provided for by the Trademark Regulation which in turn has essentially the same scope as the Trademark Directive, references are made to these rules throughout most of the comparison.

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<sup>28</sup> EPC (n 8).

<sup>29</sup> Member states of the European Patent Organisation, available at <http://www.epo.org/about-us/organisation/member-states.html> (04.05.2015).

<sup>30</sup> Ullrich (n 20), pg 5-8.

### 2.1.1. Protectable subject matter

According to the TRIPS agreement article 15(1), any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. The article lists words including personal names, letters, numerals, figurative elements and combinations of colours and any combination of the aforementioned as eligible for trademark registration.<sup>31</sup> The Trademark Directive article 2 and Trademark Regulation article 4 add to the list by explicitly mentioning designs, the shape of goods or their packaging.<sup>32</sup>

The TRIPS Agreement article 27(1) sets the conditions for patentable subject matter. Accordingly, patents are available for any inventions, whether for products or processes, in all fields of technology, provided that they are new, involve an inventive step and are capable of industrial application. The Convention article 52(1) has the same wording. Both definitions of protectable subject matter are rather broad so it is not possible to draw any conclusions from just these provisions.

When it comes to the overlap, the TRIPS Agreement does not exclude shapes essentially dictated by their function from trademark protection, which is a bit surprising. Therefore, functional shapes which are distinctive, new, inventive and capable of industrial application could benefit from the double protection of trademark and patent laws under the TRIPS Agreement.<sup>33</sup> The Trademark Directive and the Trademark Regulation both allow overlaps and the EPC does not take a stand on the possible overlaps. Thus, the overlap is possible.<sup>34</sup>

Both patent and trademark legislation lay down some boundaries as to how far the protectable subject matter reaches. The TRIPS Agreement articles 27(2) and 27(3) give the signatory states the possibility to exclude some categories of inventions from being patented but does not prescribe anything to be definitely excluded. The EPC article 52(2) excludes discoveries, scientific theories and mathematical methods, aesthetic creations, schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers and presentations of

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<sup>31</sup> TRIPS Agreement (n 7), art 15.

<sup>32</sup> Trade Mark Directive (n 17), art 2, Trademark Regulation (n 16) art 4.

<sup>33</sup> Estelle Derclaye, Matthias Leistner, Intellectual Property Overlaps A European Perspective ((Hart Publishing 2011), pg 15.

<sup>34</sup> Derclaye, Leistner (n 33), pg 84.

information from patent protection. These categories are excluded from patent protection since an invention must be of a technical nature and these are not.<sup>35</sup> The EU Member States need to exclude these categories from being patented since they are signatories to both, the TRIPS Agreement and the EPC.

Furthermore, the EPC article 53 does not allow inventions the commercial exploitation of which would be contrary to public order or morality, plant or animal varieties or essentially biological processes for the production of plants or animals and methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body to be patented. The rationale behind these exclusions is that there is a different protection available<sup>36</sup> or that this area should be kept free from patents.<sup>37</sup> Once more, the TRIPS Agreement article 27(3) leaves it in the discretion of the signatory, but, yet again, the EU Member States do not have the discretion.

The Trademark Directive does not enlist any categories of what cannot be protected but protection of public order and morality is also a ground for refusal.<sup>38</sup> The same grounds for refusal are also stated in Trademark Regulation article 7(1)(f). However, the difference between trademark and patent law seems to be that in patent law it is only a proactive evaluation but in trademark law the finding of a mark being against public morality can occur retroactively as well since the Trademark Directive is worded as “shall not be registered or if registered, be declared invalid”.<sup>39</sup> For patents, the legislation excludes the subject matter which is contrary to public morality from being protected but does not foresee a possibility of losing the protection once gained.

I think that the proactive and retroactive invalidation possibilities are intentional. Since the patent applications are scrutinised to a greater extent, all the patents which are contrary to public order or morals, should be detected in the application process. Trademarks, on the other hand, are used over a prolonged period of time, thus they

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<sup>35</sup> Ian Muir, Matthias Brandi-Dohrn, Stephan Gruber, European Patent Law. Law and Procedure under the EPC and PCT 2<sup>nd</sup> edition (Oxford University Press 2002), 12.02.

<sup>36</sup> There is the possibility to cover plant varieties with the protection awarded by the International Union for the Protection of New Varieties of Plants (UPOV) and the general understanding is that if the UPOV is available, a patent should not be. See: Muir, Brandi-Dohm, Gruber (n 35), 12.15

<sup>37</sup> Muir, Brandi-Dohm, Gruber (n 35), 12.22.

<sup>38</sup> Trade Mark Directive (n 17), art 3(1).

<sup>39</sup> Trade Mark Directive (n 17), art 3(1).

might become contrary to public morals or order during their lifespan. This is why I think it is important to have the possibility to declare a trademark invalid on these grounds retroactively as well.

In conclusion, it is clear that there is an overlap in the protectable subject matter. Next, the analysis turns to the registration conditions and the scope of protection awarded.

### **2.1.2. Registration conditions**

The conditions for a patent registration as set forth in the TRIPS Agreement article 27(1) are not numerous. In order to register a patent, article 27(1) TRIPS Agreement list that the invention must be new, involve an inventive step and be capable of industrial application. The EPC article 52(1) sets out the same conditions.

The TRIPS Agreement does not go into detail regarding the conditions but the EPC does provide some definition. Accordingly, an invention is new if it does not form a part of the state of the art.<sup>40</sup> The state of the art comprises of everything made available to the public by means of a written or oral description, by use, or in any other way.<sup>41</sup> The European Patent Office (EPO) has specified that disclosing the information to even one person who does not have to maintain the secrecy of the information, means disclosure to the public and thus losing the possibility to file for a patent.<sup>42</sup> By disclosing the invention, it becomes a part of state of the art and thus incapable of being patented.

Thus, an invention needs to be undisclosed before the patent application. The extent of the novelty and not being state of the art is a case-by-case analysis and this explains why patent applications take a long time to be processed.<sup>43</sup>

Involvement of an inventive step, in the meaning of the EPC means that the invention is not obvious to a person skilled in the art, taking into consideration the state of the art.<sup>44</sup> EPO is using the problem-solution approach to evaluate the involvement of an

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<sup>40</sup> EPC (n 8), art 54(1).

<sup>41</sup> EPC (n 8), art 54(2).

<sup>42</sup> Boards of Appeal of the European Patent Office, Decision T 1081/01 27.09.2004, reasons 5.

<sup>43</sup> According to EPO's FAQ:s, a European patent grant procedure takes about three to five years from the date of filing of the application. See: <http://www.epo.org/service-support/faq/own-file.html#faq-274> (26.05.2015)

<sup>44</sup> EPC (n 8), art 56.

inventive step.<sup>45</sup> The inventive step is a rather subjective criterion and it can be difficult to assess. This is another criterion which prolongs the patent grant procedure.

Lastly, the invention needs to be capable of industrial application, meaning that it must be capable of being made or used in any kind of industry, including agriculture.<sup>46</sup> The EPO has furnished this criterion as meaning that in addition to the possibility to make the invention in some way; it also needs to be used in a profitable way.<sup>47</sup> I think that this is a limitation to the patented subject-matter since it means that not every invention can be patented, only the ones that are useful or have some demand to them, are afforded patent protection.

There is no requirement of novelty in trademark law. On the contrary, the Trademark Directive, the TRIPS Agreement and the Paris Convention<sup>48</sup> foresee a possibility of registering a mark which would not be registered otherwise, to gain protection if it has been used and has fulfilled the otherwise lacking conditions for registration through use.<sup>49</sup> Due to the fact that there is no requirement of novelty for trademarks, a once used but forgotten trademark can be registered again. The same does not hold true for patent protection, this can only be obtained once. However, I admit that novel trademarks might earn protection easier than trademarks which are not that inventive. I am of the opinion that even though the novelty helps in obtaining trademark protection, it is still impossible to call it a requirement.

Another very specific condition to registering a trademark is the ability of being visually perceived. According to article 15(2) of the TRIPS Agreement, trademarks might have the additional condition of being visually perceptible. However, the EU countries are not free in this regard since the Trademark Directive prescribes the necessity of a trademark being graphically represented.<sup>50</sup>

There is no requirement for a patented technology to be visually perceived. This is understandable since it is very difficult, if not impossible to represent a process graphically. However, the EPC does require a degree of disclosure in a manner

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<sup>45</sup> Established in Boards of Appeal of the European Patent Office, Decision T 0024/81 13.10.1982.

<sup>46</sup> EPC (n 8), art 57.

<sup>47</sup> Boards of Appeal of the European Patent Office, Decision T 0870/04 11.05.2005.

<sup>48</sup> Paris Convention for the Protection of Industrial Property of 1883. [Paris Convention].

<sup>49</sup> TRIPS Agreement (n 7), art 16(1).

<sup>50</sup> Trade Mark Directive (n 17), art 2.



sufficiently clear and complete for it to be carried out by a person skilled in the art.<sup>51</sup> The sufficiently clear and complete manner might involve pictures and drawings<sup>52</sup> but there is no definite necessity of visual perception.

Due to the necessity of a trademark being graphically representable, it seems nearly impossible to trademark a process since it is very difficult to represent the process graphically and still end up with a mark and not something that resembles an instruction or a comic strip. Though, I admit that series of images might be protected by trademark. However, to me, it seems uncommon and not very likely to happen to a patented process due to the other conditions set for a trademark to be eligible for registration.

The possibility of protecting a process with a trademark might become a bit more realistic in the future. The requirement of being graphically represented has led to different practices and confusion as to what it means.<sup>53</sup> In the preparatory works for the new Trademark Directive, the requirement of being represented graphically has been replaced by the requirement of being represented in a manner which enables the competent authorities and the public to determine the precise subject of the protection afforded to its proprietor.<sup>54</sup> The exact scope and meaning of the provision is yet to be determined. Most likely, registering olfactory and tactile marks becomes easier. Despite the fact of losing the graphic representation requirement, it is unlikely that processes will be trademarked and the overlap between trademarks and patented subject matter will not widen.

Due to the requirement of graphical representation, the overlap between protectable subject matter in case of trademark and patent law lies mostly in the product patents. I do not find the requirement of being graphically represented to be an obstacle to registering product patents as trademarks. In case of a product patent, the whole

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<sup>51</sup> EPC (n 8), art 83.

<sup>52</sup> William Cornish, David Llewelyn, Tanya Aplin, Intellectual property: patents, copyright, trade marks and allied rights 7<sup>th</sup> edition (Sweet & Maxwell 2013), pg 162.

<sup>53</sup> For example, in the well-known case of “the smell of freshly cut grass”, the OHIM Board held that the description provided for the olfactory mark sought to be registered for tennis balls is appropriate and complies with the graphical representation requirement of Article 4 CTMR.” [OHIM Decision of the Second Board of Appeal, 11.02.1999, in Case R 156/1998-2, para. 14]. However, the ECJ denied trademark protection in *Ralf Sieckmann* despite presenting an odour sample, a description and the chemical formula. [Case C-273/00 *Ralf Sieckmann v. Deutsches Patent- und Markenamt* [2002] ECR I-11737].

<sup>54</sup> Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the member states relating to trade marks (recast) (com/2013/0162 final - 2013/0089 (COD)), art 3.

product, including its shape is protected by the patent. Since shapes of products can be registered as trademarks, this opens up the possibility of multiple registrations.

In case of trademarks, there are no listings what actually will be registered as a trademark, there are just categories which will not be registered as a trademark as set forth in the Trademark Directive. The TRIPS Agreement does not specify any conditions to registrability. The Trademark Directive and the Trademark Regulation on the other hand do.<sup>55</sup> Firstly, signs which cannot constitute a trademark will not be registered.<sup>56</sup> This mostly rules out registering matter protected by a process patent from trademark registration. Secondly, trademarks which are devoid of distinctive character will not be registered.<sup>57</sup> However, the lack of distinctiveness is not an absolute ground for refusal. The ECJ has found on several occasions that the lack of distinctiveness can be overcome by use.<sup>58</sup> I find that the lack of distinctiveness should not be a problem in case of a patent-protected subject matter. Since the patent protection requires novelty and an inventive step, it is highly likely that the distinctiveness criterion is also fulfilled.

