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Signs Eligible for Trademark Protection in the European Union – Dysfunctional Incentives and a Functionality Dilemma

Martin Senftleben*

I. Introduction

In the European Union (EU), the criteria for determining a sign's eligibility for trademark protection are harmonized to a large extent.¹ On the one hand, the trademark legislation and office practices in EU Member States have to keep within the harmonized legal framework set forth in the EU Trade Mark Directive (TMD).² On the other hand, the European Union Trade Mark Regulation (EUTMR)³ provides for a set of eligibility criteria that apply to European Union Trade Marks (EUTM) with equal effect throughout the EU territory.⁴ As the rules in the Regulation are in line with those in the Directive, the two legislative instruments constitute a robust body of harmonized norms informing the decision on the registration of a sign as a trademark. The harmonizing effect is enhanced by the fact that national courts have to refer questions relating to the application and interpretation of eligibility criteria to the Court of Justice of the European Union (CJEU).⁵

As in other regions of the world,⁶ the criteria applied to determine eligibility for trademark protection are quite flexible in the EU:

“A trade mark may consist of any signs, in particular words, including personal names, or designs, letters, numerals, colours, the shape of goods or of the packaging of goods, or sounds, provided that such signs are capable of:

- (a) distinguishing the goods or services of one undertaking from those of other undertakings; and*
- (b) being represented on the register in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.”⁷*

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¹ See the discussion of regional harmonization of trademark law by Irene Calboli and Coenraad Visser elsewhere in this volume.

² Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, *OJ* 2015 L 336, 1.

³ Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification), *OJ* 2017 L 154, 1.

⁴ EUTMs are registered at the European Union Intellectual Property Office (EUIPO, the former Office for Harmonization in the Internal Market (OHIM)). The application of eligibility criteria is thus in the hands of one central institution at the application stage.

⁵ With regard to the impact of the CJEU on the harmonization of intellectual property law in the EU, see V. Cassiers/A. Strowel, “Intellectual Property Law Made by the Court of Justice of the European Union”, in: C. Geiger/C.A. Nard/X. Seuba, *Intellectual Property and the Judiciary*, Cheltenham: Edward Elgar 2018, 175 (176-183); M.R.F. Senftleben, “The Perfect Match – Civil Law Judges and Open-Ended Fair Use Provisions”, *American University International Law Review* 33 (2017), 231 (252-255). See also the comparative analysis by K.J. Alter/L.R. Helfer, “Nature or Nurture? Judicial Lawmaking in the European Court of Justice and the Andean Tribunal of Justice”, *International Organization* 64 (2010), 563.

⁶ As to examples of common law trademark systems, see the contribution by Lisa Ramsey elsewhere in this volume. For a broader overview of the approaches taken in the different regions of the world, see the contributions to M.R.F. Senftleben (ed.), *Study on Misappropriation of Signs*, WIPO Document CDIP/9/INF/5, Geneva: World Intellectual Property Organization 2012.

⁷ Article 3 TMD; Article 4 EUTMR.

This definition leaves room for the extension of trademark protection to non-traditional types of marks. Shape, sound and colour marks are explicitly mentioned in the provision. Moreover, the enumeration of different types of signs predominantly serves illustrative purposes. As the words “in particular” indicate, the list does not constitute a closed catalogue. In principle, “any signs” that are distinctive and can be represented adequately on the register are eligible for trademark protection in the EU.⁸ Under this elastic standard, trademark offices applying EU trademark law have accepted, for instance, abstract colours⁹ and colour combinations,¹⁰ motion and multimedia marks,¹¹ melodies and sounds,¹² taste marks,¹³ hologram marks¹⁴ and position marks.¹⁵

The following analysis of the trend to register non-traditional marks in the EU outlines the legal framework which the CJEU developed to assess the eligibility of non-traditional types of source identifiers for trademark protection (following section 2). On this basis, it discusses the objective to safeguard freedom of competition (section 3) and the legal instruments which the CJEU employs for this purpose: the requirement of providing evidence of the acquisition of distinctive character through use in trade (sections 4 and 5) and the categorical exclusion of functional signs from trademark protection (section 6). Drawing conclusions, it will become apparent that the basic requirement of distinctive character plays an ambiguous role in the regulation of access to trademark protection for non-traditional marks. It is both an obstacle to trademark protection and an incentive for enhanced investment in non-traditional types of marks (section 7).

II. Refinement of Registration Requirements in CJEU Jurisprudence

As harmonized EU trademark law explicitly offers room for the registration of non-traditional marks, the CJEU had the opportunity to clarify the statutory registration requirements and delineate the range of signs eligible for protection. The situation in the field of colour marks can serve as an example. In *Libertel*, the Court held that colour *per se* may constitute a

⁸ As to the discussion about the recognition of non-traditional marks in the EU, see I. Lewalter/P.T. Schrader, “Die Fühlmarke”, *Gewerblicher Rechtsschutz und Urheberrecht* 2005, 476; F. Hauck, “Aktuelle Entwicklungen bei der Eintragung von Farbmarken”, *Gewerblicher Rechtsschutz und Urheberrecht* 2005, 363; A. Kur, “Alles oder Nichts im Formmarkenschutz?”, *Gewerblicher Rechtsschutz und Urheberrecht – International Teil* 2004, 755; A. Bouvel, “Qu’importe le flacon... Le droit des marques malmené par les emballages”, *Propriétés Intellectuelles* 2004, 863; R. Arnet, “Markenschutz für Formen”, *sic!* 2004, 829; J. Pagenberg, “Trade Dress and the Three-Dimensional Marks – The Neglected Children of Trademark Law?”, *International Review of Intellectual Property and Competition Law* 35 (2004), 831; M. Bölling, “Der EuGH und die abstrakte Farbmarke – Von der bewussten Entwertung einer Markenform”, *Markenrecht* 2004, 384; S. Bingener, “Das Wesen der Positionsmarke oder Wo die Positionsmarke hingehört”, *Markenrecht* 2004, 377; A. Firth/E. Gredley/S.M. Maniatis, “Shapes as Trade Marks: Public Policy, Functional Considerations and Consumer Perception”, *European Intellectual Property Review* 2001, 86.

⁹ EUTM registration no. 000031336 (Milka lilac); EUTM registration no. 000212787 (Deutsche Telekom magenta); EUTM registration no. 000962076 (UPS brown). Cf. CJEU, 6 May 2003, case C-104/01, *Libertel*, para. 68.

¹⁰ CJEU, 24 June 2004, case C-49/02, *Heidelberger Bauchemie*, para. 35; GCEU, 30 November 2017, joined cases T-101/15 and T-102/15, *Red Bull/EUIPO (Optimum Mark)*, para. 3 and 12.

¹¹ EUTM registration no. 3429909, 017279712, 017279704, 017350901; Finland registration no. 229446.

¹² Norway registration no. 226092. Cf. CJEU, 27 November 2003, case C-283/01, *Shield Mark*, para. 62.

¹³ Benelux registration no. 625971 accompanied by the description “The TM consists of the taste of liquorice applied to goods in class 16.”

¹⁴ EUTM registration number 017579491.

