

E.I.P.R. 2022, 44(3), 150-161

European Intellectual Property Review

2022

The idea behind the unfathomable: shapes and other characteristics which give substantial value to the goods

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Subject: Intellectual property

Other Related Subject: European Union. Legal methodology.

Keywords: Characteristics; EU law; Grounds for refusal; Shape marks; Statutory interpretation; Trade marks; Value;

Legislation:

Directive 2015/2436 on the laws of the Member States relating to trade marksart.4

***150 Abstract**

This article discusses the substantial value exclusion in trademark law. Central in this article is the ratio of the substantial value exclusion and the conditions of application. This article argues that the substantial value exclusion should only be applied in exceptional cases. Also, the recent expansion of the substantial value exception to "another characteristic" is analysed; it is argued that the expansion should be interpreted teleologically.

Introduction

On 12 January 2016, the Trademark Directive 2015/2436 entered into force.¹ This directive has, among other things, expanded the so-called shape mark restrictions. These shape mark restrictions now not only relate to shapes, but also to other characteristics. Nowadays, it is more fitting to speak of the characteristic restrictions. The characteristic restrictions are contained in art.4(1)(e) of the Trademark Directive and read as follows:

"The following shall not be registered or, if registered, shall be liable to be declared invalid:

signs which consist exclusively of:

(i)

the shape, or another characteristic, which results from the nature of the goods themselves;

(ii)

the shape, or another characteristic, of goods which is necessary to obtain a technical result;

(iii)

the shape, or another characteristic, which gives substantial value to the goods."

In this article, the exclusion under (i) will be called the nature exclusion, the exclusion under (ii) the technical exclusion and the exclusion under (iii) the substantial value exclusion. This article will be limited to the substantial value exclusion. The

substantial value exclusion is included in art.7(1)(e)(iii) of the Union Trademark Regulation as an absolute ground for refusal and in art.59(1) of the Union Trademark Regulation as a ground for invalidity.²

The substantial value exclusion is difficult to fathom. The wording of the exclusion does not help in this respect. As Gielen once aptly put it: "a substantial value to the goods (whatever that means)."³ Most questions about the substantial value exclusion centre around its application. What is the rationale of the exclusion and what are its conditions of application? And what is another characteristic that can give substantial value to the goods?

In this article, the above questions are central. In order to put the substantial value exclusion in perspective, I will outline the history of the exclusion (section two). Subsequently, the rationale and the conditions of application of the substantial value exclusion under European law will be discussed in detail (section three). After that, the extension to another characteristic will be examined (section four), followed by the conclusion (sections five and six).

The rationale of the substantial value under old Benelux law

The origin of the substantial value exclusion lies in old Benelux law.⁴ At the time, the legislator formulated the necessity of the exclusion as follows in the Explanatory Memorandum (translation provided by the author):

"This exclusion aims to impose a certain degree of restriction on the possibility of cumulation between trademark protection and the protection resulting from copyright or design rights. After all, a shape which already meets the standards of these branches of the law, inevitably adds a certain 'attractiveness' to the utility value of the product. If, having regard to the nature of the goods, this 'attractiveness' value is of great significance, the shape chosen cannot be eligible for additional protection as a trademark."⁵

With this exclusion, the Benelux legislator intended to restrict the cumulation of different intellectual property (IP) rights in certain cases. This did not mean, however, that the provision was limited to shapes that were eligible *151 for design and/or copyright law.⁶ As an example of a shape that could not be a shape mark in view of the nature of the goods, because it gives a substantial value to the goods, the legislator mentioned the shape of a crystal vase. The substantial value of the vase does not (only) consist of the material used but (also) of the beauty of the artistic form. According to the legislator, the shape of chocolate could be registered as a shape mark, since such a shape does not give any substantial value to the intrinsic value of the chocolate.⁷ Although the Explanatory Memorandum has had to endure criticism, it is clear to a certain extent.⁸ As soon as the shape gives an attraction value and greatly affects the intrinsic value of the product, it gives a substantial value to the goods and is therefore not eligible for trademark protection.