Trademarks which consist exclusively of signs and indications about the characteristics of the goods or services and marks which exclusively consist of signs and indications which have become customary in the language will also not be registered.<sup>59</sup> I find this ground for refusal also not applicable since degeneration is mostly a concern for words and words cannot be patented. I do acknowledge that degeneration can also happen for other types of mark but consider it unlikely.

Concerning the shape marks, there is a specific ground for refusal. Trademarks which consist exclusively of the shape which results from the nature of the goods, the shape of goods which is necessary to obtain a technical result and the shape which gives substantial value to the goods, will not be registered.<sup>60</sup> This is the grounds which should exclude patented subject matter from being protected by trademarks. Some authors have found that this provision has almost completely removed the

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<sup>55</sup> Trade Mark Directive (n 17), art 3, Trademark Regulation (n 16) art 7.

<sup>56</sup> Trade Mark Directive (n 17), art 3(1)(a).

<sup>57</sup> Trade Mark Directive (n 17), art 3(1)(b).

<sup>58</sup> See: Joined cases C-217/13 and C-218/13 Oberbank and Others (Third Chamber, 19 June 2014) and Case C-109/97 Windsurfing Chiemsee [1999] ECR I-2779.

<sup>59</sup> Trade Mark Directive (n 17), art 3(1)(c).

<sup>60</sup> Trade Mark Directive (n 17), art 3(1)(e)(i)-(iii).

overlap.<sup>61</sup> However, the keyword is exclusively, meaning that design and artistic elements, also including other elements in the trademark, signifies a possibility for registration. I am of the opinion that since it does not rule out functional shapes completely, there is still an overlap and thus the registration is possible.

Furthermore, trademarks which are of a nature to deceive the public shall also be declined registration.<sup>62</sup> This is due to the purpose of trademarks- to distinguish products from others.<sup>63</sup> This absolute ground for refusal is extremely important from the unfair competition perspective. In conclusion, it can be said that most absolute grounds for refusal to register a trademark do not influence the possibility to register a patent-protected subject matter as a trademark. The most relevant absolute ground for refusal is the non-registrability of shapes which are necessary to obtain a technical result.

### **2.1.3. Requirement of use**

There is no explicit requirement of use for patents; it seems that the only condition to keep the patent is the payment of the renewal fees.<sup>64</sup> However, under certain conditions, the patent can be subject to a compulsory license. Article 31 of the TRIPS Agreement foresees the conditions for compulsory licensing.<sup>65</sup> One of the conditions is that the licensee has not been able to obtain a license under commercial terms.<sup>66</sup> The Paris Convention which all the EU Member States are signatories,<sup>67</sup> prescribes that a compulsory license may not be filed for before four years from the date of filing of the patent application or three years from the date of the grant of the patent have elapsed if the license is filed for on the grounds of not working or insufficient working.<sup>68</sup> Thus, there is an implicit requirement of use. I do not think that in the case of registering patented subject matter as trademarks, the requirement of use is relevant since compulsory licenses are to be granted only under specific conditions, I

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<sup>61</sup> Derclaye, Leistner (n 33), pg 15.

<sup>62</sup> Trade Mark Directive (n 17), art 3(1)(g).

<sup>63</sup> Martin Senftleben, Bringing EU Trademark Protection Back Into Shape – Lessons to Learn From Keyword Advertising (Vrije University Amsterdam), available at <http://www.epip.eu/conferences/epip06/papers/Parallel%20Session%20Papers/SENFTLEBEN%20Martin.pdf>, pg 1.

<sup>64</sup> Cornish, Llewelyn, Aplin (n 52), pg 162.

<sup>65</sup> TRIPS Agreement (n 7), art 31.

<sup>66</sup> TRIPS Agreement (n 7), art 31(b).

<sup>67</sup> List of contracting parties to the Paris Convention, available at [http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty\\_id=2](http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=2) (26.05.2015).

<sup>68</sup> Paris Convention (n 48), art 5(4).

do not see how a patent-protected subject matter which is later trademarked can fulfil these criteria. However, on a general level, I do think that there is a requirement of use, albeit implicit, for patents.

In case of trademarks, the obligation to use the mark is explicit. The TRIPS Agreement does not impose an obligation of use but leaves it up to the signatory parties and establishes it as a possible precondition.<sup>69</sup> Yet again, the Trademark Directive deprives the Member States of the possibility of discretion and establishes that a trademark may be lost if not used. If the trademark is not used during a period of five consecutive years, the trademark can be revoked.<sup>70</sup>

Furthermore, the use of the trademark must be genuine, which, as established by ECJ means that the mark is used in accordance with its essential function, which is to guarantee the identity of the origin of the goods or services for which it is registered, in order to create or preserve an outlet for those goods or services. Genuine use does not include token use for the sole purpose of preserving the rights conferred by the mark.<sup>71</sup> However, licensing and use by licensees does constitute genuine use.<sup>72</sup> The use by the licensees can be considered genuine since the licensees have had to obtain the consent beforehand. Furthermore, the trademark proprietor sets the license conditions and thereby the conditions under which the trademark is used. I am of the opinion that if the trademark owner licenses the mark, they are looking for putting the trademark into use and not just keeping it; otherwise the proprietor would not even look into licensing the mark.

The requirement of use sets trademarks apart from all other types of intellectual property. The requirement of use might be explained by the fact that trademarks are the only intellectual property rights whose validity can be perpetual.<sup>73</sup> The obligation

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<sup>69</sup> TRIPS Agreement (n 7), art 19.

<sup>70</sup> Trade Mark Directive (n 17), arts 10-12.

<sup>71</sup> Case C-40/01 *Ansul* [2003] ECR I-02439, para 43.

<sup>72</sup> Trade Mark Directive (n 17), art 10(2).

<sup>73</sup> In the EU, the copyright duration is capped by the author's lifetime plus an additional 70 years [Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights OJ L 372], patents are protected for 20 years [TRIPS Agreement (n 7), art 33], utility models are protected by national law for the duration of 6 to 10 years [See, for example: Code de la propriété intellectuelle available at <http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006069414> (04.05.2015) Article L611-2(2) (France, provides protection for 6 years), Kasuliku mudeli seadus (Utility Models Act) available at <https://www.riigiteataja.ee/en/eli/523122014001/consolide> (04.05.2015) § 34(1)-(2) (Estonia, provides protection for up to 10 years), design rights are protected for a period up to 25

to use is established to guarantee sufficient availability of trademarks and to avoid unfair monopolies on trademarks. For a patent owner looking to protect the patented subject matter with a trademark, this signifies an obligation to use.

#### **2.1.4. Duration of protection**

The duration of protection differs greatly for trademarks and patents. According to the TRIPS Agreement article 18, a trademark shall have the initial protection of at least seven years and can be prolonged indefinitely; the term of renewal shall also be at least seven years. The duration of patent protection, is, stemming from article 33 of the TRIPS Agreement, at maximum, 20 years, starting from the application's filing date. The EU has adopted regulations which allow for an extra period of protection of five years for medicinal products<sup>74</sup>, plant protection products<sup>75</sup> and medicinal products for paediatric use.<sup>76</sup> Even with the additional protection time, the duration of patent protection is very limited since the protection starts from the filing date and not the date the product actually is made available to the public. Considering the extent of investments needed for a patent, the motivation to seek a form of longer protection is understandable.

#### **2.1.5. Rights conferred**

The general understanding of rights conferred by a trademark is the same in the Trademark Directive and in the TRIPS Agreement: a trademark gives the proprietor the possibility to prevent all third parties from using the trademark in the course of trade.<sup>77</sup> However, the conditions of preventing use differ. According to the TRIPS Agreement, the prevention right only exists in case of identical or similar signs for goods or services which are identical or similar to the ones marketed under the

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years [Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs OJ L 289, article 10].

<sup>74</sup> Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products OJ L 182.

<sup>75</sup> Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products OJ L 198.

<sup>76</sup> Regulation (EC) no 1901/2006 of the European Parliament and of the Council of 12 December 2006 on medicinal products for paediatric use and amending Regulation (EEC) No 1768/92, Directive 2001/20/EC, Directive 2001/83/EC and Regulation (EC) No 726/2004 OJ L 378/1.

<sup>77</sup> Trade Mark Directive (n 17), art 5, TRIPS Agreement (n 7), art 16(1).

trademark where such use would result in a likelihood of confusion.<sup>78</sup> Thus, under the TRIPS Agreement, the trademark proprietor can only prevent similar products from being marketed under a similar sign.

The Trademark Directive is more lenient, allowing for prevention in case of identical signs without the likelihood of confusion and in case of similar signs; the likelihood of confusion needs to be established.<sup>79</sup> Furthermore, the Trademark Directive also leaves it for the Member State to decide if the prevention right stretches to goods or services not identical to the ones the trademark is registered for but if the use tarnishes the reputation of the trademark.<sup>80</sup>

EPC does not specify which rights a patent confers on the owner and only sets forth that in case of a process patent, the protection covers the products directly obtained by it.<sup>81</sup> In the TRIPS Agreement, the essence of the rights conferred is the same; the rights are negative rights. However, the rights depend on if the patent is a product or a process patent. According to the TRIPS Agreement, a product patent confers on its owner the exclusive right to prevent third parties from making, using, offering for sale, selling, or importing for these purposes that product.<sup>82</sup> A process patent gives the right to prevent third parties from using the process, and from using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.<sup>83</sup> According to the Trademark Directive, offering the goods or putting them on the market or stocking them for such purposes under the sign can be prohibited as well as importing and exporting the goods.<sup>84</sup>

The rights conferred by a patent and a trademark are similar in such a way that they are both negative rights. Another similarity between the rights conferred by patents and trademarks is the possibility to license.<sup>85</sup> However, in case of licensing, the decision whether or not to grant a license seems to rest solely with the trademark proprietor since article 21 of the TRIPS Agreement prohibits compulsory licensing of trademarks.<sup>86</sup> The prohibition is justified by the very subject matter of trademarks.

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<sup>78</sup> TRIPS Agreement (n 7), art 16(1).

<sup>79</sup> Trade Mark Directive (n 17), art 5(1).

<sup>80</sup> Trade Mark Directive (n 17), art 5(2).

<sup>81</sup> EPC (n 8), art 64.

<sup>82</sup> TRIPS Agreement (n 7), art 28(1)(a).

<sup>83</sup> TRIPS Agreement (n 7), art 28(1)(b).

<sup>84</sup> Trade Mark Directive (n 17), art 5(3).

<sup>85</sup> TRIPS Agreement (n 7), art 28(2).

<sup>86</sup> TRIPS Agreement (n 7), art 21.

The ability to distinguish one undertaking's products from another's is completely free from public interest, thus there cannot be compulsory licensing.<sup>87</sup> However, one could argue that the compulsory licensing possibility serves the consumer's interests. I think that this point of view finds more support in the situation where the trademark proprietor does not use their trademark and thus a compulsory license is granted. However, if the trademark proprietor uses the trademark, the compulsory licensing would run counter to consumer's interest. It is in the consumer's interest to distinguish one company's products from another's, hence in case of compulsory licensing, there would be a situation where two different companies would use the same mark. This could result in confusion for the consumer. Furthermore, I think that this would lead to the loss of the trademark's essential function of distinguishing the products.

However, the compulsory licensing of trademarks is not completely ruled out. Article 40 of the TRIPS Agreement reserves the States the possibility to specify conditions which constitute abuse of intellectual property. Compulsory licensing of trademarks for the purpose of remedying the abuse of dominant position therefore amounts to an implied exception to the prohibition.<sup>88</sup> I am of the opinion that the exception is more theoretical than practical. The conditions for establishing a compulsory license of a trademark are very exceptional and compulsory licensing of trademarks would be detrimental to the competitive situation and the market overall. Thus, I do not see a compulsory license for trademarks.