¹⁵ Germany registration no. 302010059754 (Steiff button in ear); Germany registration no. 30142541, 39504594; Italy registration no. 0001174853 (Lloyd Shoes red stripe).

trademark. At the time of the decision, EU legislation required trademarks to be represented “graphically” on the register.¹⁶ According to the Court, the requirement of graphical representation could be satisfied in case of an abstract colour by indicating an international colour identification code.¹⁷ As a result of the 2015 EU trademark law reform, the focus on graphical representation was abandoned¹⁸ in favour of the more elastic requirement that the mark be capable of being represented in a manner enabling the competent authorities and the public to determine “the clear and precise subject matter of the protection afforded to its proprietor.”¹⁹ More specifically, current EU legislation allows trademark applicants to represent the mark in any appropriate form using generally available technology – and not necessarily graphic means – as long as the representation is “clear, precise, self-contained, easily accessible, intelligible, durable and objective.”²⁰ The latter list of requirements stems from the *Sieckmann* decision where the CJEU adopted these criteria as general criteria for assessing a sign’s representation for the purposes of registration.²¹

The legislative change – from graphical representation to more open-ended criteria of clear and precise representation – does not affect the general acceptance of abstract colour marks in the EU. However, it may lead to stricter representation requirements pertaining to colour combinations. In *Red Bull/EUIPO (Optimum Mark)*, the CJEU decided on the compliance of Red Bull’s representation of a blue and silver color combination with the requirement of sufficient clarity and precision. The question arose because Red Bull had only specified that the ratio of the colors (accompanied by relevant color codes) was “approximately 50%–50%” and the colors would be applied “in equal proportion and juxtaposed to each other.”²² Discussing these indications, the CJEU recalled the landmark decision *Heidelberger Bauchemie*, where it had established that in the case of a mark combining colors per se, those colors had to be represented

*“...in accordance with a specific arrangement or layout, associating the colours in a predetermined and uniform way, in order to prevent numerous different combinations of those colours which would not permit the consumer to perceive and recall a particular combination.”*²³

On this basis, the CJEU found that the mere indication of the ratio of the two colors blue and silver allowed for the arrangement of those colors in numerous different combinations and failed to constitute a systematic arrangement associating the colors in a predetermined and uniform way. The indications given by Red Bull could lead to different forms of use producing very different overall impressions. Referring to the first instance findings of the General Court of the European Union (GCEU), the CJEU pointed out that the word “approximately” allowed for different arrangements of the colors at issue. The juxtaposition of the colors could take different forms, “giving rise to different images or layouts, while still being in equal

¹⁶ The decision was based on Article 2 of the first trademark harmonization Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, *OJ* 1989, L 40, 1, which provided as follows: “A trade mark may consist of any sign *capable of being represented graphically*, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings” (emphasis added).

¹⁷ CJEU, 6 May 2003, case C-104/01, *Libertel*, para. 68.

¹⁸ As to this change of the representation requirement, see A. Kur/M.R.F. Senftleben, *European Trademark Law – A Commentary*, Oxford: Oxford University Press 2017, para. 4.05.

¹⁹ Article 4(b) EUTMR; Article 3(b) TMD.

²⁰ Recital 10 EUTMR; Recital 13 TMD.

²¹ CJEU, 12 December 2002, case C-273/00, *Sieckmann*, para. 55.

²² CJEU, 29 July 2019, case C-124/18P, *Red Bull/EUIPO (Optimum Mark)*, para. 10, 39-41.

²³ CJEU, *ibid.*, para. 38, referring to CJEU, 24 June 2004, case C-49/02, *Heidelberger Bauchemie*, para. 35.

proportion.”²⁴ Therefore, the graphic representation at issue, accompanied by a description indicating only the proportions of the two colors, could not be considered sufficiently precise. Red Bull’s color combination marks were thus invalid.²⁵

Even though the case concerned the previous requirement of graphical representation, the GCEU had seized the opportunity in its first instance decision to comment on the impact of the current requirement of a sufficiently clear and precise representation. In the framework of the proceedings, the argument had been made that the new formula of a representation enabling “the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor”²⁶ indicated a relaxation of the representation requirement in EU trademark law.²⁷ Rebutting this argument, the GCEU had pointed out that the new wording was intended to reinforce legal certainty and could be deemed more restrictive than the previous graphical representation requirement, insofar as it expressly incorporated the objectives which the CJEU had identified in its decisions in *Sieckmann* and *Heidelberger Bauchemie*.²⁸ According to the GCEU, it was neither impossible nor disproportionate to require an applicant to provide a clear and precise indication of the systematic spatial arrangement of colors constituting a color combination mark.²⁹ As explained, the final decision of the CJEU confirms this position.³⁰

As to sound marks, the CJEU pointed out in *Shield Mark* that a trademark may also consist of a sign which is not in itself capable of being perceived visually. Sound signs meeting the general protection requirements could constitute trademarks. In the case of a melody, musical notation was sufficient to represent the sign on the register.³¹ As the new legislation no longer requires graphical representation, other modes of representation enter the picture as well. Arguably, a sound file is even clearer, more precise, easily accessible and intelligible than musical notation.³²

These decisions show that the CJEU has developed a nuanced approach to the subject matter of trademark protection. In any case, smell remains outside the scope of EU trademark law. In *Sieckmann*, the CJEU held that, in the case of olfactory signs, neither a chemical formula nor a description or smell specimen (or any combination of these means of representation) were sufficient to provide a clear and precise representation of the sign for the purposes of trademark registration.³³

III. Need to Keep Free as a Counterweight

However, the general recognition of non-traditional types of marks in the EU does not mean that signs in a non-traditional category will automatically find their way into trademark registers on the continent. By contrast, absolute grounds for refusal in EU trademark law can pose substantial obstacles. Besides the functionality doctrine,³⁴ the basic requirement of distinctive

²⁴ CJEU, 29 July 2019, case C-124/18P, Red Bull/EUIPO (Optimum Mark), para. 43-45.

²⁵ CJEU, *ibid.*, para. 47.

²⁶ Article 4(b) EUTMR, Article 3(b) TMD.

²⁷ GCEU, 30 November 2017, joined cases T-101/15 and T-102/15, Red Bull/EUIPO (Optimum Mark), para. 117.

²⁸ GCEU, *ibid.*, para. 118.

²⁹ GCEU, *ibid.*, para. 119.

³⁰ CJEU, 29 July 2019, case C-124/18P, Red Bull/EUIPO (Optimum Mark), para. 46-48.

³¹ CJEU, 27 November 2003, case C-283/01, *Shield Mark*, para. 62.

³² Cf. *Kur/Senfleben*, *supra* note 18, para. 4.27-4.29.

³³ CJEU, 12 December 2002, case C-273/00, *Sieckmann*, para. 73.

³⁴ Article 4(1)(e) TMD; Article 7(1)(e) EUTMR.

character plays a crucial role. Signs that are devoid of distinctive character, descriptive signs that indicate characteristics of goods or services, and signs that have become customary in the current language or established trade practices are not eligible for trademark protection.³⁵ It is to be noted, however, that the exclusionary effect of these grounds for refusal is different. Whereas a finding of functionality cannot be overcome by demonstrating that distinctive character has been acquired as a result of use in trade, the absolute grounds for refusal based on a lack of distinctiveness no longer apply when distinctive character has been obtained through use in trade.³⁶

Regardless of the different configuration of the exclusionary effect, the functionality doctrine and the grounds for refusal based on insufficient distinctiveness share the same rationale: they recognize the need to keep functional, non-distinctive, descriptive and generic signs free for the public and other traders. This overarching rationale has a deep impact on the acceptance of non-traditional marks in the EU.