A limited interpretation in case law

The case law on the substantial value exclusion under old Benelux law shows that the exclusion was interpreted very restrictively. The first case of great significance for the interpretation of the substantial value exclusion is Wokkel.⁹ In this case, the well-known Smith's Wokkel chips is the central point of dispute, whereby the most important question is whether the curled, screw shape of the chips gives the goods their substantial value. The court in first instance ruled that the Wokkel chips cannot be a shape mark, because consumers would take the shape of the product into account in their purchasing decision.¹⁰ The court based this ruling, inter alia, on the fact that there are many other types of crisps on the market with the same flavour as Wokkel chips and the only difference with the Wokkel chips and the competitors chips is the shape. The court of appeal ruled differently. The court of appeal stated, with reference to the Explanatory Memorandum, that the application of the substantial value exclusion differs per category of goods. The court of appeal ruled that the essential value of a salted product lies in its taste and crunchiness. According to the court of appeal the screw shape does not give a substantial value to the product, *because the shape is not*

absolutely essential.¹¹ In cassation, the Supreme Court of the Netherlands (the Hoge Raad) upheld this judgment of the court of appeal.¹²

Two years after Wokkel, the Benelux Court of Justice (BenCJ) ruled in a similar fashion in Adidas.¹³ The referring court in this case wondered whether the substantial value exclusion applies in the event that the shape of the product in question gives it a certain degree of elegance or attractiveness. Like the Hoge Raad, the BenCJ indicates that the assessment of whether the shape gives substantial value to the goods depends on the goods in question. Additionally, the BenCJ adds that the substantial value exclusion applies when the shape, by virtue of its appearance, has a significant impact on the market value of the goods.¹⁴ Thus, the BenCJ also implicitly states that not every aesthetic element of a product necessarily influences the substantial value of the goods.¹⁵ After all, according to the BenCJ, the legislative provision is aimed at imposing *a certain degree* of restriction on the cumulation of trademark law on the one hand and design and copyright law on the other (at [63]).

In Burberry I, the BenCJ continued along the path taken in Adidas.¹⁶ The BenCJ reiterates that the substantial value exclusion depends in particular on the goods in question. The BenCJ adds that the influence on the market value that is not due to the aesthetic attractiveness of the shape, but to the advertising power associated with its reputation as a distinctive sign, should not be taken into account (at [16]). This judgment (at [16]) is related to the rationale of the substantial value exclusion, which the BenCJ articulates as follows at [15] (translation provided by the author):

"In addition, it is clear from the wording of Article 1 (2) and the history of that provision that, taken as a whole, the aim of the provision is clearly not to regulate cumulation between trademark law and other intellectual property rights, but to protect the freedom of competitors from a person who uses a particular shape as a distinguishing mark for his ***152** goods, in order for competitors to be able to give the same or a similar shape to their similar goods, so as to increase their value."

At first consideration, this reasoning seems to be at odds with the Explanatory Memorandum, but it is not. The above consideration is a further explanation of what the legislator intended to express with imposing *a certain degree* of restriction on the possibility of cumulation with copyright and design rights. According to the BenCJ, the substantial value exclusion is not intended to limit cumulation, except in cases where a trademark right on an aesthetic shape provides a monopoly that hinders competition (at [14]).

Altogether, the substantial value exclusion under old Benelux law had a limited purpose and the ground for exclusion was applied very restrictively. The substantial value exclusion applied in the unique case that the aesthetic shape was indispensable for the goods. In this case, a trademark right on that shape was not compatible with the interests of the market.

The rationale of the substantial value exclusion under European law

The substantial value exclusion was harmonised in the EU in 1988 by means of the Harmonisation Directive.¹⁷ It took some time for the European Court of Justice (ECJ) to give its opinion on the rationale of the substantial value exclusion. In 2002, the ECJ gave its first indication in Philips/Remington.¹⁸ This case is mainly about the technical exclusion, but the ECJ does indicate that the nature, technical and substantial value exclusion share a common rationale. The ECJ states that the grounds for refusal in trademark law must be interpreted in the light of the general interest that underlies each of them.¹⁹ The ECJ distinguishes two rationales for the shape mark restrictions. The first rationale is the prevention of monopolies on technical solutions of a product, which the consumer may be looking for in the goods of competitors. This rationale is called the monopoly rationale. The second rationale is the prevention of trademark rights on shapes which may prevent competitors from competing undistorted with the trademark proprietor with goods in which technical solutions or functional characteristics are present (at [78]). This is called the competition rationale. A year later, the ECJ repeats these rationales of the shape mark restrictions in Linde, Rado and Winward,²⁰ and in 2010 the ECJ applies the rationales once more specifically to the technical exclusion.²¹