The TRIPS Agreement foresees a possibility to grant exceptions from both patent and trademark protection. Article 17 sets forth that a Member State may provide exceptions such as fair use if legitimate interests of the owner and third parties are accounted for. In case of patents, the exceptions must not unreasonably conflict with a normal exploitation of the patent nor prejudice the legitimate interests of the patent owner and taking account of the legitimate interests of third parties.<sup>89</sup> Member State law may also provide for other uses without authorization.<sup>90</sup> Hence, there is a

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<sup>87</sup> Thomas Cottier, Pierre Veron, Concise International and European IP Law. TRIPS, Paris Convention, European Enforcement and Transfer of Technology 3<sup>rd</sup> edition (Kluwer Law International 2014), pg 61.

<sup>88</sup> Cottier, Veron, (n 87), pg 61.

<sup>89</sup> TRIPS Agreement (n 7), art 30.

<sup>90</sup> TRIPS Agreement (n 7), art 31.

possibility of fair use of patents as well. However, I am not aware of any of such exceptions.

### **2.1.6. Concluding remarks**

In conclusion, there is a possibility of overlaps in subject matter in patent law and trademark law. This overlap lies in the possibility to register shapes as trademarks. It has been said that the requirement of non-functionality removes the overlap but I do not share this view. I find that the overlap still exists since it is not absolute – the refusal to register only covers shapes which are necessary for a technical function. The motivation to register patented subject-matter as trademarks lies in the fact that trademark protection can be perpetual whilst patent protection is clearly limited in time and further capped by the fact that patent protection starts from the date of filing the application but the grant procedure can take years. I believe that it is safe to say that the different scopes of trademark and patent protection can be a motivation to seek trademark protection for a patented invention.

### **2.2. The overlap in ECJ's case law**

The possibility of overlaps in trademark and patent law is rather small as the previous analysis showed. It has been claimed that the requirement of a trademark not being functional eliminates the overlap completely.<sup>91</sup> It is also said that a previous patent is practically irrefutable evidence that features therein disclosed or claimed are functional.<sup>92</sup>

Since even the theoretical overlap is rather slim, there is not a vast body of case law on the matter. Despite that, the ECJ has had chances to rule on the issue. The analysis starts with the *Philips* case and continues on to the following *Lego* case. Later the focus is on the recent *Simba Toys* case and its possible outcomes. The *Yoshida* case which differs from the aforementioned in some respect but since the basis of the claim is the functionality of the shape, it is worth of analysis.

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<sup>91</sup> Derclaye, Leistner (n 33), pg 84.

<sup>92</sup> C-48/09 (n 4), para 17.



### 2.2.1. Philips

The first case, where the ECJ had to deal with the subject of trademarking previously patented subject matter, is the *Philips* case.<sup>93</sup> In 1966, Philips developed a new type of three-headed rotary electric shaver. The three-headed rotary shaver was patented as well.<sup>94</sup> In 1985, after the patent protection had elapsed, Philips filed an application to register a trademark consisting of a graphic representation of the shape and configuration of the head of such a shaver, comprising three circular heads with rotating blades in the shape of an equilateral triangle. The required trademark was registered in the United Kingdom on the basis of use under the Trade Marks Act 1938.<sup>95</sup>

In 1995, Remington started marketing three-rotary headed shavers as well and Philips accordingly sued them for trademark infringement. Remington filed a counterclaim, trying to revoke Philips's trademark.<sup>96</sup>

In the first instance, the High Court of Justice of England and Wales allowed the counterclaim and revoked the registered trademark. The revocation was based on the trademark being incapable of distinguishing the goods and being devoid of distinctive character. Additionally, the court held that the mark consisted solely of a shape necessary to obtain a technical result. The court also held that even if the trademark was valid, it would not have been infringed.<sup>97</sup> Philips appealed the decision to the High Court which decided to stay the proceedings and refer preliminary questions to the ECJ. The High Court posed seven questions to the ECJ, but the Court only answered four of them. The questions of interest for this thesis are the second, the third and the fourth questions.

The second question asks if a shape mark is only capable of being registered when it includes an additional element which serves no functional purpose.<sup>98</sup> Philips argued that there is a category of marks that can be shown to have acquired a distinctive

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<sup>93</sup> C-299/99 (n 5).

<sup>94</sup> Simon Chapman, Trade marks for functional shapes: Comment on *Philips v Remington* (C-299/99), (European Intellectual Property Law, the European Legal Forum, issue 5-2002), available at <http://www.simons-law.com/library/pdf/e/332.pdf> (26.05.2015).

<sup>95</sup> C-299/99 (n 5), para 11.

<sup>96</sup> C-299/99 (n 5), paras 12-13.

<sup>97</sup> C-299/99 (n 5), para 14.

<sup>98</sup> C-299/99 (n 5), para 41.

character, but which are nevertheless incapable of distinguishing goods.<sup>99</sup> Remington favoured a more literal reading and contended that if a shape of an article has no additional elements, it consists solely of functional shapes which are not eligible for trademark registration. An additional element, according to Remington, is capable of indicating origin.<sup>100</sup>

The ECJ came up with a somewhat in-between solution. The ECJ stated that the criteria to establish distinctiveness are the same for all types of trademarks.<sup>101</sup> Continuing on from that position, the ECJ concludes that there is no requirement of having additional non-functional elements for shape marks and the shape must simply be capable of carrying out the function of a trademark which is to distinguish the origin of the goods.<sup>102</sup>

I must agree with the ECJ when they decided that the requirements for distinctiveness are the same for all trademarks and did not establish a different test for shape marks. If the ECJ would have decided otherwise, it would have created a hierarchy between trademarks. The hierarchy would be artificial and detrimental to the trademark system and it would result in confusion. Even though, due to the graphical representation requirement, olfactory, tactile and sound marks seem to have a higher hurdle to overcome than the more traditional kinds of trademarks, so in that regard it would not have been completely never-before-seen to have an additional requirement for some types of trademarks. However, in the light of the proposed legislative changes, I find that the approach of the ECJ is better than establishing different requirements. Since the ECJ did not establish a hierarchy, the *Philips* case remains good law and completely applicable even after doing away with the graphical representation requirement.

In the third question, the referring court is asking if the shape has acquired distinctiveness if only one product of the shape has been on the market and the maker and the product have become interrelated to the consumer.<sup>103</sup> Philips found that the question should be answered in the affirmative and that a *de facto* monopoly

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<sup>99</sup> C-299/99 (n 5), para 42.

<sup>100</sup> C-299/99 (n 5), para 43.

<sup>101</sup> C-299/99 (n 5), para 48.

<sup>102</sup> C-299/99 (n 5), paras 49-50.

<sup>103</sup> C-299/99 (n 5), para 51.

further corroborates to such a finding.<sup>104</sup> Remington stated that in case of a functional shape, strong evidence is needed to establish that the shape has been used as a trademark and the monopoly only makes the burden higher.<sup>105</sup>

To me, the most reasonable argument was put forth by the United Kingdom government saying that the acquired distinctiveness only applies to marks which are capable of constituting a trademark but are only lacking distinctiveness. The functional shapes are not capable of constituting trademarks thus the acquired distinctiveness does not play a part. Even if it were applicable, the pre-existing monopoly does not corroborate to the acquired distinctiveness.<sup>106</sup> Quite surprisingly, the Commission found a possibility of overcoming the mere functionality of a shape as a hindrance to trademark registration. However, to the Commission, the public's opinion is of utmost importance.<sup>107</sup>

ECJ disregarded the importance of the existence of a previous monopoly and for the most part, agreed with Remington.<sup>108</sup> As to the acquired distinctiveness, the ECJ found that if the shape is functional, the acquired distinctiveness is irrelevant and the shape cannot be registered as a trademark.<sup>109</sup> The ECJ stressed the need to conduct thorough surveys to establish the relevant part of the public associating the shape and the provider.<sup>110</sup> By stating that the functionality of the shapes cannot be overcome by use, the ECJ solidified the absoluteness of the ground for refusal.

The referring court is also looking for an answer to the question if the refusal to register functional shapes can be overcome if there are alternative shapes.<sup>111</sup> Philips argues that in case of alternative shapes, registering one as a trademark should be possible.<sup>112</sup> Remington is of the opposite opinion.<sup>113</sup> Quite surprisingly, the Commission believes that the availability of alternative shapes is a factor.<sup>114</sup>

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<sup>104</sup> C-299/99 (n 5), para 52.

<sup>105</sup> C-299/99 (n 5), para 53.

<sup>106</sup> C-299/99 (n 5), para 54.

<sup>107</sup> C-299/99 (n 5), para 56.

<sup>108</sup> C-299/99 (n 5), para 65.

<sup>109</sup> C-299/99 (n 5), para 57.

<sup>110</sup> C-299/99 (n 5), para 65.

<sup>111</sup> C-299/99 (n 5), para 66.

<sup>112</sup> C-299/99 (n 5), para 67.

<sup>113</sup> C-299/99 (n 5), para 68.

<sup>114</sup> C-299/99 (n 5), para 72.

The ECJ established that a trademark which consist exclusively of a functional shape, can never acquire distinctive character through use.<sup>115</sup> Functional shapes are thus incapable of constituting trademarks<sup>116</sup>. The ECJ reiterated that the registration possibility needs to be analysed in the light of the public interest underlying them.<sup>117</sup> The rationale behind the refusal to register functional shapes is prevention of granting a monopoly over technical solutions or functional characteristics if those are the ones the consumer is looking for in the product. The refusal is intended to prevent the everlasting protection of a trademark being extended too far. In addition to protecting the consumer, it also protects the competitors and competition.<sup>118</sup> If such shapes were registered, effective competition would be impaired by not granting competitors the choice of incorporating such a function or at least limit the choice.<sup>119</sup>

The public interest behind the refusal is that a shape whose essential characteristics perform a technical function and were chosen to fulfil that function may be freely used by all.<sup>120</sup> The AG Colomer in his opinion stated that if the approach of alternative shapes being available makes it possible to register a functional shape as a trademark, there is nothing to stop an undertaking from registering as trademarks all imaginable shapes which achieved such a result, thus obtaining a permanent monopoly over a particular technical solution. Furthermore, an additional burden of assessing the different solutions would be placed on the courts adjudicating the trademark cases.<sup>121</sup>

I strongly agree with the AG since taking a different position would have meant many practical issues and uncertainties in the field of trademark law which is already rather subjective. In case of a different position, there would also have been the need to establish a minimum of how many alternative shapes allow for registration. If there are only two shapes and one of them is registered and the registered shape is significantly more efficient or otherwise better, there would be a monopoly established and the consumer and the competition would suffer. Furthermore, the ECJ then would have had to deal with the question if the number of alternatives

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<sup>115</sup> C-299/99 (n 5), para 75.

<sup>116</sup> C-299/99 (n 5), para 76.

<sup>117</sup> C-299/99 (n 5), para 77.

<sup>118</sup> C-299/99 (n 5), para 78.

<sup>119</sup> C-299/99 (n 5), para 79.

<sup>120</sup> C-299/99 (n 5), para 80.

<sup>121</sup> Case C-299/99 Philips [2002] ECR I-05475, Opinion of AG Colomer, para 39.

should be the same for every shape or depend on some additional criteria. Thus, the disregard towards the alternatives was the better route to take.

AG Colomer also stressed the importance of not prolonging unfairly the protection awarded to intellectual property.<sup>122</sup> I think that this statement from the AG shows the attitude towards the overlap between different types of intellectual property. It seems that the AG is of the opinion that even though there is an overlap, it should not be used to gain an advantage since such an advantage would be unfair. The question still remains if the advantage can be considered unfair if it is allowed in intellectual property law.

The position regarding functional shapes seems to be quite clear in this case. If a shape is functional, it can never be registered, even if it fulfils all the other criteria. Due to the fact that this is a preliminary ruling procedure and not an appeal case from the GC, there is nothing on how to establish the functionality or the meaning of functionality or the overall conclusion of the registration possibility.