A. Lack of Distinctive Character

Confirming the particular importance of the need to keep free in the context of an assessment of a sign's distinctive character, the CJEU explained in *Windsurfing Chiemsee* that the absolute ground for refusal concerning descriptive signs ensured that

*“descriptive signs or indications relating to the categories of goods or services in respect of which registration is applied for may be freely used by all, including as collective marks or as part of complex or graphic marks.”*³⁷

With regard to geographically descriptive indications, the Court further specified that it was in the public interest that they remained available,

*“not least because they may be an indication of the quality and other characteristics of the categories of goods concerned, and may also, in various ways, influence consumer tastes by, for instance, associating the goods with a place that may give rise to a favourable response.”*³⁸

When it comes to non-traditional types of marks, the CJEU relies on similar considerations. The Court uses the need to keep free as a central instrument to regulate access to trademark protection. In *Henkel*, the Court pointed out that average consumers were not

*“in the habit of making assumptions about the origin of goods based on the shape of their packaging, in the absence of any graphic or word element.”*³⁹

Therefore, it could prove more difficult to establish distinctive character in the case of product packaging for which trademark protection was sought. Only a trademark which significantly departed from the norm or customs of the sector and thereby fulfilled the function of an

³⁵ Article 4(1)(b)(c) and (d) TMD; Article 7(1)(b)(c) and (d) EUTMR.

³⁶ Article 4(4) TMD; Article 7(3) EUTMR.

³⁷ CJEU, May 4, 1999, cases C-108/97 and C-109/97, *Windsurfing Chiemsee*, para. 25.

³⁸ CJEU, *ibid.*, para. 26.

³⁹ CJEU, 12 February 2004, case C-218/01, *Henkel/DPMA*, para. 52; CJEU, 8 April 2003, cases C-53/01 to C-55/01, *Linde and others*, para. 48; CJEU, 4 May 2017, C-417/16 P, *August Storck/EUIPO*, para. 34.

indication of commercial origin was not devoid of distinctive character.⁴⁰ By the same token, the Court held in *Libertel* with regard to colour *per se* that consumers were not “in the habit of making assumptions about the origin of goods based on their colour or the colour of their packaging, in the absence of any graphic or word element.”⁴¹ Against this background, distinctiveness without any prior use was inconceivable save in exceptional circumstances, and particularly where the number of goods or services for which the mark was claimed was very restricted and the relevant market very specific.⁴²

On the basis of this jurisprudence, the shape of products or their packaging, and abstract colours, are likely to be found devoid of distinctive character in the EU. Trademark rights can only be obtained by showing that distinctive character has been acquired through use in trade. This additional hurdle can be regarded as the result of an effort made by the CJEU to keep standard product packaging and colours *per se* free for other traders and the public at large.⁴³ The Court explicitly acknowledged with regard to colours that there was

*“a public interest in not unduly restricting the availability of colours for the other operators who offer for sale goods or services of the same type as those in respect of which registration is sought.”*⁴⁴

B. Functionality

The need to keep free also constitutes a core argument for refusing trademark rights because of functionality. The functionality doctrine in the EU prevents the registration of signs which consist exclusively of a shape, or another characteristic, which results from the nature of the goods concerned, is necessary to obtain a technical result (utilitarian functionality), or gives substantial value to the goods (aesthetic functionality).⁴⁵ In *Philips/Remington*, the CJEU explained that the rationale underlying these grounds for refusal was

*“to prevent trade mark protection from granting its proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors.”*⁴⁶

With regard to technical shapes, the Court added that the refusal of registration pursued an aim which was in the public interest,

⁴⁰ CJEU, 12 February 2004, case C-218/01, Henkel/DPMA, para. 49.

⁴¹ CJEU, 6 May 2003, case C-104/01, Libertel Groep/Benelux-Merkenbureau, para. 65.

⁴² CJEU, *ibid.*, para. 66.

⁴³ The hurdle to be surmounted, however, need not necessarily be high. For instance, see German Federal Court of Justice, 9 July 2009, case I ZB 88/07, ROCHER-Kugel, published in *Gewerblicher Rechtsschutz und Urheberrecht* 2010, 138, available at www.bundesgerichtshof.de, para. 43: “In the case of a shape mark having characteristics that depart from the basic shape of the type of goods concerned, there is, as a general rule, no reason to assume that the threshold for acquiring distinctive character is particularly high.” Accordingly, the fact that 62% of the relevant public recognized the shape mark was deemed sufficient. With regard to color *per se*, the German Federal Patent Court held that, in a small market segment, a recognition of the color mark by 50% of the relevant public is sufficient in light of a considerable market share of the applicant on that particular market. See decision of December 9, 2008, case 33 W (pat) 57/07, published in *Gewerblicher Rechtsschutz und Urheberrecht* 2010, 71.

⁴⁴ CJEU, *ibid.*, para. 55.

⁴⁵ Article 4(1)(e) TMD; Article 7(1)(e) EUTMR.

⁴⁶ CJEU, 18 June 2002, case C-299/99, Philips/Remington, para. 78.

“namely that a shape whose essential characteristics perform a technical function and were chosen to fulfil that function may be freely used by all.”⁴⁷

In *Hauck/Stokke*, the CJEU confirmed the basic rationales underlying the functionality doctrine in the context of aesthetic functionality. The Court referred to the objective to prevent monopolies on essential product characteristics to safeguard undistorted competition, and an artificial perpetuation of intellectual property rights with a limited term of protection, such as copyright, patent rights and rights relating to industrial designs.⁴⁸

Given this recognition of a need to keep free, the CJEU delineates the scope of the respective absolute grounds for refusal rather broadly. In respect of shapes necessary to obtain a technical result, the Court held that the ground for refusal could not be overcome by establishing that competitors could use alternative shapes to achieve the same technical result. The doctrine of utilitarian functionality applied irrespective of whether the shape at issue was the only one capable of obtaining the required technical result, or whether there were several shapes which were equivalent from a functional point of view.⁴⁹

Similarly, the absolute ground for refusal relating to shapes and other product characteristics which give substantial value to the goods (aesthetic functionality) applies not only when the value of a given shape is due to its inherent beauty and attractiveness.⁵⁰ In *Hauck/Stokke*, the Court developed several factors, namely the presumed perception by the average consumer, the nature of the category of goods concerned, the artistic value of the shape in question, its dissimilarity from other shapes in common use on the market concerned, a substantial price difference in relation to similar products, and the development of a promotion strategy which focuses on accentuating the aesthetic characteristics of the product in question.⁵¹ Accordingly, a broad range of product features may be deemed functional from an aesthetic perspective.

IV. Risk of Dysfunctional Incentives

Assessing the impact of these absolute grounds for refusal, the aforementioned fundamental difference between the provisions must be taken into account: whereas the absolute grounds for refusal relating to functionality cannot be overcome by showing that a shape or other product characteristic has acquired distinctiveness as a result of use in trade,⁵² the absolute grounds for refusal relating to non-distinctive, descriptive and generic signs no longer apply when a sign of this nature has become distinctive because of the use made of it in trade.⁵³ For assessing the distinctive character of a mark, the CJEU developed the following factors:

“the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the

⁴⁷ CJEU, *ibid.*, para. 80.

⁴⁸ CJEU, 18 September 2014, case C-205/13, *Hauck/Stokke*, para. 18-20.

⁴⁹ CJEU, 18 June 2002, case C-299/99, *Philips/Remington*, para. 81-83; CJEU, 14 September 2010, case C-48/09 P, *Lego/Mega Brands*, para. 53-58.

⁵⁰ With regard to the exclusion from trademark registration in such cases, see GCEU, 6 October 2011, case T-508/08, *Bang & Olufsen/OHIM*, para. 74-79.

