

The Appropriate Scope of Protection for Three Dimensional Trademarks for the Shape of Goods

Shiri Kasher-Hitin, 2012

1. Preamble

Three dimensional (3D) trademarks for the shape of goods are considered to be standing on the problematic border between the laws of trademarks, industrial designs, patents and also antitrust law (i.e., market barriers). This unique legal context led legal systems to provide a very narrow scope of protection to three-dimensional trademarks for the shape of goods.

In many cases it seems that the judicial decision was based more on the fear from possible outcomes of protection for three-dimensional trademarks for the shape of goods than on the realistic circumstances and the basic rationales that stand in the root of trademarks law.

In this discussion we will reveal the current law regarding shapes as trademarks and try to investigate it from a critique point of view. Our discussion will deal with the appropriate protection for trademarks that are the shape of the goods themselves, in distinction to trademarks that are the shape of packages. That is because trademarks for the shape of goods raise questions that are unique to this kind of trademarks only.

2. Targets that will light our way

The targets that will light our way are the substantial rationales of trademark law in general:

A. The Property Rationale:

The protection of reputation of a business; reputation that is embodied in the trademark of the business and that is the fruit of significant investments;

B. The Consumers Rationale:

The protection of consumers; trademarks are an efficient tool for consumers to identify immediately the source of a product.

3. The main problems in 3D trademarks registerability as mentioned in judicial decisions

A. The shape of a product does not function as an indicator for the source of the product

As a leitmotif in judicial decisions, it is repeated that consumers do not regularly grasp the shape of a product as a tool for identification of the source of that product. Therefore, the Consumers Rationale is not easily achieved regarding trademarks for the shape of goods and the grant of trademark protection for those trademarks is limited.

B. The grant of an exclusive proprietary title for a shape of a product will restrain the competition in the relevant market

The grant of title in a 3D trademark for the shape of a product means that the owner of the title has an exclusive right regarding that shape for an **unlimited** period of time.

That outcome contradicts the laws of patents and designs according to which an exclusive right regarding a shape of product is only for a **limited** period of time.

The main concern we find in the legal literature and decisions is that owners of expired patents/designs will prolong their exclusive right for the shape of a product by registration of that shape as their trademark.

By doing so, the balance that the legislator wished to achieve between the public interest in maintaining the incentive to invent new inventions and create new shapes, on one hand, and the interest to promote perfect competition amongst competitors in the relevant market, on the other hand – will be breached.

In addition, there is a fear that the shape has functional value since it is aimed either to achieve a technical result or to promote the sales of the product by its appearance. Therefore, grant of an exclusive right to exploit the shape by registration of a trademark will create a barrier to entry that will deter potential competitors from entering the relevant market.

4. The Solutions

Hereinafter we will examine the solutions that courts provided for the conflict between the law of trademarks and the targets of patents and designs laws, as mentioned above.

A. Technical Functionality

(1) The Solution

In the US, the courts implemented the *Morton-Norwich test*, according to which the court will use the answers to the following questions in order to determine whether the shape may be registered as a trademark:

- i. Is/was there a related utility patent;
- ii. Were there advertisements that emphasized the utilitarian advantages of the shape;
- iii. Are there functionally equivalent designs for the use of competitors;
- iv. Is the manufacturing of the product simple or cheap.

In the EU the question that determines registerability is whether the shape is necessary to obtain a technical result. Hereinafter is the wording of the relevant article of the directive:

Article 7: Absolute grounds for refusal

The following shall not be registered:

(e) Signs which consist exclusively of:

(ii) The shape of goods which is **necessary to obtain a technical result**;

According to the EU law, the fact that there are substitutes to the shape that will achieve the same technical result does not have any importance.

In addition, in both continents the decision whether the shape is dictated solely by the technical result will be made on a case by case basis and the existence of former patents/designs regarding the shape at question will have significance.