The substantial value exclusion: Hauck

Although the ECJ has indicated the rationale of the shape mark restrictions in general terms a number of times, it was not until 2014 that the ECJ explicitly addressed the rationale of the substantial value exclusion in *Hauck*.²² In *Hauck*, the court first reiterates that the purpose of the shape mark restrictions is to prevent the proprietor of a trademark from obtaining a monopoly on technical solutions or functional characteristics of a product, which the user may be looking for in the goods of competitors (at [17]–[18]). This is the already mentioned monopoly ratio. Although the ECJ does not explicitly mention the competition ratio, it does refer explicitly to [78] of *Philips/Remington* (at [18]), and subsequently concludes that the rationales are the same for all shape mark restrictions (at [20]). The ECJ thus indicates that the monopoly rationale but also the competition rationale apply to the substantial value exclusion as well.²³

Next, the ECJ states that there is a third rationale. The immediate aim of the shape mark restrictions is to prevent the exclusive and lasting right conferred by a trademark can be used to perpetuate, without limitation in time, the life of other rights which the EU legislature has sought to make subject to limited periods of protection (at [19]–[20], [31]). This is the so-called anti-perpetuation ratio. Since the legislator has subjected the protection of both copyright and design rights to time limitations, it would not be appropriate that the expired protection is artificially extended in trademark law.²⁴

In order to attain the objectives of the substantial value exclusion, the application of the exclusion should not be automatically excluded when, in addition to its aesthetic function, the product concerned also performs other essential functions (at [31]).²⁵ Furthermore, the substantial value exclusion may not be limited purely to the shape of products which only have artistic or ornamental value, as there is otherwise a risk that products which have essential functional characteristics as well as a significant aesthetic element will not be covered (at [32]).²⁶ The ECJ also formulates a number of viewpoints to determine whether the shape gives substantial value to the goods. *153 The viewpoints mentioned by the ECJ are 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, the development of a promotion strategy which focuses on accentuating the aesthetic characteristics of the product in question and the presumed perception of the average consumer (at [34]–[35]).²⁷

The rationale of the substantial value exclusion as expressed in *Hauck* differs from the rationale under old Benelux law. The Benelux legislator had a limited objective in mind with the exclusion, namely a certain limitation on the possibility of cumulation between trade mark law on the one hand and copyright and design law on the other. This limitation on the possibility of cumulation was necessary if an aesthetic shape was indispensable for the goods. The rationale of the ECJ in *Hauck* is broader. The ECJ states that the application of the exclusion is not excluded if other characteristics of the product also give the goods a (substantial) value. Thus, the shape does not have to be indispensable for the product; it is sufficient that the value of the shape is substantial.²⁸

Criticism of the three rationales of essential value from Hauck/Stokke

For all three shape mark restrictions, the rationale is thus threefold: the monopoly rationale, the competition rationale and the anti-perpetuation rationale. The rationales for the technical exclusion and the nature exclusion are generally well received,²⁹ but several authors are critical of these rationales as a foundation for the substantial value exclusion. Rosati, for instance, argues that "... the anti-monopoly justification is somewhat weaker for substantial value conferring shapes than what is for shapes exclusively determined by the nature of the good or by their technical and functional features".³⁰ Gielen, too, finds it unconvincing that the rationales of the nature and technical exclusion also apply to the substantial value exclusion.³¹ Where

it is clear that the nature and technical exclusion wants to keep technical solutions and functionality out of trade mark law, it is not clear why the exclusion of aesthetic design would serve the same purpose. Why is it necessary to have access to the competitor's distinctive, aesthetic shapes? Gielen's criticism is essentially the same criticism that the Max Planck Institute already formulated in 2011:

"The legal objective of the clause is unclear, and case law under the TMD and CTMR as well as under its previous codification in the Uniform Benelux law is scarce and obscure. If it was originally meant as providing a demarcation line between the realms of industrial design and trade mark protection, it has long forgone its purpose ...".³²

The danger of a broad rationale of essential value: a circular argument lurking

The criticism of the broad rationale of the substantial value exclusion is, in my opinion, justified. It is unclear why the three rationales apply just as strongly to the substantial value exclusion as to the nature and technical exclusion. There is, however, something to add to this criticism. In Hauck, the ECJ states that the substantial value exclusion must be interpreted broadly, because otherwise there is a danger that the substantial value exclusion will not be able to achieve its full purpose. The ECJ also provides a range of viewpoints that allow for such a broad interpretation of the substantial value exclusion that all shapes that bear witness to attractive design can fall within its scope.³³ However, this cannot be the purpose of the substantial value exclusion if it wants to do justice to all the rationales that underlie it. When doing justice to all the rationales, in particular the competition rationale, the substantial value exclusion should be interpreted restrictively, not broadly.