### 2.2.2. Lego

The following case to *Philips* is the now well-known case of *Lego*<sup>123</sup>. Lego filed the application to OHIM in 1996 and after the procedure was completed, a trademark was registered in 1999. The trademark Lego was looking to register was the red Lego brick as shown in figure 1 below.



Figure 1 The mark for which the registration was sought

Shortly thereafter, Lego's competitor Mega Brands filed an application to invalidate the trademark. The application was based on the allegation that the trademark was contrary to Article 7(1)(e)(ii) of the Trademark Regulation. The Cancellation Division awaited the ECJ's judgment in *Philips* and following that declared the trademark invalid in 2004.<sup>124</sup> The Grand Board of Appeal upheld the decision.<sup>125</sup> The Grand

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<sup>122</sup> C-299/99 Opinion of AG Colomer (n 121), para 30.

<sup>123</sup> C-48/09 (n 4).

<sup>124</sup> OHIM Cancellation Division, 30.7.2004, in Case 63 C 107029/1 *Mega Bloks v. Kirkbi*.

Board of Appeal amongst other arguments based its conclusion on the existence of prior patents.<sup>126</sup> Lego appealed, claiming that the Grand Board of Appeal had erroneously identified the essential characteristics of the shape. The GC upheld the decision and as a final attempt to keep the registration, Lego appealed to the ECJ.

AG Mengozzi recommended in his opinion that Lego's appeal should be dismissed. His view was that the trademark as a whole is functional. As a novelty, the AG proposed a three step test for cases such as this. The first stage involve establishing if all or only some of the essential characteristics are functional, the second step is a teleological step – whether or not the registration would impair competition and third and final stage is the evaluation of distinctiveness.<sup>127</sup> The ECJ, however, did not adopt the proposed test. In a way, the ECJ did adopt the first step of the test.

In its decision, the ECJ stated that while deciding on the different absolute grounds of refusal stated in article 7(1) Trademark Regulation, the public interest underlying each of them must be taken into account. The public interest in case of refusing registration for functional marks is prevention of granting a monopoly on technical solutions or functional characteristics.<sup>128</sup> This position is exactly the same the ECJ took in *Philips*.

The objective of the refusal, according to the ECJ, is twofold. Firstly, it prevents the abuse of trademark law.<sup>129</sup> In that regard, the ECJ explicitly states that the refusal is there to avoid the prolonging of patent rights.<sup>130</sup> Even though the distinctiveness of the Lego brick was never disputed in the proceedings, thus in principle the Lego brick is capable of constituting a trademark.<sup>131</sup> However, the ECJ expressly stated that the distinctiveness of the shape bears no relevance since a functional shape cannot be registered even if it has become distinctive through use.<sup>132</sup> It seems to me that by ruling on the distinctiveness, the ECJ is touching upon the third step of the test proposed by the AG. Nevertheless, the ECJ is not calling it a three-step test and is merely making remarks and not analysing the matter.

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<sup>125</sup> OHIM Grand Board of Appeal, 10.7.2006, in Case R 856/2004-G *Lego*.

<sup>126</sup> C-48/09 (n 4), para 18.

<sup>127</sup> Case C-48/09 P *Lego Juris v OHIM* [2010] ECR I-08403, Opinion of AG Mengozzi, paras 63-76.

<sup>128</sup> C-48/09 (n 4), para 43.

<sup>129</sup> C-48/09 (n 4), para 45.

<sup>130</sup> C-48/09 (n 4), para 46.

<sup>131</sup> C-48/09 (n 4), para 40.

<sup>132</sup> C-48/09 (n 4), para 47.

Secondly, the refusal to register shapes which is exclusively necessary to obtain a technical result is justified as a guarantee that not all shapes would be denied registration. The ECJ contends that a shape to some extent always is functional and thus it is important to have the conditions of “exclusively” and “necessary”.<sup>133</sup>

The GC had held that a sign would consist ‘exclusively’ of the shape of the goods which is necessary to obtain a technical result when all the essential characteristics of a shape perform a technical function. It is irrelevant whether or not the shape has non-essential characteristics which do not contribute to the technical solution.<sup>134</sup> One can clearly see the influence of *Philips* and the GC’s willingness to state the principles the aforesaid had established. The ECJ had no reason to disagree with the GC but nuanced the approach even more; stating that the refusal does not cover shapes which have a major non-functional element.<sup>135</sup> To me, this is where the overlap and the registration possibility lie. If the shape contains a major non-functional element, it can still be registered. I admit, that the assessment of the major non-functional element might prove to be difficult. However, since the ECJ did not completely rule out the possibility, I cannot agree with the position that the overlap is eliminated.

According to the AG’s opinion which the ECJ agreed with, the essential characteristics must be understood as the most important elements of the sign. The establishment of these is done on a case-by-case basis.<sup>136</sup> The evaluation of those must be conducted on a case by case basis and the competent authority has the discretion to either assess the overall impression or the components of the sign.<sup>137</sup> Thus the assessment is different in every case and dependent on the degree of difficulty. In case of a more difficult assessment, surveys, expert opinions or data may be taken into account.<sup>138</sup>

Board of Appeals found that the most important element of the Lego brick sign consisted of the two rows of studs on the upper surface of the brick and placed particular emphasis on the inclusion of that element in Lego’s prior patents. Board of

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<sup>133</sup> C-48/09 (n 4), para 48.

<sup>134</sup> C-48/09 (n 4), paras 50-51.

<sup>135</sup> C-48/09 (n 4), para 52.

<sup>136</sup> C-48/09 (n 4), para 69.

<sup>137</sup> C-48/09 (n 4), para 70.

<sup>138</sup> C-48/09 (n 4), para 71.

Appeals found that the only arbitrary element in the Lego brick was the colour and thus the brick as a whole was found to be functional.<sup>139</sup>

Lego put forward the argument that the essential characteristics must be evaluated from the perspective of the average consumer.<sup>140</sup> The ECJ dismissed this argument and concurred with the GC in its finding that the consumer's perception is not decisive and can at most be a criterion of assessment.<sup>141</sup>

Lego also put forward the argument that the registration of functional shapes should only be denied if it created a monopoly.<sup>142</sup> This resembles to a great extent the argument put forward in *Philips* about the existence of alternative solutions. In relation to the *Philips* case, Lego supported its claim by stating that the ECJ in *Philips* did not clearly state that the availability of alternative shapes is irrelevant.<sup>143</sup>

This time, the ECJ explicitly ruled that the existence of alternative shapes is of no relevance. The fact that there may be alternative shapes, with other dimensions or another design, capable of achieving the same technical result, did not of itself mean that registering the shape as trade mark would have no effect on the availability, to other economic operators, of the technical solution which it incorporates.<sup>144</sup> The Board of Appeals had found that the shape of the Lego brick was the technically preferable solution to toy bricks and when it is registered as a trademark, it would be difficult to provide efficient competition.<sup>145</sup> Thus, Lego's position should not be protected under trademark law. However, the ECJ did hint on the possible competition law concerns but did not go into them as that was out of the scope of the preliminary questions.<sup>146</sup>

The ECJ's decision included a very strong opinion about the existence of previous patents.<sup>147</sup> The ECJ held that the technical functionality may be assessed based on previous patents.<sup>148</sup> This is where the ECJ drew a very clear line between patent and trademark law. By giving the possibility to assess functionality based on previous

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<sup>139</sup> C-48/09 (n 4), paras 73-74.

<sup>140</sup> C-48/09 (n 4), para 63.

<sup>141</sup> C-48/09 (n 4), para 76.

<sup>142</sup> C-48/09 (n 4), para 29.

<sup>143</sup> C-48/09 (n 4), para 32.

<sup>144</sup> C-48/09 (n 4), para 55.

<sup>145</sup> C-48/09 (n 4), para 60.

<sup>146</sup> C-48/09 (n 4), para 61.

<sup>147</sup> C-48/09 (n 4), paras 81-85.

<sup>148</sup> C-48/09 (n 4), para 85.



patents, ECJ is saying that patents are functional and trademarks are not and thus the subject matter is different. This view has also been forwarded in the literature.<sup>149</sup>

In the *Lego* case, the ECJ built mostly on what they had already established in the *Philips* case. The *Lego* case can also be seen as a correction of mistakes made in the *Philips* case – in *Lego*, the ECJ explicitly ruled on the question of alternatives which might have been a bit overlooked in *Philips*. I do agree with the ECJ's position of patents being functional and trademarks not being functional. I think that this is due to the subject matter, a patent is essentially an invention, a trademark is a mark and does not have to be useful in the same way an invention is. The next case analysis will show that in reality, the question of functionality is not so straightforward.

### 2.2.3. Simba Toys

A very different approach from the one taken in *Philips* and *Lego* was taken by the GC in the recent *Simba Toys* case. On 1 April 1996, Seven Towns Ltd filed for a registration at the OHIM. The mark, towards which the registration was sought, was a three dimensional mark depicting a Rubik's cube, without involving any colours. The graphic representation of the mark is shown below in figure 2. The registration was sought for three-dimensional puzzles. The mark was registered on 6 April 1999 and renewed on 10 November 2006.<sup>150</sup>

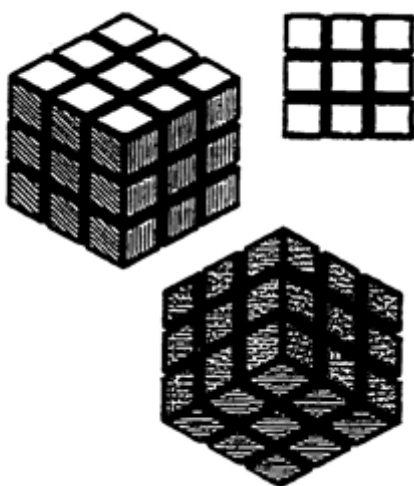


Figure 2 The mark for which the registration was sought

<sup>149</sup> Derclaye, Leistner (n 33), pg 84.

<sup>150</sup> T-450/09 (n 3), paras 1-4.

Simba Toys filed a request for a declaration of invalidity, claiming that the trademark lacked distinctive character and was also purely functional. The request was denied by OHIM, even on appeal, so Simba Toys appealed to the GC.<sup>151</sup>

In its appeal to the GC, Simba Toys put forward eight pleas in law. The relevant plea for the purposes of this thesis, is the second plea in law alleging infringement of Article 7(1)(e)(ii) of the Trademark Regulation, the non registrability of solely functional shapes.<sup>152</sup>

First, the GC went over the principles established in *Lego* and found that the question must be answered in light of those principles.<sup>153</sup> In accordance with *Lego*, firstly, the essential characteristics of a mark must be established. The essential characteristics of the mark were found to be the cubic structure – the cube itself – and the grid structure on each surface of the cube.<sup>154</sup> Thus, the GC agreed with the Board of Appeals' analysis of the essential characteristics and added that the additional shades of grey do not constitute essential characteristics of the mark.<sup>155</sup>

I think that the fact that the registration was sought without involving any colours on the cube is of utmost importance. Since the Board of Appeals and the GC found the essential characteristics to be the black lines and the grid structure, the trademark granted is very wide. This leaves the trademark owner to use all possible colours and combinations of colours and still claim that this is the trademark they have registered. In all fairness, most likely even if the colours were used in the registration, these would have not been awarded protection. The combination of colours, however, could have. Nevertheless, the finding that the grid structure and black lines are the essential characteristics, gives the trademark a wider scope.

Next, the GC turns to analyse the functionality of the elements. Simba Toys claimed that there is a correlation between the technical solution and the black lines.<sup>156</sup> The black lines suggest that the smaller cubes can separate from each other and rotate.<sup>157</sup> The GC found the claim to be unfounded since it is possible for a cube with

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<sup>151</sup> T-450/09 (n 3), paras 5-8.

<sup>152</sup> T-450/09 (n 3), para 27.

<sup>153</sup> T-450/09 (n 3), paras 29-42.

<sup>154</sup> T-450/09 (n 3), para 45.

<sup>155</sup> T-450/09 (n 3), para 46.

<sup>156</sup> T-450/09 (n 3), para 51.