⁵¹ CJEU, 18 September 2014, case C-205/13, *Hauck/Stokke*, para. 34-35.

⁵² CJEU, 18 June 2002, case C-299/99, *Philips/Remington*, para. 57; CJEU, 20 September 2007, case C-371/06, *Benetton/G-Star*, para. 25-27; CJEU, 14 September 2010, case C-48/09 P, *Lego/Mega Brands*, para. 47.

⁵³ Article 4(4) TMD; Article 7(3) EUTMR.

*mark, identify goods as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.*⁵⁴

To establish distinctive character on the basis of these factors, it is sufficient to show that the relevant public, “or at least a significant proportion thereof” perceives the descriptive sign as an indication of commercial origin.⁵⁵ If distinctive character can be demonstrated, the scope of protection still depends on the degree to which distinctiveness is attained. For instance, a trademark based on a descriptive indication may remain a weak trademark. Minor deviations from the mark or an emphasis on the descriptive character may already eliminate a likelihood of confusion.⁵⁶

Distinctiveness acquired through use is not only relevant in the context of descriptive signs. It is also necessary to overcome the absolute grounds for refusal relating to signs devoid of distinctive character and signs that have become customary in the current language or established trade practices.⁵⁷ As the aforementioned decisions in *Henkel* and *Libertel* show, the CJEU leaves little room for a finding of inherent distinctiveness when it comes to shapes and colour *per se*. Assuming that consumers are not in the habit of relying on these kinds of signs as identifiers of commercial source, shapes and abstract colours will normally be deemed non-distinctive in the EU. To obtain trademark rights, applicants must surmount the additional hurdle of demonstrating the acquisition of distinctiveness in consequence of use in trade.

As discussed in the previous section, it remains to be seen whether this strategy is sufficient to keep shapes and colours in the public domain and ensure their free availability for all market participants and the public at large. While this is not intended, the jurisprudence of the CJEU may encourage marketing campaigns based on product packaging or colour *per se* – marketing efforts that aim at a change in the perception of consumers. The more often the public is confronted with a shape mark or abstract colour mark, the more alert it will be to the fact that, besides standard word and figurative marks, shapes and colour *per se* may also indicate the commercial source of goods and services. In *Libertel*, the CJEU explicitly recognized the option of acquiring distinctive character through use in trade:

*“However, even if a colour per se does not initially have any distinctive character within the meaning of Article 3(1)(b) of the Directive, it may acquire such character in relation to the goods or services claimed following the use made of it, pursuant to Article 3(3) of the Directive. That distinctive character may be acquired, inter alia, after the normal process of familiarising the relevant public has taken place.”*⁵⁸

This ruling testifies to the elasticity of distinctive character as a tool to regulate access to trademark protection. With the focus on consumer perception, a flexible, changeable factor enters the picture. While, according to the Court, colour *per se* is not inherently distinctive, use in trade can change this verdict and lead to the acquisition of trademark rights. On its merits, the decision confirms that substantial investment in the education of the public will be rewarded

⁵⁴ CJEU, 4 May 1999, cases C-108/97 and C-109/97, *Windsurfing Chiemsee*, para. 51.

⁵⁵ CJEU, 7 September 2006, case C-108/05, *Europolis*, para. 28.

⁵⁶ For instance, see Austrian Supreme Court, 23 March 2010, case 17 Ob 18/09k, *Gute Laune Tee*, published in *Gewerblicher Rechtsschutz und Urheberrecht – Internationaler Teil* 2011, 82; German Federal Court of Justice, 19 November 2009, case I ZR 142/07, “MIXI”, published in *Gewerblicher Rechtsschutz und Urheberrecht* 2010, 729, available at www.bundesgerichtshof.de, para. 27-29.

⁵⁷ Article 4(4) TMD; Article 7(3) EUTMR. As descriptive indications, these signs fall under an absolute ground for refusal in the absence of acquired distinctive character. See Article 4(1)(b) and (d) TMD; Article 7(1)(b) and (d) EUTMR.

⁵⁸ CJEU, *ibid.*, para. 67.

with trademark rights to the colour concerned. The moment a trader succeeds in establishing the necessary link between the abstract colour sign and her enterprise in the minds of consumers, she will acquire exclusive trademark rights to the colour concerned.

Viewed from this perspective, the requirement of demonstrating the acquisition of distinctive character through use in trade is not only an obstacle but also an incentive. Offering the prospect of trademark rights, the *Libertel* decision can be understood to encourage marketing campaigns based on colour.⁵⁹ Enterprises may perceive the decision as an incentive to reserve “their” individual colour in a particular market segment. If the link between the enterprise and the colour becomes well-known, this exclusivity may even be extended to unrelated markets.⁶⁰ The owner of an abstract colour mark with a reputation may invoke trademark rights even in cases where competing goods and services are not similar to those for which the colour mark is registered.⁶¹ At the same time, marketing campaigns based on colour *per se* may gradually change the perception of consumers. As already pointed out, every abstract colour mark which consumers learn to perceive as a badge of origin makes them more alert to the fact that, besides standard word and figurative marks, colour may also indicate the commercial source of goods and services.⁶²

As a result, the CJEU may have to revise its own assumptions about the inherent distinctiveness of colour *per se* and other signs in non-traditional categories – at least if these assumptions must be understood as references to empirical findings. Branding and marketing research offers hardly any support for the assumption that the perception of consumers differs markedly from standard trademarks when it comes to marketing campaigns based on certain non-traditional source identifiers, such as abstract colour marks.⁶³ If empirical evidence of consumers becoming more and more acquainted with colour *per se* as a regular identifier of commercial source is already sufficient to neutralize the “not in the habit” formula of the CJEU, it is hardly possible to uphold the general rule that aside from unusual, exceptional cases,⁶⁴ abstract colour is not inherently distinctive. The moment empirical evidence shows that today’s consumers are “in the habit” of making assumptions about commercial origin on the basis of colour – just as they are in the habit of making origin assumptions on the basis of words and logos – inherent distinctive character can hardly be denied, unless there is another reason for doubting the capability to distinguish goods and services, such as a descriptive or generic character. Empirical evidence of a parallel trend in the field of product design and product packaging may

⁵⁹ Cf. L. Anemaet, “The Public Domain is Under Pressure: Why We Should Not Rely on Empirical Data When Assessing Trademark Distinctiveness”, *International Review of Intellectual Property and Competition Law* 47 (2016), 303 (331-332); M.R.F. Senftleben, “Public Domain Preservation in EU Trademark Law – A Model for Other Regions?”, *The Trademark Reporter* 103, No. 4 (2013), 775 (812-813); L.P. Ramsey, ‘Descriptive Trademarks and the First Amendment’, *Tennessee Law Review* 70 (2003), 1095 (1150); R.C. Denicola, ‘Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols’, *Wisconsin Law Review* 158 (1982), 158 (170).

⁶⁰ In the case of certain abstract colour marks, such as Milka lilac (EUTM 000031336 of 27 October 1999) and Deutsche Telekom magenta (EUTM 000212787 of 3 August 2000), it cannot be ruled out that the marks have attained the status of a mark with a reputation in several EU Member States. As to the possibility of invoking the enhanced protection for marks with a reputation in these EU Member States, see CJEU, 3 September 2015, case C-125/14, *Iron & Smith/Unilever*, para. 19-20, 29 and 34.

⁶¹ Article 9(2)(c) EUTMR; Article 10(2)(c) TMD.