To explain this, we must first take a step back. As was also shown in the discussion of the criticism (see section titled "Criticism of the three rationales of essential value from Hauck/Stokke"), the aim of the substantial value exclusion is vaguer than that of the nature and technical exclusion. The purpose of the nature and technical exclusion is clear, namely to prevent one company from being in exclusive possession of a purely functional shape through trade mark law. There is also a clear reason *why* *154 this should be prevented. If it is not prevented, technical solutions or functional characteristics of a product would be reserved for one company. If a purely functional shape is reserved for one company, it is likely that effective competition against that shape is not possible. As a rule, a trademark right on a purely functional shape leads to an undesirable monopoly that prevents competition from freely bringing goods onto the market. Therefore, it is logical that purely functional shapes are not eligible for trademark protection. Benefits for such innovative shapes can be reaped in patent law. The fact that the legislator does not want to know anything about cumulation between patent law and other intellectual property rights is illustrative in this respect. The domain of patent law must remain strictly separated from the rest of the IP system. If we translate the above explanation into the rationales that are the foundation of the nature and technical exclusion, we see that they seamlessly flow into one another. A trademark right on a functional shape leads:

(a)

to a monopoly on a shape that has technical solutions or functional characteristics (monopoly ratio), whereas that shape,

(b)

is also eligible for protection by IP law that have only temporary protection regimes (the anti-perpetuation ratio). Such perpetual monopolies in trade mark law are undesirable,

(c)

because they prevent competition from freely bringing goods onto the market (the competition ratio).

In the case of the nature and technical exclusion, the rationales lead to a logical reasoning scheme. In the case of the substantial value exclusion, this reasoning scheme starts to crack. This has to do not only with the monopoly ratio, but also with the competition ratio. Because what exactly does the substantial value exclusion try to prevent that would hamper competition on the market? Inherent to trade mark law is that preventing perpetual protection cannot be an objective *in itself*. It is not for nothing that trade mark law offers (potential) perpetual protection to signs that guarantee the origin of goods. This is also reflected in the nature and technical exclusion: as soon as the functional shape has an important fantasy element, the nature and technical exclusion do not apply. In this case, the shape is not *exclusively* functional, and thus the shape can be eligible for trademark

protection: the trademark right on the shape does not prevent competitors from freely bringing goods onto the market.³⁴ The ECJ is right in this regard when stating that the monopoly rationale of the shape mark restrictions primarily serves the public interest in the event that a shape mark unacceptably interferes with competition. The competition rationale is the reason *why* the exclusion of the shape as a trademark is justified. In other words, the competition rationale is the fundamental justification for refusing shapes as trademarks, also when one applies the substantial value exclusion.

However, this fundamental justification almost never applies in the case of the substantial value exclusion. Aesthetic shape marks undoubtedly confer a competitive advantage—as all trademarks do—but not to such an extent that the competition can no longer freely market its goods.³⁵ Aesthetic shapes do not concern the functionality of the shape and that is what the shape restrictions aim to keep free for the market. In other words, the competition rationale—the rationale that justifies *why* a shape cannot be a trademark—will only apply in exceptional cases. Therefore, the substantial value exclusion should only apply in those exceptional cases, namely the case where an aesthetic shape actually prevents competition from bringing goods onto the market. Only then is there a justification to refuse the aesthetic shape as a trademark.³⁶

This means that the substantial value exclusion—if the interpretation of the exclusion is to do justice to the competition rationale—should be interpreted restrictively and not broadly. We know that the ECJ wants otherwise. The court states that the substantial value exclusion must be interpreted broadly, because otherwise it would not do justice to the general interest that the exclusion serves. This broad interpretation of the ECJ purports to have an eye for the competition ratio, but appearances are deceptive. The ECJ does not explain *why* a trademark monopoly on an aesthetic shape unacceptably prevents competition from freely marketing goods. Again, wanting to prevent perpetual protection cannot be an objective *in itself*. The fact that competition is denied access to a specific aesthetic shape because of trademark protection is therefore a flawed argument for excluding the shape from protection.