<sup>157</sup> T-450/09 (n 3), para 50.

rotatable surfaces or other elements to not contain visible separating lines and thus there is no essential link between the spaces and the functionality.<sup>158</sup>

In reaching its conclusion, the GC stressed that the applicant had taken into account its previous knowledge of the cube and that the rotating capability of the cube was not mentioned in the trademark application.<sup>159</sup> According to the GC, an objective observer will not be able to define if the black lines afford the parts to rotate or to be taken apart to be reassembled. The rotating capability cannot be inferred from the black lines or the grid structure but from the internal mechanism which is not visible and thus cannot constitute an essential characteristic of the mark.<sup>160</sup>

In answering the fourth part, the GC found that the claim of the technical function of the shapes in *Philips* was not directly apparent from the representation of the mark, was unfounded.<sup>161</sup> The GC found that in *Philips*, the shaving function was clearly apparent from the graphic representation and the same was true in *Lego*, where the toy brick was looking to be registered in construction toys since it allowed for a logical conclusion that the studs were designed for the assembly and that the bricks contained hollow undersides even if the latter was not visible.<sup>162</sup> However, in this case, it is not possible to infer a technical function or what it might be from the representation.<sup>163</sup>

This is where the main difference with the previous cases lies. In *Lego*, the Grand Board of Appeal found that the most important element of the Lego brick is the two rows of studs on the upper surface.<sup>164</sup> Based on the previous patents, the Cancellation Division had found that the purpose of these studs is to connect with the bottom of similar toy bricks so as to allow multiple assembly and disassembly.<sup>165</sup>

Thus, in *Lego*, even the elements which were not a part of the trademark application were taken into account but were disregarded in *Simba Toys*. I think that it is very difficult, if not impossible, to infer functionality from the graphic representation of a shape. It is especially difficult to infer rotating or moving capabilities from the

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<sup>158</sup> T-450/09 (n 3), para 54.

<sup>159</sup> T-450/09 (n 3), para 55.

<sup>160</sup> T-450/09 (n 3), paras 57-58.

<sup>161</sup> T-450/09 (n 3), para 69.

<sup>162</sup> T-450/09 (n 3), paras 70-71.

<sup>163</sup> T-450/09 (n 3), para 72.

<sup>164</sup> C-48/09 (n 4), para 73.

<sup>165</sup> C-48/09 (n 4), para 43.

graphical representation. Since the *Philips* case was a preliminary ruling, we do not know if the ECJ would have been able to infer the rotating capability from the graphic representation. If we were to follow *Simba Toys*, and not take into account the invisible elements, the *Philips* case should be decided differently. I fail to see how it is possible to infer the fact that the shaver heads rotate and are thus functional by just looking at the graphical representation of the trademark. The same holds true for the Lego brick. If the only aspect to be taken into consideration is the graphic representation, one cannot infer the interconnectivity with other building blocks by just looking at a Lego brick.

I am also critical towards the GC statement that the previous knowledge should not be taken into account. This matter was not touched upon in *Lego* or *Philips* but if it were, I am fairly certain that it was the previous knowledge that led to the conclusion of functionality. If previous knowledge is not to be taken into account, the examiners should not have any or be able to disregard it. I am of the opinion that it is impossible to decide on something that you have previous knowledge of without taking the knowledge into account. Furthermore, it seems nearly impossible to me to find people qualified to act as examiners without previous knowledge of such everyday objects like the Lego brick or the Rubik's cube.

Another aspect which has not gotten a lot of attention is the fact that a trademark not only allows the owner to prevent others from using the same shape but also from using similar shapes. By virtue of this, a significant number of shapes might become unavailable.<sup>166</sup> To me, the question in the Rubik's cube-case is if the cubes with other dimensions, for example 4x4. 5x5, etc., are similar enough to the Rubik's cube. What is more, the question whether in case of the shape being a polyhedron, the use could be prevented, is also unanswered.

The *Simba Toys* case is not finally decided yet. The applicant has appealed to the ECJ and the appeal was registered on 27 January 2015, thus no further information is available.<sup>167</sup> If the ECJ is to uphold the decision, this signifies a change in paradigm and makes it, if not a lot easier, then definitely easier for a functional shape to get registered as a trademark. Furthermore, it would clearly expand the scope of the overlap between trademark and patent law and would allow for prolonging of

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<sup>166</sup> T-450/09 (n 3), para 36 and C-48/09 (n 4), para 56.

<sup>167</sup> C-30/15 P *Simba Toys* [n.y.r].

patent rights. Thereby, article 7(e)(ii) of the Trademark Regulation would be deprived of most of its purpose. I am of the opinion that the ECJ should not uphold the decision and it should become one of the decisions where the GC erred. I am looking forward to the decision and hope that this case is important enough for the ECJ to involve an AG.<sup>168</sup>

#### 2.2.4. Yoshida

The very recent judgment in Yoshida does not allow for definite conclusions on the *Simba Toys* case but is of interest since it concerns the registrability of functional shapes. Yoshida filed applications for trademarks to the OHIM for the figurative mark reproduced in figure 3.<sup>169</sup>

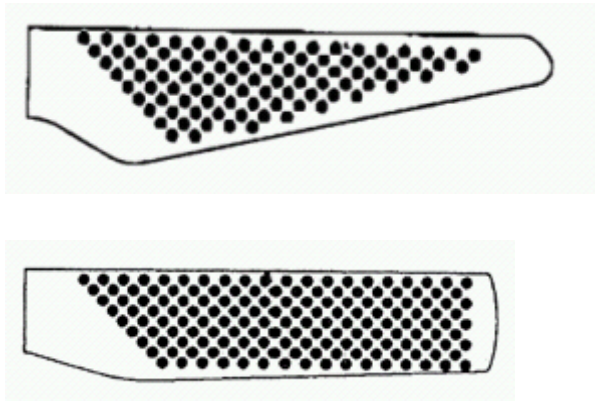


Figure 3 The marks for which the registration was sought

According to Yoshida, the trademark is a figurative mark. Upon a request for clarification, Yoshida specified the mark to be a “two-dimensional representation of the ‘shape of a product’, namely, the handle of a knife, or that it represented the ‘design of knife handles’”.<sup>170</sup>

The OHIM rejected the application on the ground that the mark was devoid of distinctive character.<sup>171</sup> However, this decision was annulled and upon the

<sup>168</sup> The ECJ has published an overview of its work and it shows that the ECJ uses less and less AG-s in intellectual property cases. See: Eleonora Rosati, CJEU publishes its 2014 Report: more and more cases, fewer and fewer AG Opinions? (IPKat, 20.04.2015) available at <http://ipkitten.blogspot.co.uk/2015/04/cjeu-publishes-its-2014-report-more-and.html> (04.05.2015).

<sup>169</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 1-3.

<sup>170</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 10.

<sup>171</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 4.

subsequent review, the examiner withdrew the objection and the trademarks were registered on 25 September 2002 and 16 April 2003.<sup>172</sup>

On 10 July 2007, the interveners, Pi-design AG, Bodum France and Bodum Logistics A/S, lodged an application to revoke the trademarks on the grounds of the trademarks consist of shapes which are necessary for obtaining a technical result and additionally, are devoid of distinctive character.<sup>173</sup> The applications were rejected and appealed to the Board of Appeal who upheld the appeals and annulled the previous decisions and revoked the trademarks.<sup>174</sup> Unsatisfied with the result, Yoshida lodged an action for annulment to the GC. GC upheld the appeal but the decision was overturned by the ECJ and sent back to the GC for a decision.<sup>175</sup> The case under analysis is the second case of the GC.

The applicant, Yoshida, claims that the GC should annul the decisions and confirm the decision of the Cancellation Division which allowed the trademarks.<sup>176</sup> Applicant relies on a single plea in law alleging the breach of Article 7(1)(e)(ii) of Trademark Regulation. The first part of the plea claims that the scope of the provision was misinterpreted.<sup>177</sup>

The first question the GC had to address was whether the ground for refusal set forth in article 7(1)(e)(ii) of the Trademark Regulation applies to figurative signs. The GC states that the wording of the article is broad and does not include a definition of what needs to be considered as shapes. Since the article does not differentiate between three-dimensional shapes, two-dimensional shapes or two-dimensional representations of three-dimensional shapes, the article applies to two-dimensional shapes.<sup>178</sup> The GC based its final conclusion on the principles established in *Philips* and rejected this part of the plea.<sup>179</sup>

Secondly, the GC had to rule the nature of the signs. The applicant claims that it was not looking to register a shape mark but a figurative mark since the dots were

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<sup>172</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 5.

<sup>173</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 6.

<sup>174</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 7-9.

<sup>175</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 16-27.

<sup>176</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 31.

<sup>177</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 33.

<sup>178</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 34-36.

<sup>179</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 42-44.

represented on a handle just to show how these were affixed to the product. According to the applicant, such sign cannot constitute a shape.<sup>180</sup> GC restated the principle the ECJ had established that the essential characteristics of a shape must be identified while deciding on the registration and the principles of determining such characteristics.<sup>181</sup>

The essential characteristics of the mark were found to be the trapezium shape and the array of dots.<sup>182</sup> The GC ruled that the trapezium shape represents the shape of a handle of knives marketed by the applicant.<sup>183</sup> Since the contours were not dot-printed and there was no description of the positioning of the dots, the GC found that the shape was an essential character and not merely an illustration.<sup>184</sup> It is clear that the GC, in line with the *Philips* and *Lego* cases, took more than the application into account.

On the black dots, the GC found that these represent dents due to the fact that the dents were described in the American and European patents of the applicant. A further corroboration to the finding was the fact that the applicant did not dispute the dots being an important characteristic of the sign.<sup>185</sup> Once again, the finding and the reliance on the patent applications supports the opinion of the *Simba Toys* being an anomaly.

One of the arguments of the applicant was that the patent and the trademark were filed for simultaneously. According to Yoshida, this does not mean that the applicant was looking to extend the monopoly conferred by the patent. On the contrary, the applicant was looking to protect different aspects of its goods.<sup>186</sup> The GC completely disregarded these arguments and simply held that the time of the filing of the application is of no relevance.<sup>187</sup> I think that the GC's ruling is in line with the refusal to register functional shapes. The only aspect the time of filing the application could prove, is the intent of the proprietor. However, the intent of the proprietor plays no part in the trademark registration procedure.

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<sup>180</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 41.

<sup>181</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 41.

<sup>182</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 47.

<sup>183</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 48.

<sup>184</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 49.

<sup>185</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 50.

<sup>186</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 54.

<sup>187</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 60.

The applicant also claimed that the marks represent abstract and decorative geometric figures without a practical purpose and the dents are not necessary for the non-skid function.<sup>188</sup> Once again, the GC relied on the previously established principles, this time the *Lego* ruling and the presumption of patents being evidence of functionality.<sup>189</sup> It is evident from the patent applications that the patented invention is a knife with excellent durability, ease of use and weight balance. The GC ruled that the fact that the non-skid structure is not patentable or secondary is not relevant. The GC established that the refusal to register shapes necessary for a technical result does not only encompass the innovative technical result that may be patented but also the secondary characteristics. The dents are represented in the patents, thus they can be considered to be encompassed by the refusal.<sup>190</sup>

The GC also found that the array of dents is aimed at obtaining a technical result. The non-skid nature of the applicant's knives is due to the shape of the knives and the array of dents. The dots were black and monochromatic, hence devoid of any distinctive character, thus they could not be a non-functional element.<sup>191</sup>

The applicant's claim was rejected in its entirety. Yoshida has the possibility to appeal once more. However, based on the fact that this was already the second time the GC had to decide the case and the two GC's decisions are different, I do not think that the appeal will be successful. Based on this case and the fact that there were references to both *Lego* and *Philips*, one can think that the ECJ is bound to overturn the *Simba Toys*.

### **3. Competition aspects relating to registering patented subject matter as a trademark**

Since the ECJ has noted that registering patented subject-matter as a trademark may lead to competition concerns, it is only fitting to analyse if it does. The following chapter first explores the general landscape of competition law and then looks into if registering patented subject-matter as a trademark can lead to a competition law

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<sup>188</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 55-56.