(2) The Problem of the Solution

The implementation of the rule above is not simple at all and therefore does not contribute to the certainty of the law in question.

Theoretically speaking, it is reasonable to assume that it is easy to identify a shape which exists in order to obtain a technical result, e.g., the Lego brick and the Philips shaver.

Nevertheless, this assumption is doubtful as we can see in the case of the Rubik Cube (*Simba Toys v. Seven Towns*) – where it was held as follows:

"... the cubic grid structure does not give any indication whatsoever as to its function, or even if it has any structure. It is impossible to conclude that it may impart some technical advantage or effect in the domain of three-dimensional puzzles. The shape is regular and geometric; there are no clues to the puzzle that it embodies."

As can be seen in the Annex attached, the details of the illustration include different graphics for each and every side of the cube (i.e., plain, vertical lines and diagonal lines) that serve as an explicit clue for the puzzle each side of the cube embodies. In these circumstances, the court's argument seems problematic, especially when taking into account that the application for the registration of the trademark was for 'three-dimensional puzzles in class 28'..

B. Aesthetical Functionality

(1) The Solution

Determination of inherent distinctiveness of shapes (and trade dress) in the US is made by applying the *Seabrook test* that is comprised of the following questions:

- i. Is it a common/basic design;
- ii. Is it unique/unusual in this field;
- iii. Is it only a refinement of a well known shape/ornament;
- iv. Is it capable of creating a distinct commercial impression.

In the EU the wording of the relevant article of the directive is:

Article 7: Absolute grounds for refusal

The following shall not be registered:

(e) Signs which consist exclusively of:

(iii) The shape which **gives substantial value to the goods**.

(2) The Problems of the Solution

a. What is "substantial value"?

"Substantial Value" is a vague and wide word combination. As a result, the decision whether there is a causal connection between the shape and the substantial value that it contributes to the product is subject to wide interpretation and even personal taste.

For instance, when the shape is the thing that we consume, like in a case the product is a jewel, it seems quite easy to point out the connection between the shape of the goods and their value

(even though there might be a very long list of other elements that contributes to the value of the jewel besides its shape, such as, color, reputation of the designer, price etc.). But, when the shape of the product is only one aspect of it, it would be much more complicated to point out the causal connection between the shape of the product and its value. For instance, when I buy a Toffifee caramel chocolate, do I do so because it is tasty or because it is appealing? What is my substantial 'reason' (i.e., 'value' from the point of view of the manufacturer): its looks? its taste? Is it not an empirical question that should be answered only by surveys? That leads us to the following question:

b. "Substantial" in comparison to what?

The substantiality of the value should be examined in comparison to other elements that might contribute to the value as well. Accordingly, the question is: "substantial value" in comparison to what? Do we have to compare between the contribution of the aesthetical shape to the power of sale of the product and the power of sale of its other elements? Alternatively, do we have to compare between the contribution of the aesthetical shape to the power of sale of the product and the power of sale of the aesthetical shapes of competing products?

In the case of *Bang & Olufsen v. OHIM* the Court determined that the design is an important element in the consumers' choice. The Court did not ascribe significance to the other elements that the owner mentioned as contributing to the value of the product, e.g., functional features, branding and the way the product is promoted. The Court emphasized the fact that the owner promoted the product by stressing its special design. It seems that based on this reasoning the Court decided that the shape contributes substantial value to the goods.

Is it reasonable that by praising the special design of the product the producer of that product abolishes any chances for registration of the shape of the product as his trademark? If the design fulfills perfectly the two targets of trademark law, i.e., in the *Bang* case: the trademark is inherently distinctive, there is no such design in the market and the possibilities of other designs are infinite, why its registration was denied?