Without a proper appreciation and interpretation of the competition ratio, the substantial value exclusion is nothing more than a circular argument in the case where a beautiful shape adds something substantial to the product: the shape should be refused because it gives a substantial value to the product and the fact that this value is substantial justifies refusal of the shape. Or, as the ECJ puts it: the exclusion applies if the aesthetics of the shape *155 give substantial value to the goods, and the fact that the aesthetics of the shape give substantial value to the goods, justifies the exclusion of the shape.³⁷

The circular argument, a real danger

Potentially, this circular reasoning can be used to refuse any shape or characteristic of original design as a trademark. The danger of application of this circular reasoning is real. An example is the Bang & Olufsen judgment of the General Court.³⁸ The court held that the pencil-shaped shape of Bang & Olufsen's loudspeaker is testimony of very special design. The court also finds that, through Bang & Olufsen's advertising strategy, the attractiveness of the shape of the speaker is an essential argument in the promotion of sales (at 74–75). This is the decisive factor for the court to consider that the shape gives substantial value to the goods (at [76]). In essence, the court states that if a shape has a substantial effect on the market value of the product, the shape gives a substantial value to the goods and must be refused as a trademark *for this reason alone*. The court applies an interpretation of the substantial value exclusion that is so broad that it results in the above mentioned circular reasoning: the shape gives substantial value to the goods and refusal to register it as a trademark is justified because the value of the shape is substantial.³⁹ The question *why* a trademark right on the aesthetic shape is anti-competitive is not answered.

Another example: in G-star/Benetton, the design of the Elwood jeans of G-star is central. An important point of dispute is whether the shape of the jeans, which was registered as a trademark, gives a substantial value to the goods. The Hoge Raad ruled, after questions to the ECJ, that it is not relevant why the shape of G-star's Elwood jeans is attractive to the public.⁴⁰ According to the Hoge Raad, if the shape gives a substantial value to the goods, the shape falls within the scope of the substantial

value exclusion.⁴¹ After referral by the Hoge Raad, the court of appeal of the Hague ruled in line with the Hoge Raad. The court of appeal ruled that the substantial value exclusion applies if the shape significantly determines the market value of the goods. The court of appeal did not consider it relevant what causes the attractiveness of the shape.⁴²

The court of appeal of the Hague applied the same circular reasoning as the General Court and the Hoge Raad.⁴³ A shape that gives substantial value to the goods must be refused, and the fact that this value is substantial justifies the refusal. Since the court of appeal deemed it plausible that the shape of the Elwood jeans is attractive to the public and plays an important role in the purchase decision (the question why this is can be left open), the substantial value exclusion applies.

The substantial value ratio: Gömböc

It was not until the beginning of 2020 that the ECJ ruled again on the rationale of the substantial value exclusion in Gömböc.⁴⁴ When answering the questions on the substantial value exclusion, the ECJ immediately comes straight to the point (at [40]–[41]), where it considered the following about the rationale and the conditions of application of the exclusion:

"The application of this ground for refusal is based ... on an objective analysis, intended to demonstrate that the shape in question, on account of its characteristics, has such a great influence on the attractiveness of the product that restricting the benefit of the shape to a single undertaking would distort the conditions of competition on the market concerned.

As a result, in order for the ground for refusal provided for in Article 3(1)(e)(iii) of Directive 2008/95 to apply, it must be apparent from objective and reliable evidence that a consumer's decision to purchase the goods in question is, to a very great extent, determined by one or more features of the shape which alone forms the sign."

In my opinion, the above considerations are nothing less than revolutionary compared to the rationale in Hauck. In Gömböc, the ECJ emphasises the competition rationale and explains when competition is restricted to an extent that is unacceptable. Only if the conditions of competition on the relevant market are distorted can a shape be excluded from protection under the substantial value exclusion. Only in that instance does a monopoly on an aesthetic shape become undesirable. In contrast to Hauck, the fundamental nature of the competition rationale is thus central. Moreover, Gömböc shows a strict interpretation of what is an inappropriate monopoly: the distortion of competition on a market. This means that the substantial value exclusion—in contrast to the explanation in Hauck—is limited to exceptional cases. An aesthetic shape will rarely distort the conditions of ***156** competition on the market.⁴⁵ Gömböc expresses a reversal of the rationale of the substantial value exclusion, from a broad interpretation to a limited one.