<sup>189</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 57.

<sup>190</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), para 59.

<sup>191</sup> Joined Cases T-331/10 RENV and T-416/10 RENV (n 6), paras 63-65.



infringement as it is or if competition law is only infringed by the subsequent actions of the proprietor.

### **3.1. General remarks on competition law**

The Paris Convention article 10bis (2) states that any act of competition contrary to honest practices in industrial and commercial matters is considered unfair competition.

Article 10bis (3) enlists three categories of cases that are prohibited, namely acts of such a nature as to create confusion, false allegations of such nature as to discredit a competitor and indications which are liable to mislead the public. Even though it is not expressly stated in the Paris Convention, it seems that the unfair competition provisions are concerned more with the consumer perspective and less with the perspective of competition.<sup>192</sup>

On the EU level, the Union has also considered competition something worthy of protection. From the competition perspective, the TFEU contains provisions protecting competition. Consumer protection is a core value of the EU<sup>193</sup> and in order to protect the consumer, the EU, amongst other legislative instruments, has adopted the Unfair Commercial Practices Directive.<sup>194</sup> This thesis investigates if registering a patented subject matter as a trademark can constitute a competition law infringement, thus the question researched is if such registration is unfair competition.

### **3.2 Competition law infringements**

TFEU sees three main ways to distort competition. Firstly, article 101 TFEU prohibits multilateral agreements between market participants with the possibility to affect trade and with the object of distorting competition. For the purposes of this thesis, this would mean that if there is competing shapes which both have been patented, the patent owners agree to both trademark their respective shapes. Due to the fact

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<sup>192</sup> Seth M. Rejss, Commentary on the Paris Convention for the protection of industrial property, available at <http://www.lex-ip.com/Paris.pdf>, pg 10.

<sup>193</sup> TFEU (n 10), art 12.

<sup>194</sup> Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council OJ L 149/22.

that the patent must be new, there cannot be multiple patents for the same technology, even if they do differ in some details. Thus, the likelihood of such collusion is improbable, if not impossible. Even though the ECJ has on occasions found that conduct which seems to be unilateral can also fall foul of article 101 TFEU<sup>195</sup>, the possibility of such a situation arising under these circumstances is unlikely since those cases concerned distribution agreements which are not the topic of this thesis. Therefore, article 101 TFEU will not be discussed further.

Article 102 TFEU prohibits the abuse of a dominant position by one or more undertakings. Thus, article 102 TFEU prohibits both multilateral and unilateral abuses. For the purposes of this thesis, the unilateral abuse and the competitive advantage arising therefrom is the most likely. Hence, the focus of the thesis regarding unfair competition from the competitor's and competition perspective will be on article 102 TFEU.

Article 106 TFEU prohibits the disruption of competition by the State. Since the thesis is not concerned with the intervention of the state, this article will not be discussed further. I admit that the state may facilitate the registration of patented subject matter as trademarks with enacting legislation but researching this is not the aim of the thesis.

Additionally, competition can be distorted by mergers. Analysing the possibilities of mergers distorting competition is not in the scope of this thesis since mergers require multilateral conduct and are the competition distortions are dependent on both parties.

### **3.3. Article 102 perspective: abuse of dominance**

Article 102 TFEU prohibits abuse of a dominant position. The article lists some conducts that are considered to be an abuse of dominance. However, the list in the article is non-exhaustive, meaning that other conducts can also be seen as abuse of dominance.<sup>196</sup> Thus, registering a patented technology as a trademark can, in principle, be classified as an abuse of a dominant position.

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<sup>195</sup> See Case C-277/87 Sandoz Prodotti Farmaceutici v Commission [1990] ECR I-00045 and Joined Cases 25/64 and 26/84 Ford v Commission [1985] ECR 02725.

<sup>196</sup> Pinar Akman, *The Concept of Abuse in EU Competition Law: Law and Economic Approaches* (Hart Publishing 2012), pg 286.

In order for a conduct to be classified as an abuse of a dominant position, two pre-conditions need to be fulfilled. Firstly, there needs to be dominance and secondly, there needs to be abuse.

To establish an infringement of article 102 TFEU, firstly, it needs to be determined if a firm is dominant. The ECJ established in *United Brands* that the dominant position referred to in article 102 TFEU relates to a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers.<sup>197</sup> In *Hoffman-La Roche*, the ECJ added that dominance does not mean total absence of competition.<sup>198</sup>

The definition presupposes a dominant supplier but the ECJ has also found the dominant position to exist from a buyer's perspective.<sup>199</sup> For the purposes of this thesis, it is the supplier perspective that is relevant. I do not think that the owner of the trademark which was subject to a patent could be in a position of a buyer, thus the supplier perspective will be the basis for the analysis.

In *Continental Can*, the ECJ laid down the rule that the dominance must be established in relation to a particular market and not in the abstract. The definition of the relevant market is of essential significance.<sup>200</sup> In practice, many different factors are taken into account and establishing the relevant market can prove to be difficult.<sup>201</sup>

As has been stated before, the patent does not need to be used in order to be valid; the only requirement for a continued validity is that the fees are being paid.<sup>202</sup> If the patent owner decides not to use the patent but still pay the fees and at one point register the patented subject matter as a trademark, there is a possibility of not being able to establish a relevant market. I am of the opinion that such a scenario is not very likely to occur since the overlap mostly regards shapes. Since shapes are

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<sup>197</sup> Case 27/76 *United Brands Continental BV v. Commission* [1978] ECR 207 para 65.

<sup>198</sup> Case 85/76 *Hoffman-La Roche & Co AG v Commission* [1979] ECR 00461, para 39.

<sup>199</sup> Alison Sufrin, Brenda Jones, *EU competition law: text, cases & materials* 5th edition (Oxford University Press 2014), pg 300.

<sup>200</sup> Case 6/72 *Europemballage and Continental Can v Commission* [1973] ECR 215, [1973] CMLR 199, para 27.

<sup>201</sup> Jonathan Faull, Ali Nikpay (editors), *The EU Law of Competition* 3rd edition (Oxford University Press 2014) pg 165.

<sup>202</sup> Cornish, Llewelyn, Aplin (n 52), pg 162.

limited by laws of physics, those being revolutionary are unlikely and there will most likely be a substitute. Even if there is a market which did not exist before, there are still possibilities to establish dominance in such markets.<sup>203</sup>

Thus, the premise of the thesis is that the relevant market could be established. Most likely, the relevant market for the product would be the market for products for which the trademark is used. As to the geographical sphere, it would most likely include the countries that the product is sold in. I do recognize that establishing the relevant market might prove to be difficult and in some cases can even lead to the ruling out of competition concerns completely.

Historically it was believed that the existence of intellectual property rights meant having a monopoly. This was due to the fact that a monopoly was defined as an exclusive right and intellectual property rights are exclusive rights. Later on, the definition changed to generating social loss and thus the approach of intellectual property rights amounting to a monopoly and thereby dominance, was abandoned.<sup>204</sup>

Nowadays, the analysis of whether the undertaking is dominant is done on a case by case basis, but there are some factors which signify dominance and have been accepted by the ECJ. For example, very large market shares raise a presumption of dominance.<sup>205</sup> It must be noted, that it is just a presumption and can be rebutted in certain cases.<sup>206</sup> Although there is no presumption that IP rights confer market power, they may however reinforce in EU competition law the inference of a dominant position if the undertaking also enjoys a high market share.<sup>207</sup>

If the difficulties of establishing the relevant market are overcome, it should not be overly difficult to find that an undertaking which has registered patented subject matter as a trademark is dominant. Firstly, such registration presumes the existence of a registered patent. It is highly likely that the patent owner had to invest significant amounts of capital into R&D in the process of reaching a patent. Furthermore, the

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<sup>203</sup> It is possible to establish dominance in the so called “innovation markets”.

<sup>204</sup> Ioannis Lianos, Rochelle C. Dreyfuss, *New Challenges in the Intersection of Intellectual Property Rights with Competition Law - A View from Europe and the United States* (CLEs Working Paper Series 4/2013, 2013) available at <https://www.ucl.ac.uk/cles/research-paper-series/index/edit/research-papers/cles-4-2013> (04.05.2015) (CLEs Working paper).

<sup>205</sup> C-85/76 (n 198).

<sup>206</sup> Case C-62/86 AKZO Chemie BV v Commission [1991] ECR I-03359.

<sup>207</sup> CLES Working Paper (n 204).

fees for keeping the patent registered are not insignificant either. Thus, it is more than likely that the patent owner has put its patent to use.

A possibility available to the patent owner is licensing the patent and not using it themselves. The choice whether or not to licence and the licensing conditions are the patent owner's discretion. By giving multiple licenses, the monopoly and the dominance can be avoided. So a situation where the patent owner gives out multiple licenses before registering the patented subject matter as a trademark, in most cases precludes the establishment of dominance. It must be noted though that article 102 TFEU does not only prohibit abuse of dominance by one undertaking but also applies to the situation of collective dominance.<sup>208</sup> Hence, the possibility of multiple licenses does not completely rule out the possibility of a competition law infringement. In case of licencing and not using the patent themselves, the patent owner will not be in a dominant position but the licensees could be. However, it must be kept in mind that establishing collective dominance is a tougher task than establishing the dominance of one undertaking.<sup>209</sup> If the patent owner decides to license the patent but also use it themselves, the patent owner could also be found to be in a dominant position. The dominant position in such a scenario can also lead to an abuse under article 101 TFEU. In conclusion, it can be said that even though the dominant position is more difficult to establish in cases of licensing the patent, it is not impossible.

The obvious situation when a dominant position can be established is when the patent owner does not license the patent and is the sole user and thus supplier of the product. However, the finding of the patent owner to be in a dominant position differs depending on when the trademark is filed for.

If the trademark is filed for simultaneously or shortly after applying for the patent, the finding of dominance is difficult. In such a case, the patent owner has not gained market power and the dominance is not as easily established. Since the appreciation of a dominant position is dependent on many factors<sup>210</sup>, it is possible for an undertaking to become dominant over time or lose its dominance. Thus, even though in such a scenario it is difficult to be in a dominant position at the beginning, this does not mean that the dominance is impossible. The dominant position is more easily

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<sup>208</sup> Joined cases C-395/96 P and C-396/96 P *Compagnie Maritime Beige Transports SA, Compagnie Maritime Belge SA and Dafra-Lines A/S v Commission* [2000] ECR I-1365, para 36.

<sup>209</sup> Richard Whish, David Bailey, *Competition Law* 7th edition (Oxford University Press 2012), pg 571.

<sup>210</sup> Whish, Bailey (n 209) pg 181.

established if the patent owner files for a trademark after establishing themselves in the market.

In conclusion, it is possible for an undertaking which registers patented subject matter as a trademark, to fulfil the dominance criterion of article 102 TFEU. However, establishing dominance requires also establishing the relevant market which might prove to be difficult. The conclusion for the purposes of this thesis is, that it is possible to fulfil the criterion of dominance in case of registering patented subject matter as a trademark.

### **3.4 Registration is an abuse in itself**

There is no definition of what the abuse under article 102 TFEU entails. The list in the article is non-exhaustive, meaning that other conducts can also be seen as abuse of dominance.<sup>211</sup> Thus, registering a patented technology as a trademark can be classified as an abuse of dominant position even if it fits none of the categories listed in article 102 TFEU. It is worthy of analysis if registering patented subject matter as a trademark is an abuse in itself or if it fits one of the existing categories listed in article 102 TFEU.

#### **3.4.1. Existence and exercise of intellectual property rights**

In order to avoid the division of the internal market on the national boundaries, the ECJ has adopted a doctrine of EU wide exhaustion, under which the IPR:s are exhausted if the owner markets the good or has consented to someone else doing so, the IPR:s are exhausted and cannot be used to control the sales.<sup>212</sup> An IPR will give their owner absolute power in the protected product or service, however, the product or service will very rarely be the only one available on the relevant market.<sup>213</sup> In *Consten and Grundig*, the ECJ took a step further and distinguished between the existence and exercise of the IPR:s. The existence, meaning the ownership of the

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<sup>211</sup> Akman (n 196), pg 286.