⁶² This assumption is corroborated by the fact that, from the perspective of marketing psychology, it is doubtful to assume that consumers have more difficulty perceiving a colour as a distinctive sign than traditional types of marks, such as word and figurative marks. By contrast, colour is a strong signal for our senses and, accordingly, has a promising potential for use as an identifier of commercial source. The assumption of consumers not being “in the habit” of perceiving colour as a distinctive element in the marketing of goods or services can thus be unmasked as a legal fiction from the perspective of marketing psychology. Cf. Anemaet, *supra* note 59, 316-320.

⁶³ Anemaet, *supra* note 59, 316-320.

⁶⁴ CJEU, 6 May 2003, case C-104/01, *Libertel Groep/Benelux-Merkenbureau*, para. 66.

support a similar line of reasoning with regard to inherent distinctive character of shapes. Hence, a focus on empirical findings may frustrate the effort made by the Court to use the requirement of proof of acquired distinctive character as a bulwark against broad access to trademark protection.

To avoid this result, the CJEU could clarify that the assumption of consumers not being “in the habit” of relying on shapes and abstract colours as indications of commercial source is not only an empirical consideration but also a normative correction.⁶⁵ Emphasizing the need to keep signs in these categories free for other traders and the public, the Court could state that changes of consumer perception in empirical reality do not have a direct impact on its assumptions concerning the capability of shapes and abstract colours to identify the commercial source of goods and services. As it is undesirable to deem shapes and abstract colours inherently distinctive in light of the need to keep signs in these categories free, the Court could point out that the additional hurdle of evidence testifying to the acquisition of distinctive character through use in trade is a normative necessity. For normative reasons – the undesirability of trademark law readily accepting shapes and colour *per se* for registration – it is advisable to limit the impact of empirical changes of consumer perception on the registration analysis. These changes can be factored into the equation when assessing the acquisition of distinctive character as a result of use in trade. However, they must not lead to a protection automatism that allows traders to monopolize individual colours and shapes by simply arguing that, because of changed source identification habits of consumers, shapes and colours have become inherently distinctive and must be registered without intensive prior use.

In EU trademark law, it is not unusual to apply an amalgam of empirical facts and normative corrections. In infringement cases requiring the assessment of a likelihood of confusion, for instance, the CJEU has posited that marks with a high distinctive character enjoy enhanced protection.⁶⁶ In *Sabèl/Puma*, the Court held that the more distinctive the earlier mark, the greater would be the likelihood of confusion. It was therefore

*“not impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either per se or because of the reputation it enjoys with the public.”*⁶⁷

⁶⁵ With regard to the discussion on empirical and normative factors shaping decisions in the field of trademark law, see K. Weatherall, “The Consumer as the Empirical Measure of Trade Mark Law”, *The Modern Law Review* 80 (2017), 77; G.B. Dinwoodie and D.S. Gangjee, “The Image of the Consumer in European Trade Mark Law”, in: D. Leczykiewicz/S. Weatherill (eds.), *The Image(s) of the Consumer in EU Law*, Oxford and Portland, Oregon: Hart Publishing 2016, 345; J. Davis, “Revisiting the Average Consumer: an Uncertain Presence in European Trade Mark Law”, *Intellectual Property Quarterly* 2015, 15; V. Huang/K. Weatherall/E. Webster, “The Use of Survey Evidence in Australian Trade Mark and Passing Off Cases”, in: A.T. Kenyon/Ng-Loy Wee Loon/M. Richardson, *The Law of Reputation and Brands in the Asia Pacific*, Cambridge: Cambridge University Press 2012, 181; L.A. Heymann, “The Reasonable Person in Trademark Law”, *St. Louis University Law Journal* 52 (2008), 781; G.B. Dinwoodie, “What Linguistics Can Do for Trademark Law”, in: L. Bently/J. Davis/J.C. Ginsburg/# (eds.), *Trade Marks and Brands: An Interdisciplinary Critique*, Cambridge: Cambridge University Press 2008, 148; B. Beebe, “An Empirical Study of the Multifactor Tests for Trademark Infringement”, *California Law Review* 94 (2006), 1581; J. Davis, “Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law”, *Intellectual Property Quarterly* 2005, 9; G.W. Austin, “Trademarks and the Burdened Imagination”, *Brooklyn Law Review* 69 (2004), 827.

⁶⁶ Article 9(2)(b) EUTMR; Article 10(2)(b) TMD. For a discussion of empirical and normative impact factors in this context, see Kur/Senftleben, *supra* note 18, para. 5.165-5.181.

⁶⁷ CJEU, 11 November 1997, case C-251/95, *Sabèl/Puma*, para. 24; CJEU, 29 September 1998, case C-39/97, *Canon Kabushiki Kaisha/Metro-Goldwyn-Mayer (Canon/CANNON)*, para. 18.

Hence, the more distinctive the trademark, the broader will be the area of similarity in which the trademark proprietor can obtain protection against confusion. On its merits, this protection privilege for highly distinctive marks is the result of a normative decision. While the Court assumes an enhanced risk of confusion, the consuming public will usually remember very clearly the details of marks that are widely recognized on the market. From an empirical perspective, the public is less likely to be confused when it is confronted with a competing sign resembling a mark with a reputation. The risk of confusion will be higher if the relevant public is only vaguely familiar with the mark.⁶⁸ Therefore, the decision to offer proprietors of “strong” trademarks enhanced protection against confusion rests on normative considerations rather than factual circumstances: it would appear inconsistent to disadvantage owners of marks with a reputation by curtailing protection against confusion on the ground that consumers know every detail of the mark. Instead of punishing brand owners for their success in creating a highly distinctive mark, a mark’s particularly high degree of distinctiveness can be invoked to compensate for a lower degree of similarity between the signs or products involved.⁶⁹

This configuration of the infringement analysis leads to a protection reflex that can be qualified as a normative correction of empirical consumer perception. The grant of protection against confusion is a legal fiction in the case of highly distinctive trademarks: even though consumers are unlikely to be confused because they recognize even small deviations from the mark with a reputation, the trademark proprietor is nonetheless entitled to bring an anti-confusion claim. The legal fiction of an enhanced risk of confusion covering a broader range of similar signs leads to protection irrespective of whether an empirical analysis would bring to light a risk of confusion.⁷⁰

If normative corrections of empirical findings are possible when assessing the impact of a mark’s degree of distinctiveness on the confusion analysis, the CJEU may take a similar step in the context of assessing the distinctive character of non-traditional types of marks, such as shape and abstract colour marks, at the registration stage. In *Henkel and Libertel*, the Court already recognized the need to keep signs of this nature free for other traders and the public at large. This normative consideration could serve as a basis for positing that the assumption of consumers not being “in the habit” of relying on shape and colour as identifiers of commercial source cannot be set aside by empirical findings pointing in the opposite direction.

V. Cultivation of Acquired Distinctiveness as a Gatekeeper

However, the Court has not taken this step yet. Instead, it embarked on a further cultivation of the requirement of acquired distinctiveness as a central threshold criterion without clarifying the empirical or normative nature of its approach. In *Nestlé/Mondelez (KitKat)*, the CJEU

⁶⁸ Cf. *Kur/Senftleben*, supra note 18, para. 5.151-5.155.

⁶⁹ CJEU, 17 April 2008, case C-108/07P, *Ferrero Deutschland/OHIM (Ferrero/Ferro)*, para. 58; CJEU, 11 November 1997, case C-251/95, *Sabèl/Puma*, para. 24; CJEU, 29 September 1998, case C-39/97, *Canon Kabushiki Kaisha/Metro-Goldwyn-Mayer (Canon/CANNON)*, para. 18. With regard to similar rules in US law, see J.T. McCarthy, ‘Dilution of a Trademark: European and United States Law Compared’, *The Trademark Reporter* 94 (2004), 1163.