C. Defendants are using the doctrine wrongly

Due to the current formulation of aesthetical functionality doctrine, infringers of trademarks rights are able to wrongfully exploit it in their favor (i.e., *Betty Boop* case). In such a case, the infringer alleges that he uses the trademark only as an ornament on his product, since the trademark is not and should not be protected as a trademark. The defendant actually turns the aesthetical functionality doctrine upside down, and tries to defame a trademark that is not functional at all and exploit the good reputation attached to it by an excuse of decoration. According to this wrong allegation, even the trademark NIKE that does not have any special aesthetic/technical functionality, may 'decorate' products and therefore be unprotected. This is of course an absurd outcome that negates the power and targets of trademark law.

5. Rethinking the Law

A. Is it true that consumers do not usually grasp the shape of goods as trademarks?

Well, this is of course an empirical question and not a legal one, although courts use their authority to determine actually otherwise without any substantive evidence.

The opinion of professionals in the realm of marketing is that because we scan in the markets several ten thousands of products in few minutes, the unique shape of a product is a cardinal element in creating the distinction between products.

Let us check it by ourselves, isn't it true that when we see a product that bears an inherent distinctive configuration, we are interested in it and checking its origin? If the answer is positive, then the goals of the configuration as a trademark are fully obtained. Actually, we recognize plenty of products by their unique shape (see Annex).

B. Rethinking the necessity of the technical functionality test

It is worth noting that by applying the technical functionality test trademarks law promotes competition per se (without any implementation of patent/design laws protected interests), because a trademark that is also the shape of product that is necessary to obtain a technical result will not be protected whether the shape was subject to a registered patent/design, or not. In other words, if the starting point of trademark law was not to break the balance that is created by the laws of patents and designs by granting endless protections to shapes under trademark law, this starting point was totally abandoned, since the registerability tests of a shape are broad and do not end in the answer to the question whether the shape was subject to a registered patent/design, or not.

Now, the question is why not bind the registerability of a shape only to circumstances where that shape was subject to a registered patent/design? Have not we gone too far when we decided that trademark law will actually promote competition, while that was not one of the targets of this law?

Is it not true that the 'conventional/classic' trademark law, without the functionality doctrines, has the power to classify correctly shapes that are registerable? For example, is it not true that instead of applying new (and problematic) doctrines Courts could have determined that the shape of the Lego brick is not registrable because the shape is generic or descriptive since: (1) it is common to the trade, i.e., there are many bricks similar to it in the relevant market; and/or – (2) it should remain open to the trade.

C. Rethinking the necessity of the aesthetical functionality test

- (1) In relation to the technical field, it is understandable why the existence of alternative shapes will not influence the registerability examination of the 3D trademark, since the production of a different shape is likely to entail different cost and/or stability of the product and/or complexity of production and these may create a barrier in the relevant market. Nevertheless, in relation to the aesthetical field, the situation is completely different, since the alternatives to an aesthetic design are **infinite**. Accordingly, if the shape is not generic or descriptive, but suggestive or otherwise inherently distinctive, it should be registrable. It derives from the said above that the aesthetical functionality test widens the protection of the competition interest on the expense of the legitimate targets of trademark law.
- (2) The fuzziness of the "substantial value" criteria might lead producers not to invest in aesthetical designs for their products because no matter how much the design is arbitrary and striking, it will not gain trademark protection (e.g., *Bang & Olufsen*). This outcome does not match the targets of trademark law (and it is questionable whether it suits the basic convention that shapes may be registered at all).
- (3) Consumers are ready to pay more in order to enjoy an aesthetical product. If the law negates the incentive to produce aesthetical products (not only new and innovative designs, the manufacture of which is promoted by designs law), then the consumers' interest is harmed.

The uncertainty that the functionality doctrines infused to trademarks law should lead us to consider maybe technical elements of shape can be classified as descriptive, if the design is, in fact, common to the trade or too simple/efficient that it has to remain open to the trade (e.g., when it was registered as a patent), and maybe aesthetical elements of shape, as in graphical aesthetic elements, can be examined according to their level of descriptiveness only.

© Shiri Kasher-Hitin 2012

Annex