<sup>212</sup> Faull, Nikpay (n 201), pg 1448.

<sup>213</sup> Richard Davis; Ben Longstaff; Ashley Roughton; Tom St Quintin; Guy Tritton, *Intellectual Property in Europe* 4th edition (Sweet & Maxwell 2014), 11.027.

IPR:s, falls under article 345 TFEU and is thus a matter of national law. The exercise, however, is fully governed by the Treaty provisions and is an EU matter.<sup>214</sup>

In *Sirena Srl v Eda Srl*, the ECJ held that a trademark as a legal entity does not fulfil the prerequisites to fall under the prohibition stated in what is now article 101 TFEU. However, the exercise of that right might fall within the prohibition but this must be established on a case by case analysis.<sup>215</sup>

The ECJ stated clearly its views as to IPR:s and article 102 TFEU abuses in the *Magill* case.<sup>216</sup> The ECJ explicitly ruled that the mere ownership of an intellectual property right cannot confer a dominant position.<sup>217</sup> However, the right can be potentially exercised in an abusive way.<sup>218</sup> Later on, this dichotomy has been used by the parties to the proceedings and also the ECJ.<sup>219</sup>

The distinction between the existence and exercise of an IP right is based on the 'specific subject matter' of the IP right. Use of an IP right in a manner which ensures for the right holder the benefit of the specific subject matter of that right is regarded as preserving the existence of the right and cannot in principle be overruled by the free movement or competition provisions of the Treaty. Use of an IP right in a manner which goes beyond the specific subject matter of the right is regarded as being an exercise of that right which must be analysed in light of the free movement and/or competition provisions of the Treaty. Once the IP owner has received the benefit of the specific subject matter of the IP right, the right is said to be 'exhausted'.<sup>220</sup>

The specific subject matter of a patent is to ensure to the holder the exclusive right to utilise an invention with a view to manufacture and first put into circulation industrial products and oppose any third party infringement. Trademarks under EU law are there to ensure to the holder the exclusive right to utilise the mark for the first putting into circulation of a product, and thus to protect him against competitors who would

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<sup>214</sup> Valentine Korah, *Intellectual Property Rights and the EC Competition Rules* (Hart Publishing 2006), pg 3.

<sup>215</sup> Case 40/70 *Sirena v Eda* [1971] ECR 00069, para 9.

<sup>216</sup> Case C-241/91 P *RTE and ITP v Commission* [1995] ECR I-00743.

<sup>217</sup> C-241/91 (n 216), para 46.

<sup>218</sup> C-241/91 (n 216), para 50.

<sup>219</sup> See Case C-418/01 *IMS Health* [2004] ECR I-05039 and 36. Case C-457/10 P *AstraZeneca v Commission* [published in the electronic Reports of Cases].

<sup>220</sup> Faull, *Nikpay* (n 201), pg 1448-1449.

take advantage of the position and reputation of the mark by selling goods improperly bearing that mark.<sup>221</sup>

Valentine Korah is of the opinion that it is impossible to draw a line between the existence and exercise of IPR-s in legal theory. The division can only be made at the extremes since existence comprises all the ways in which the right could be exercised.<sup>222</sup>

I agree with professor Korah. The dichotomy is mostly unnecessary since there is not much value in the mere ownership of IPR:s without the possibility to exercise them. The specific subject matter approach does not really distinguish between the existence and exercise of IPR:s. By definition, the specific subject matter also involve some sort of exercise of the rights, it is not only concerned with the existence thereof. In case of trademarks, the dichotomy seems to be even more devoid of substance. As has been repeated in the first part of the thesis, trademarks require use in order to be valid. Hence, it is not possible to own a trademark and not use it. However, as can be seen from the legislation, there is a grace period where a proprietor could hold a trademark without using it. Admittedly, the validity or invalidity of the non-used trademark is dependent on third persons.

I admit that the “use” of a trademark may entail more than one course of action. However, I am not able to think of a use which would be possible under the circumstances of registering patented subject-matter as trademarks.

The dependency on third persons is sufficient to guarantee the entrance of the subject matter to the public domain. It is important to note that in order to invalidate a trademark which has not been used, no specific interest in invalidation needs to be shown nor any reasons given. Thus, if the trademark is not used, there are wide possibilities to seek its invalidation. The trademark needs to fulfil all the criteria necessary for a trademark registration but not all trademarks are of the same quality. If the trademark is highly distinctive or can be used for many products, it is more likely that somebody files for invalidation.

The foregoing is even truer in cases concerned with registering patented subject matter as a trademark. The subject matter is valuable and the competitors are

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<sup>221</sup> Faull, Nikpay (n 201), pg 1449-1450.

<sup>222</sup> Korah (n 214), pg 3.



interested in it entering the public domain. Thus, I am certain that in such a case, the competitors are very active in invalidating the trademark and it is difficult if not impossible to keep such a trademark without exercising it.

On the other hand, considering that the ECJ has also divided the competences between the national and EU law following the dichotomy between existence and exercise,<sup>223</sup> the dichotomy cannot be completely disregarded. However, since intellectual property law is becoming more and more harmonised, the dichotomy becomes less relevant. The more extensive harmonisation leads to more questions on interpretation and leads to possibilities for the ECJ to get involved. The competence to regulate the existence and the exercise still remains but it will not have a lot of substance. The EU will not have the competence to interfere but if the existence is a national matter and since there is not much value in the existence, I do not see a great importance.

To conclude, the dichotomy between exercise and existence of IPR-s is artificial to say the least and mostly unnecessary. In case of a patented subject matter registered as a trademark, the dichotomy plays no part since there cannot be a trademark right without the exercise of such a right. Due to the grace period, the competition law infringement could still be only in the existence of the IPR or through its exercise. I call the infringements that occur due to the existence abuses in the registration itself and the infringements occurring due to the exercise of the IPR:s follow-on abuses.

### **3.4.2. The different types of abuses**

In *Commercial Solvents*, the ECJ established a distinction between what are now called exploitative and exclusionary abuses.<sup>224</sup> An 'exclusionary abuse' is a conduct which is likely to lead to the effect of eliminating, weakening or marginalising effective competition on the relevant market. This could mean forcing out or marginalising existing competitors or raising barriers to entry for potential new competitors. Predatory, below-cost, pricing which is explicable only by the desire to eliminate a

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<sup>223</sup> Korah (n 214), pg 3.

<sup>224</sup> Joined cases 6/73 and 7/73 *Istituto Chemioterapico Italiano and Commercial Solvents v Commission* [1974] ECR 00223.

competitor from the market is an example of an exclusionary abuse.<sup>225</sup> As is the case for most of competition law, the list<sup>226</sup> is not exhaustive.

An 'exploitative abuse' is a conduct which is unfair or unreasonable towards those persons who depend on the dominant firm for the supply of goods or services on the relevant market. Excessive prices, which bear no reasonable relation to the economic value of the product supplied, are an example of an exploitative abuse. Of these two categories, the first is the more important in practice and reflects the increasing focus on the wider economic effect of conduct alleged to be abusive.<sup>227</sup>

It is also possible to distinct a third category of discriminatory abuses. Discriminatory abuses are abuses in which competition is harmed by discriminatory prices or trading conditions charged or applied by the dominant undertaking on an intermediate market with the effect of placing certain suppliers or customers of the dominant undertaking at a 'competitive disadvantage'. According to some economists, discriminatory abuses may also be classified as exploitative abuses since they also result in direct harm to consumers.<sup>228</sup>

For this thesis, the division into exploitative and exclusionary abuses is used. I think that the distinction into three categories is a bit artificial and unnecessary, since possible discriminatory abuses are covered by the two types and add nothing further to it. From a practical perspective, it does not matter if and how the abuse is classified since the fact that it constitutes an abuse still remains and this is the important part for finding the abuse of dominance.

As to the registration of patented subject matter, it could fall under either one of the categories. The registration can constitute an exclusionary abuse since it makes it

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<sup>225</sup> Vivienne Rose, David Bailey (editors), Bellamy and Child: European Union Law of Competition 7th edition (Oxford University Press 2013), pg 791.

<sup>226</sup> Article 102 provides: Any abuse by one or more undertakings of a dominant position within the internal market or in a substantial part of it shall be prohibited as incompatible with the internal market in so far as it may affect trade between Member States."

Such abuse may, in particular, consist in:

(a) directly or indirectly imposing unfair purchase or selling prices or other unfair trading conditions;  
(b) limiting production, markets or technical development to the prejudice of consumers;  
(c) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage;  
(d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contract.

<sup>227</sup> Rose, Bailey (n 225), pg 791.

<sup>228</sup> Faull, Nikpay (n 201), pg 387.

more difficult, if not impossible, for other players to enter the market. If the product is protected by a trademark, other undertakings need to obtain a license for it, thus there are barriers to entry to the market. This in itself can be seen as an exclusionary abuse.

Simultaneously, the registration can constitute an exploitative abuse. In the end; it is the consumer who will suffer due to the lack of sufficient competition. There would not be sufficient competition since the product is under the control of the trademark owner and the competition on the market would not be free but heavily influenced by the trademark owner.

Misuse of intellectual property rights can be classified as an exploitative abuse.<sup>229</sup> Registering patented subject matter as a trademark can certainly be classified as misuse or even abuse of intellectual property rights since the different types of intellectual property rights are meant to protect different aspects and should not overlap to such an extent to allow misuse.

### **3.4.3. Registration as the abuse listed in article 102(b) TFEU**

Article 102(b) TFEU provides that an abuse may consist in limiting production, markets or technical development to the prejudice of consumers. This abuse listed in article 102(b) TFEU differs from the others since this abuse can occur in a situation where patented subject matter is covered by a trademark without involving any other actions on part of the proprietor, on the so-called existence level of the dichotomy. Conduct falling within that category could include limitation by a dominant undertaking of its own output or action on the part of a dominant undertaking that limits the ability of third parties to increase production or enter new markets or develop new techniques.<sup>230</sup>

In case of registering a patented subject matter as a trademark, there is a limitation to enter the market. First of all, in a scenario where the proprietor does not make use of its intellectual property, there is a barrier to entry if it is impossible to enter the market circumventing the proprietor. This barrier is also impossible to remove since there is a prohibition of compulsory licensing. I do not see a possibility of a shape

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<sup>229</sup> Hans Henrik Lidgard, *Competition Classics* (Maria Magle Publishing, 2011) pg 229.

<sup>230</sup> Rose, Bailey (n 225), pg 845-846.

being so vital that the exception implied by article 40 of the TRIPS Agreement would be applicable.

Even if it is licensed in a way that the trademark owner is not the only one in the market, new entrants are required to obtain the license in order to enter the market. This fulfils the criteria of barriers to entry and allows for classification of such conduct as the abuse listed in article 102(b) TFEU. Such a situation can also give rise to the infringement of article 101 TFEU but since article 101 TFEU is outside of the scope of this thesis, these possibilities are not explored further.

For such an abuse, there also needs to be a detriment to the consumer. It has been argued that the consumer harm required under article 102(b) TFEU is an enhanced form of consumer detriment over and above a mere restriction of output, markets or innovation. Thus, the consumer harm test under article 102(b) TFEU may consist in a specific form thereof, such as the prevention of the emergence of a new or differentiated product.<sup>231</sup>

The higher burden of consumer harm is met in the case of registering patented subject matter as a trademark. If it is impossible to enter the market without the proprietor's consent and if the proprietor decides not to enter the market, the consumer is deprived of a possibly beneficial product. In case the proprietor is the sole supplier on the market, the consumer's choice is limited and the price will most likely be higher. It is questionable, if the higher price and the limited choice are sufficient to meet the burden since these are inevitable in case of competition law infringements.