⁷⁰ For a discussion of the trademark owner’s interest in enhanced protection against confusion on the basis of the reputation of the mark, see T. Cohen Jehoram/H. Van Helden, ‘Bekend, bekender, bekendst: Goodwill-bescherming van merken’, in Benelux Office for Intellectual Property (ed.), *In Varietate Concordia? National and European Trademarks Living Apart Together*, The Hague: Benelux Office for Intellectual Property, 2011, 111; M. Buydens, ‘Pouvoir distinctif de la marquee et risque de confusion: larvatus prodeo?’, in: *ibid.*, 33; A.A. Quaedvlieg, ‘Verwaterd of verward, een kwestie van bekendheid?’, in: D.J.G. Visser and D.W.F. Verkade (eds.), *Een eigen, oorspronkelijk karakter—Opstellen aangeboden aan prof. mr. Jaap H. Spoor*, Amsterdam: DeLex, 2007, 275.

discussed the evidence necessary to establish the acquisition of distinctive character through use when the applicant seeks to register a shape as an EUTM. The case concerned the shape of the KitKat chocolate bar which Nestlé sought to register at EU level. As an EUTM constitutes a unitary right covering the entire territory of the EU,⁷¹ the Court emphasized that, in order to be accepted for registration as an EUTM, the shape was required to have distinctive character throughout the EU.⁷² With regard to the evidence to be produced by the applicant, this implies that the registration of a shape which, *ab initio*, is devoid of distinctive character, only becomes possible if the applicant succeeds in demonstrating that the shape has acquired distinctive character throughout the EU territory.⁷³

This is a strict test that requires evidence in respect of each individual Member State. The CJEU made it clear that proof of distinctive character following from use in a significant part of the EU was insufficient.⁷⁴ In case of a supranational distribution network for several Member States or the recognition of the mark across the borders of Member States with a close geographic, cultural or linguistic connection, it was conceivable that evidence provided to establish secondary meaning was relevant with regard to several Member States, or even the entire EU.⁷⁵ Nonetheless, the evidence submitted had to be capable of establishing the acquisition of distinctive character through use in each and every Member State of the EU.⁷⁶ It was not sufficient that

“the party with the burden of providing such evidence merely produces evidence of such acquisition that does not cover part of the European Union, even a part consisting of only one Member State.”⁷⁷

In *Nestlé/Mondelez (KitKat)*, the Board of Appeal of EUIPO had not addressed the question whether the KitKat shape had acquired distinctive character in Belgium, Ireland, Greece and Portugal.⁷⁸ Against this background, the CJEU concluded that the finding of acquired distinctive character was vitiated by an error of law. For the grant of an EUTM, it was not sufficient to ascertain that the chocolate bar had obtained distinctive character in various other Member States and a significant part of the EU. By contrast, it would have been necessary to adjudicate whether the shape also had acquired distinctiveness in these Member States.⁷⁹ It follows from this decision that, if an applicant seeks to register a non-traditional type of mark as an EUTM, it can be particularly difficult to surmount the additional hurdle of proof for the acquisition of distinctive character through use.

VI. Impact of Aesthetic Functionality

Further challenges for applicants filing a non-traditional trademark follow from the interplay between the grounds for refusal relating to a lack of distinctive character and the functionality doctrine in EU trademark law. As explained above, the CJEU delineated the conceptual contours of aesthetic functionality rather broadly in *Hauck/Stokke*. Instead of focusing on attractiveness and artistic value, the Court developed various factors that can support a finding

⁷¹ Article 1(2) EUTMR.

⁷² CJEU, 25 July 2018, cases C-84/17 P, C-85/17 P and C-95/17 P, *Nestlé/Mondelez (KitKat)*, para. 67-68.

⁷³ CJEU, *ibid.*, para. 76.

⁷⁴ CJEU, *ibid.*, para. 78.

⁷⁵ CJEU, *ibid.*, para. 80-82.

⁷⁶ CJEU, *ibid.*, para. 83.

⁷⁷ CJEU, *ibid.*, para. 87.

⁷⁸ CJEU, *ibid.*, para. 17-18.

⁷⁹ CJEU, *ibid.*, para. 88.

of aesthetic functionality, including the dissimilarity of a shape for which trademark protection is sought “from other shapes in common use on the market concerned.”⁸⁰ This functionality factor calls to mind the condition which the Court established in *Henkel* with regard to the assessment of inherent distinctiveness of shapes. As discussed, the Court assumed in *Henkel* that consumers were not in the habit of perceiving shapes as indications of commercial source. Nonetheless, the Court left a loophole for a finding of inherent distinctive character:

“...a simple departure from the norm or customs of the sector is not sufficient to render inapplicable the ground for refusal given in Article 3(1)(b) of the Directive. In contrast, a trade mark which significantly departs from the norm or customs of the sector [...] is not devoid of distinctive character.”⁸¹

When this criterion for the assumption of inherent distinctiveness is placed in the context of the described aesthetic functionality factor following from *Hauck/Stokke*, it becomes clear that trademark applicants will have to navigate between Scylla and Charybdis: if they emphasize that the shape for which they seek trademark protection departs significantly from the norm or customs in the sector, they risk a finding of aesthetic functionality. On the basis of *Hauck/Stokke*, dissimilarity from other shapes in common use on the relevant market is an indication that the shape may be functional from an aesthetic perspective.

This configuration of the interplay between the test of inherent distinctiveness and the test of aesthetic functionality confirms the central role of the acquisition of distinctive character through use in trade. As a showing of inherent distinctiveness on the basis of a significant departure from the norm or customs in a given market segment involves the risk of a finding of aesthetic functionality, EU trademark law encourages a different rights acquisition strategy: the selection of a less extravagant shape design and the investment in marketing campaigns educating consumers to recognize this shape as an indication of commercial source. As a finding of aesthetic functionality cannot be set aside by demonstrating that distinctive character has been obtained through use in trade,⁸² it makes less sense to train consumers to perceive an unusual shape as a source identifier. Even if the investment in the recognition of the shape leads to distinctiveness, the grant of trademark rights may still be denied on the ground that the shape is functional.

Admittedly, this implies that outstanding design is less likely to attract trademark protection in the EU than mediocre design.⁸³ However, it is an open question whether this result is undesirable. While the denial of trademark protection because of aesthetic functionality will be bad news for the trademark applicant, it may be conducive to follow-on innovation in the cultural sector. If an outstanding shape design is ineligible for trademark protection, the shape will enter the public domain after the expiry of industrial design and/or copyright protection.⁸⁴

⁸⁰ CJEU, 18 September 2014, case C-205/13, *Hauck/Stokke*, para. 34-35.

⁸¹ CJEU, 12 February 2004, case C-218/01, *Henkel/DPMA*, para. 49; CJEU, 4 May 2017, C-417/16 P, *August Storck/EUIPO*, para. 35.

⁸² CJEU, 18 June 2002, case C-299/99, *Philips/Remington*, para. 57; CJEU, 20 September 2007, case C-371/06, *Benetton/G-Star*, para. 25-27; CJEU, 14 September 2010, case C-48/09 P, *Lego/Mega Brands*, para. 47.

⁸³ For a more detailed, critical discussion of this outcome, see A. Kur, *Too pretty to protect? Trade Mark Law and the Enigma of Aesthetic Functionality*, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 11-16, Munich: Max Planck Institute 2011, 17-18 and 21-22.

⁸⁴ For a detailed discussion of the different approaches to overlapping copyright and specific industrial design protection regimes, see the contributions to E. Derlaye (ed.), *The Copyright/Design Interface – Past, Present and Future*, Cambridge: Cambridge University Press 2018. With regard to the configuration of cumulative copyright and industrial design protection at EU level, see the prejudicial questions which the Portuguese Supreme Court asked in CJEU, case C-638/17, *Cofemel*. Cf. European Copyright Society, *Opinion of the European Copyright*

After a limited period of protection, the design can thus serve as a freely available basis for new creations. Once trademark rights are granted, however, the trademark proprietor can renew the registration indefinitely (as long as the sign is put to genuine use). This, in turn, will thwart the objective to provide entirely free source material for follow-on innovation. To the extent to which trademark rights prevent remix and reuse in the cultural domain,⁸⁵ the design at issue will not fall into the public domain. From a broader public policy perspective, it can thus be consistent to exclude outstanding product design from trademark protection.

The *Bang & Olufson* case sheds light on this dilemma. In this case, the GCEU explained that, as the concept of utilitarian functionality, the concept of aesthetic functionality served the purpose of preventing the grant of a monopoly relating to industrial design with particular value.⁸⁶ More specifically, the invocation of aesthetic functionality as a ground for refusal was necessary where the shape at issue revealed a very specific design that constituted an essential element of its branding and increased the appeal of the product to which it was applied.⁸⁷ With regard to the attractive loudspeaker shape which Bang & Olufson sought to register, the Court found that the shape would be perceived “as a kind of pure, slender, timeless sculpture for music reproduction.”⁸⁸ This positive assessment, however, did not culminate in the grant of trademark rights. Instead, the GCEU held that the aesthetic appearance made the shape an important selling point and had to be kept free to prevent an impediment of competition.⁸⁹ On the one hand, this decision seems to punish Bang & Olufson for the development of attractive design. Instead of supporting the acquisition of a particularly strong intellectual property portfolio – trademark rights in addition to copyright and industrial design protection – the Court took the outstanding aesthetic qualities of the shape as a starting point to categorically exclude the possibility of a trademark registration. On the other hand, the decision can be expected to enhance free competition and broaden consumer choice. Once the limited term of copyright and industrial design protection expires, competitors enjoy the freedom of copying Bang & Olufson’s “pure, slender, timeless sculpture for music reproduction.” They can offer consumers comparable product design at a lower price. This erosion of the monopoly position provides an incentive for Bang & Olufson to embark on the development of new, even more attractive loudspeaker design. Hence, the cultural innovation cycle does not come to a standstill. By contrast, freedom of imitation for competitors and the exposure of the former intellectual property owner to the rigours of free competition are likely to stimulate new innovation steps. The denial of trademark rights can thus be deemed desirable from a broader socio-economic perspective.

While the calibration of the tests of inherent distinctiveness and aesthetic functionality in the EU poses particular challenges to trademark applicants, it would nonetheless be wrong to paint a black and white picture. The acquisition of rights to non-traditional marks, such as shape marks, has not become impossible. As already indicated, the selection of a shape or other product characteristic that does not define the value of the product may lead to the acquisition of trademark rights once consumers have been educated to recognize the selected sign as an identifier of commercial source.

Society in Relation to the Pending Reference before the CJEU in Cofemel v G-Star, C-683/17, available at <https://europeancopyrightsociety.org/>.

⁸⁵ For a more detailed assessment of the corrosive effect of trademark rights, see M.R.F. Senftleben, ‘Vigeland and the Status of Cultural Concerns in Trade Mark Law – The EFTA Court Develops More Effective Tools for the Preservation of the Public Domain’, *International Review of Intellectual Property and Competition Law* 48 (2017), 683 (696-705).

⁸⁶ GCEU, 6 October 2011, case T-508/08, *Bang & Olufson*, para. 66.

⁸⁷ GCEU, *ibid.*, para. 74.

⁸⁸ GCEU, *ibid.*, para. 75.

⁸⁹ GCEU, *ibid.*, para. 75.

Moreover, it is to be considered that CJEU jurisprudence has also set certain limits to the scope of the doctrine of functionality. In *Nestlé/Cadbury (KitKat)*, the CJEU confirmed its earlier decision in *Hauck/Stokke* that the three types of functionality in EU trademark law – concerning essential features (1) resulting from the nature of the goods; (2) necessary to obtain a technical result; (3) giving substantial value to the goods⁹⁰ – are separate grounds for refusal that operate independently of one another.⁹¹ While it was possible that the essential features of a sign may be covered by one or more functionality grounds, the registration as a trademark could only be refused where at least one of those grounds was fully applicable to the sign at issue.⁹² Hence, the Court rejected the establishment of 100% functionality by combining and adding up different functionality grounds that only applied in part to the sign at issue:

*“An interpretation [...] which allowed the application of that provision where each of the three grounds for refusal set out was only partially established, would clearly run counter to the public interest objective underlying the application of the three grounds for refusal...”*⁹³

The question of cumulative application of functionality grounds had arisen because the examiner dealing with Nestlé’s attempt to register the KitKat shape had identified three specific features: the basic rectangular slab shape; the presence, position and depth of the grooves running along the length of the bar; and the number of grooves, which, together with the width of the bar, determined the number of “fingers.”⁹⁴ While, according to the examiner, the first of these features resulted from the nature of the goods, the other two were necessary to obtain a technical result. The combination of these arguments led to the conclusion that the shape was functional in its entirety.⁹⁵ The CJEU, by contrast, held that, where a shape contained three essential features – one resulting from the nature of the goods and two necessary to obtain a technical result – functionality could only be established where at least one of the grounds for refusal was fully applicable to the shape.⁹⁶

This approach can offer an important escape route in functionality cases. In *Best-Lock/EUIPO (Lego)*, for instance, the CJEU confirmed the lower instance decision that the shape of the Lego mini figure was not dictated, in its entirety, by the aim to achieve a technical effect. The essential characteristics of the shape – the head, body, arms and legs which are necessary to give the figure a human appearance – did not serve a technical function. The holes under the feet and inside the backs of the legs and hands of the Lego manikin allowed the user to join the figure to other elements, in particular interlocking building blocks. However, these elements could not be deemed essential characteristic.⁹⁷ Therefore, the Court dismissed the invalidity claim based on utilitarian functionality.

In theory, a different result could have followed from a combination of functionality grounds. As the Lego mini figure is modelled on the appearance of humans, it could have been stated that, to a large extent, the shape resulted from the nature of toys seeking to imitate the shape of humans (functionality ground 1). In addition, it could have been argued that the non-human

⁹⁰ Article 7(1)(e) EUTMR; Article 4(1)(e) TMD.

⁹¹ CJEU, 16 September 2015, case C-215/14, *Nestlé/Cadbury (KitKat)*, para. 46. As to the earlier decision, see CJEU, 18 September 2014, case C-205/13, *Hauck/Stokke*, para. 39.

⁹² CJEU, 16 September 2015, case C-215/14, *Nestlé/Cadbury (KitKat)*, para. 48.

⁹³ CJEU, *ibid.*, para. 50.

⁹⁴ CJEU, *ibid.*, para. 19.

⁹⁵ CJEU, *ibid.*, para. 20.

⁹⁶ CJEU, *ibid.*, para. 51.