On the other hand, one could say that the second part of the clause is not fulfilled, imposing no detriment to the consumers. If the trademark owner is not the only one in the market, there is presumably sufficient competition to ensure that there can be no abuse. The detriment to the consumer can also be avoided if there simply is no possibility of follow-on innovation or related products. This, however, seems to be unlikely to me. What is more, the new entrants and the stiffer competition might not lead to a consumer benefit, thus the detrimental effects might not be done away with in case of competition.

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<sup>231</sup> Renato Nazzini, *The Foundations of European Union Competition Law The Objective and Principles of Article 102* (Oxford University Press 2012), pg 111-112.

In conclusion, it is certain that registering patented subject matter as a trademark can constitute an infringement of competition law even if there is little to no action on part of the proprietor.

#### **3.4.4. Conclusion**

It can be inferred from the aforementioned that the registration in itself can constitute an abuse. Since there cannot be a division into existence and exercise of trademark rights, the existence of a trademark right implies the exercise and thus an abuse. The abuse can be seen both as exclusionary and exploitative but this does not make a difference in practice since it is the fact of abuse and not the classification thereof which is the deciding factor. It is also possible for the registration to constitute the abuse listed in article 102(b) TFEU.

#### **3.5. Follow-on abuses**

The previous section was concerned with the abuses committed by the mere existence of such a registration. Now, the analysis turns to the exercise of the intellectual property rights and looks at which abuses can occur if the trademark right is exercised. These differ from the previous abuses since they are dependent on more than just the registration.

The intent of the proprietor plays a crucial part in establishing the likelihood of such an abuse. Firstly, a proprietor who is looking to trademark patented subject matter is, in essence, trying to prolong its rights. This shows that the proprietor is prone to abuses. By prolonging the monopoly rights, the proprietor also retains the right to independent pricing policy. In such a scenario, it is likely that the proprietor's prices are higher than in a competitive situation.

##### **3.5.1. Abuse specified in article 102(a) TFEU**

Article 102(a) TFEU is concerned with unfair prices and other trading conditions. Pricing below the cost to force out a competitor, also known as predatory pricing is a type of unfair pricing.<sup>232</sup> It has been argued that predatory prices do not exploit the customers and a failed attempt at predation does not harm the customers but

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<sup>232</sup> Faull, Nikpay (n 201), pg 397.

benefits them.<sup>233</sup> In case of a patented subject matter being registered as a trademark, I do not see how predatory pricing can occur since predatory pricing is undertaken with the view to force out competitors. However, in a situation where patented subject matter is registered as a trademark, the proprietor is either the sole supplier on the market or the licensor to the others. Thus, if the proprietor wants to eliminate competition, the easier way would be to revoke the license or to raise the price of the license. Raising the price of the license might as well be classified as an unfair trading condition. In case of revoking the license, the conduct could be seen as a refusal to supply.<sup>234</sup> Hence, the other ways to get rid of the competitors are not free from competition concerns but I think that those are easier to take on for the proprietor and thus I do not see a need to be involved in the conduct which can be seen as predatory pricing.

On the other hand, the unfair pricing in the sense that the price charged is excessive, is more likely to occur. It has been argued that an excessive price is a price set by a dominant undertaking excessively above the competitive level in order to exploit its customers.<sup>235</sup> However, the consumer harm is not foreseen in the text of article 102(a) TFEU unlike in article 102(b) TFEU. To me, it seems that this signifies that by article 102(a) TFEU, the legislator wanted to capture the predatory pricing as well and when consumer harm is prescribed, this would not be so. It is also unnecessary to establish the consumer harm to a higher standard as it is with article 102(b) TFEU.

However, the unfairness of the prices still needs to be established. The ECJ and the Commission have used several benchmarks in relation to which to compare the prices. These include the costs of the dominant undertaking, prices charged by the dominant undertaking on other markets, the prices of competitors' products on the market and the prices of competitors' similar products on other markets.<sup>236</sup> To me, it seems difficult to establish the unfairness against these benchmarks.

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<sup>233</sup> Akman (n 196), pg 192.

<sup>234</sup> Refusal to supply is an abuse classified under article 102(b) TFEU. Revoking the license can constitute a refusal to supply since after this, there is no supply and even though there was a license under which the „supply“ was taking place, I am of the opinion it has enough parallels to be classified as such.

<sup>235</sup> Lyang Hou, Excessive Prices within EU Competition Law (European Competition Journal, Vol. 7, No. 1, pp. 47-70, 2011), available at SSRN: <http://ssrn.com/abstract=1850569> pg 48.

<sup>236</sup> Akman (n 196), pg 193.

The only real comparison could be made with the costs of the undertaking. In such an evaluation, no benchmarking is needed. It implies that in some cases the abusive nature of a price is self-evident *vis-à-vis* its high profit margin.<sup>237</sup> However, while an excessive price margin may be in theory self-evident, it is difficult to prove in practice.<sup>238</sup> I think that it is impossible to establish a level which can be seen as an excessive price margin in every case. Furthermore, establishing some price margin as excessive in itself can constitute an infringement of the freedom to conduct a business.<sup>239</sup>

It has been argued that one of the possibilities to establish the excessiveness of a price margin and the abusiveness of the prices is to compare the prices to the past prices of the same product.<sup>240</sup> However, this comparison prescribes a change in the price. If the price of the product remains unchanged, this comparison is meaningless and thus in reality, abusive prices could be charged. I think that in case of a patented subject matter being registered as a trademark, there would not be a change in the pricing of a product after registering the trademark. Thus this benchmark would be inutile.

The prices charged by the dominant undertaking on other markets can only be a meaningful benchmark if there is another market. In the absence of such a market, the comparison cannot be conducted. By other market in this sense is meant the upstream or the downstream market and not just any market where the undertaking is active.

The prices of competitors' products cannot be a benchmark in such a case. Since the trademark rights give a monopoly to the proprietor, there cannot be any competitors' against whose prices to conduct the comparison. In case of the proprietor granting licenses, I think that this still proves to be inefficient. The proprietor is indirectly in control of the competitors' prices due to the licensing relationship. Thus, the prices of the competitors cannot differ greatly from the one of the dominant undertaking. Hence, no meaningful conclusion can be drawn. For the same reason, the prices of competitors' on other markets are not suitable for comparison.

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<sup>237</sup> Hou (n 235), pg 62.

<sup>238</sup> Hou (n 235), pg 69.

<sup>239</sup> Freedom to conduct a business is protected by article 16 of the Charter of Fundamental Rights of the European Union [2010] OJ C 83/02.

<sup>240</sup> Hou (n 235), pg 72.

In conclusion, it is possible for the following conduct of the trademark proprietor to constitute an abuse specified in article 102(a) TFEU. However, establishing the conduct as such abuse might prove to be difficult since it is dependent on many factors and an in-depth analysis.

### **3.5.2. Abuse specified in article 102(b) TFEU**

Article 102(b) TFEU abuse does not only occur on the existence level. As has been established before, revoking the license could fall under this title. Furthermore, the ECJ has found in *Continental Can*, that the acquisition of a competitor by a dominant firm may constitute an abuse through its impact on the competitive market structure.<sup>241</sup> Revoking a license also influences the market structure as do the proprietor's choice of licensees.

It needs to be noted that the higher consumer harm standard applies in these cases. I think that in case of influencing the market structure, the consumer harm standard is met since the consumer's choice is limited which is detrimental to the consumer. A limited choice would most likely lead to increasing prices so the burden is met in any case.

### **3.5.3. Abuse specified in article 102(c) and (d) TFEU**

Article 102(c) TFEU is concerned with the discrimination between the customers of the undertaking. The most likely discrimination to occur is price discrimination. Price discrimination is the practice of selling the same product to different buyers at different prices, in circumstances where the price differential is not justified by cost differences.<sup>242</sup> However, this is completely dependent on the actions of the proprietor, thus this abuse might occur but might as well not. I think that this is a class of abuses which can occur in any case, hence there is no need to analyse this possibility further and it suffices to conclude that the possibility exists.

Article 102(d) TFEU concerns a situation where the conclusion of contracts is made subject to acceptance by other parties of unconnected obligations. As it is with the discrimination abuses listed in article 102(c) TFEU, these types of abuses can occur

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<sup>241</sup> Case 6/72 (n 200).

<sup>242</sup> Faull, Nikpay (n 201), pg 524.



in all types of cases and thus no further analysis from the perspective of registering patent-protected subject matter as a trademark is needed.

#### **3.5.4. Conclusion**

In conclusion, it can be said that there is a wide possibility of follow-on abuses. Since the list in article 102 TFEU is non-exhaustive, other abuses may occur as well which cannot be classified under any of the example categories. There is a definite threat to competition in case of registering patented subject matter as a trademark. However, the follow-on abuses are completely dependent on the actions of the trademark proprietor. Thus, it cannot be said that these will occur in any case.

## **4. Final conclusions**

In an ideal world, relevant legislation would be sufficient to avoid the overlaps of different intellectual property rights. However, the legislation and the world we live in is less than ideal. This thesis set out to establish if registering patented subject matter as a trademark is a competition law infringement or an allowed use of intellectual property law.

According to the relevant legislation, there is a possibility of overlapping intellectual property rights and for one object to be protected by multiple intellectual property rights. Thus, from the intellectual property perspective, it seems that the registration possibility is an allowed use of intellectual property law.

The case law supports the position that the overlap between patents and trademarks is narrow. In the *Philips*, *Lego* and *Yoshida* cases, the registration was denied based on the fact that the shapes were functional. The *Simba Toys* case in the GC has ended up with a somewhat surprising conclusion of the Rubik's cube being registerable as a trademark. If the ruling in *Simba Toys* is to be upheld, this means that the overlap is greater than the ECJ had established in its previous case law. I think that this would also lead to a change in approach to the evaluation of functionality. However, the ruling in *Yoshida* which is more recent than the *Simba Toys*, signifies that the ECJ's approach has not changed and the principles and approaches established in *Philips* and *Lego* are still valid.

As to competition law infringements, such registration is capable of constituting a competition law infringement. Article 102 TFEU lists some exemplary infringements but the list is non-exhaustive. The registration can be classified as both exclusionary and exploitative abuse. This thesis operated with a presumption that the relevant market can be established, however, the difficulties of doing so are acknowledged. It is possible for a proprietor who has registered patent-protected subject matter as a trademark to be in a dominant position. The dominance is more easily established if the patent registration and the trademark registration are not done simultaneously. However, since the markets and the positions on markets are changing, the dominance can also be found in other scenarios. As always, it is subject to certain conditions.

There is a dichotomy between the existence and the exercise of intellectual property rights in the ECJ case law. I find that the dichotomy is not that useful and for trademarks should be done away with since there is no meaning in an existing trademark right without the exercise thereof. A further support to this position is found in the fact that trademarks require use to be valid.

Due to the dichotomy, the possibility of the existence of a trademark right constituting a competition law infringement was analysed. Since there cannot be a division into existence and exercise of trademark rights, the existence of a trademark right implies the exercise and therefore may constitute an abuse. The theoretical classification of the abuse does not play a role if the abuse is established. Furthermore, the existence of the trademark right can also constitute an abuse listed in article 102(b) TFEU.

When it comes to the exercise of the intellectual property rights, all of the listed abuses in article 102 TFEU can occur and even those which are not listed. It is particularly likely that the excessive pricing abuse occurs. However, there are significant difficulties in establishing the excessiveness of the price. The abuses on the exercise level of IPR:s are not inevitable but dependent on the actions of the proprietor.

Finally, I am of the opinion that the registration should be a theoretical possibility to use intellectual property law. As the case law of the ECJ stands today, the overlap is not completely eliminated but it is very narrow. I think that this is how it has to be.

Patents allow for a very extensive protection for a limited time, hence I think that the patent proprietor should be able to reap the reward in the time of the extensive protection. Protecting an invention with a trademark would lead to an unfair advantage to the proprietor.

I find that overlapping intellectual property rights provide for an interesting research subject. This overlap was particularly interesting to me since it is quite unlikely but when executed, it provides for obvious restraint on competition. I am looking forward to ECJ's decision in the *Simba Toys* case and the subsequent changes in the overlap between patents and trademarks if there are going to be any.

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