⁹⁷ CJEU, 14 April 2016, case C-452/15 P, *Best-Lock/EUIPO (Lego)*, para. 18-20.

holes on the feet, legs and hands were dictated by the technical necessity to enable the connection with toy bricks (functionality ground 2). Adding up these arguments, courts and examiners could have come closer to the verdict of functionality. As explained, however, CJEU jurisprudence precludes this “bricolage” of different functionality grounds. Instead, the shape at issue must fall under one of the functionality grounds in its entirety.

Prior to the 2015 trademark law reform, the shape of goods constituted the only field of application of the EU functionality doctrine. Not surprisingly, functionality case law only concerns attempts to register shapes as trademarks. As a result of the reform, the scope of the doctrine has been broadened.⁹⁸ Nowadays, the EU functionality rules cover “the shape, or another characteristic” of goods.⁹⁹ Against this background, the question arises how the CJEU will apply the rules stemming from the assessment of shapes to a broader range of product characteristics, including colour.

In *Louboutin and Christian Louboutin*, Advocate General Maciej Szpunar gave a foretaste of elastic application. The case concerned the question whether the red sole of Louboutin shoes constituted a valid trademark. Even though the issue had to be adjudicated on the basis of the former functionality doctrine (confined to shapes), the Advocate General saw room for the inclusion of colour aspects. In his first opinion, he arrived at the conclusion that the old, shape-centred functionality doctrine could “potentially apply to signs consisting of the shape of the goods which seek protection for a certain colour.”¹⁰⁰ Colour/shape combinations would thus have fallen within the scope of the functionality doctrine. In his second opinion, the Advocate General added that Louboutin could not shield its design feature from scrutiny in the light of functionality by declaring the red sole a position mark. The introduction of the concept of a position mark into the EU legal system did not impact the applicability of functionality considerations to a sign consisting of the shape of the goods and seeking protection for a certain colour.¹⁰¹

However, the CJEU did not seize the opportunity to clarify the application of the functionality doctrine to colour aspects in *Louboutin and Christian Louboutin*. Instead, the Court noted that

“...while it is true that the shape of the product or of a part of the product plays a role in creating an outline for the colour, it cannot, however, be held that a sign consists of that shape in the case where the registration of the mark did not seek to protect that shape but sought solely to protect the application of a colour to a specific part of that product.”¹⁰²

As this decision concerned the previous functionality doctrine that was confined to the shape of products, it does not offer guidance as to the application of the current, broader functionality doctrine to colour features of goods. Instead, the decision in *Louboutin and Christian Louboutin* raises the question whether colour aspects that remained under the radar of the previous, shape-centred functionality doctrine and made their way into the EU trademark register, are exposed to a functionality challenge under the new, broadened functionality doctrine that covers not only shape but also other product characteristics. In *Textilis*, the CJEU denied retroactive effect of the new legislation “in order to ensure observance of the principles of legal certainty and the

⁹⁸ Kur/Senfleben, supra note 18, para. 4.173-4.177.

⁹⁹ Article 7(1)(e) EUTMR; Article 4(1)(e) TMD.

¹⁰⁰ Opinion AG Szpunar, 22 June 2017, case C-163/16, *Louboutin/Van Haren*, para. 65-66.

¹⁰¹ Opinion AG Szpunar, 6 February 2018, case C-163/16, *Louboutin/Van Haren*, para. 34 and 42.

¹⁰² CJEU, 12 June 2018, case C-163/16, *Louboutin and Christian Louboutin*, para. 24.

protection of legitimate expectations.”¹⁰³ The Court clarified that the substantive rules of EU law could be applied to situations existing before their entry into force “only in so far as it clearly follows from their terms, objectives or general scheme that such effect must be given to them.”¹⁰⁴ In the absence of any such reference points for retroactive effect in the amended EUTMR, the CJEU saw no room in *Textilis* for the application of the broadened functionality doctrine to signs registered before 23 March 2016 – the date of entry into force of the amended legislation.¹⁰⁵ Functional colour elements that survived scrutiny and were registered under the former functionality doctrine are thus unlikely to be declared functional and invalid under the current legislation.¹⁰⁶

VII. Conclusion

In sum, the discussion of the EU approach to non-traditional marks yields mixed results. On the one hand, EU trademark law and practice recognize a wide range of non-traditional marks. As an exception to the rule of acceptance, smell signs have not obtained access to EU trademark registers yet. Shapes, abstract colours, colour combinations, motion marks, multimedia marks, melodies, sounds, taste marks, hologram marks and position marks, by contrast, are registrable. In principle, the doors to trademark protection in the EU are thus wide open.

On the other hand, the CJEU has transformed the basic requirement of distinctive character into a substantial hurdle for trademark applicants. Assuming that consumers are not in the habit of making assumptions about the origin of goods or services on the basis of non-traditional source identifiers, such as shape and colour, the Court *de facto* obliges trademark applicants to acquire distinctive character through use before filing a non-traditional trademark. Proof of acquired distinctive character can be particularly difficult in the case of EUTMs. As the Court requires evidence in respect of each individual EU Member State, the burden imposed on trademark applicants is considerable.

When the conceptual elasticity of the EU functionality doctrine – covering shape and other product characteristics after the 2015 trademark law reform – is factored into the equation, the emphasis on acquired distinctive character as a gatekeeper criterion is even enhanced. In line with CJEU jurisprudence, trademark applicants trying to establish inherent distinctiveness by emphasizing the singularity of product features for which they seek protection, may be confronted with a finding of aesthetic functionality that leads to a categorical exclusion of trademark rights.

It remains to be seen whether the Court’s reliance on acquired distinctive character as a central threshold for obtaining trademark rights to non-traditional marks proves to be sustainable. If the assumption of consumers not being in the habit of recognizing non-traditional marks is an empirical finding (instead of constituting a normative assumption), this bulwark against easy access to trademark protection will crumble into dust the moment consumers no longer focus on traditional source identifiers, such as word and figurative marks. Moreover, distinctive character is a volatile regulatory tool.¹⁰⁷ Relying on this requirement, the Court leaves the issue to the ingenuity of marketing specialists. With sufficient investment in marketing campaigns

¹⁰³ CJEU, 14 March 2019, case C-21/18, *Textilis*, para. 30.

¹⁰⁴ CJEU, *ibid.*, para. 30.

¹⁰⁵ CJEU, *ibid.*, para. 31-33.

¹⁰⁶ CJEU, *ibid.*, para. 33.

¹⁰⁷ For a more detailed discussion of this point, see Senftleben, para. 50, 812-817.

teaching consumers to perceive a shape, colour or sound as a trademark, an enterprise seeking to protect its entire brand experience can finally arrive at a multi-faceted trademark portfolio.

Hence, the hurdles erected by the CJEU are not only a deterrent but also an incentive. As long as the acquisition of trademark rights remains possible, brand developers may see the requirement of acquired distinctive character as an invitation to invest in the cultivation of non-traditional source identifiers. The final word on the consistency of the configuration of EU trademark protection for non-traditional marks, thus, depends on whether one finds the protection of non-traditional marks desirable. This overarching policy question, however, goes beyond the scope of the current analysis.¹⁰⁸

¹⁰⁸ For a detailed discussion of the policy questions arising from the protection of non-traditional trademarks, see the essays in I. Calboli/M.R.F. Senftleben, *The Protection of Non-Traditional Trademarks – Critical Perspectives*, Oxford: Oxford University Press 2018, freely available at <https://global.oup.com/academic/product/the-protection-of-non-traditional-trademarks-9780198826576?cc=de&lang=en&>.