Thus, in Gömböc, the competition rationale plays a central role and, at the same time, the whole rationale of the substantial value exclusion is more strict. The question is, however, what this means for the role of the other two rationales, the monopoly rationale and the anti-perpetuation ratio. Have they become less important now? For the monopoly rationale, it seems that this is not the case, as the monopoly rationale is inextricably linked to the competition ratio. This is because a trademark right always results in a (mini) monopoly. In the case of shapes, however, this is undesirable if the conditions of competition are distorted. A central role for the competition rationale implies an equally central role for the monopoly rationale.

This is different for the anti-perpetuation ratio. The anti-perpetuation rationale is not inextricably linked to the other two rationales, but is separate from them. Although the ECJ still mentions that the substantial value exclusion also has an anti-perpetuation rationale (at [50]), I believe that with the strict interpretation of the competition rationale in hand we can bid farewell to the anti-perpetuation rationale. The anti-perpetuation rationale does not fit in with the path taken by the ECJ in Gömböc. The strict interpretation of the competition rationale implies that the substantial value exclusion applies in the exceptional case that an aesthetic shape distorts the conditions of competition. A general objective of preventing the cumulation of IP rights with regards to shapes is incompatible with this strict interpretation.⁴⁶

The conditions of application of the essential value: Gömböc

What is also new in Gömböc is that the ECJ clarifies when a shape (or another characteristic) can fall within the scope of the substantial value exclusion, by clarifying what the conditions for application are. The exclusion may only be applied if the (significant) value of the shape arises from *characteristics of the shape itself*.⁴⁷ Values that are not reducible to inherent characteristics of the shape itself, such as the reputation of the trademark (at [42]), may not be included in an assessment of the substantial value exclusion. In other words, the substantial value exclusion can only be applied if the *intrinsic value* of the shape is substantial,⁴⁸ which must be proven by objective and reliable evidence (at [41]). The starting point that only the intrinsic value of the shape may be taken into account is very similar to how the BenCJ used to interpret the substantial value exclusion. After all, it was the BenCJ that stated in Burberry I that the influence on the market value of a product that is not due to the aesthetic attractiveness of the shape, but to the advertising power associated with its reputation as a distinctive sign, should not be taken into account.⁴⁹ The clarification that only the intrinsic value of the shape may be taken into account is very much to be welcomed. It is a powerful weapon against the circular reasoning that once cost the Elwood jeans and the Bang & Olufsen speaker their trademark. It is not only important that the shape gives a substantial value to the goods, but also why the shape gives a substantial value to the goods.

Although Gömböc clarifies a lot, the judgment also raises questions. For example, it is somewhat confusing that the court refers to *the attractiveness* of the shape in the context of the conditions of application. If the shape, because of its own characteristics, has such an influence on the attractiveness of the product, the substantial value exclusion should be applied. But what is "attractiveness" as a legal term? Is it different from aesthetics? The ECJ ruled earlier in Hauck "that the possibility of applying the third indent of Article 3(1)(e) of the trade marks directive [is] not [to] be automatically ruled out when, in addition to its aesthetic function, the product concerned also performs other essential functions" (at [31]). Subsequently, the ECJ ruled that "the concept of a 'shape which gives substantial value to the goods' cannot be limited purely to the shape of products having only artistic or ornamental value, as there is otherwise a risk that products which have essential functional characteristics as well as a significant aesthetic element will not be covered" (at [32]).

In Gömböc, things do not get any clearer on this point. The ECJ states that the substantial value exclusion applies if the attractiveness of the shape itself is of great influence (at [40]). Subsequently, the ECJ rules that if a characteristic as such does not relate to the aesthetic value of the shape, this does not prevent the application of the substantial value exclusion (at [46]). To cap it all, it must be *acknowledged* that the substantial value exclusion may apply in particular to a sign which consists exclusively of a shape of a product with an artistic or ornamental value (at [58]). *157

It is not clear what exactly attractiveness, as a legal term, is. Is attractiveness an umbrella term for everything that could be labelled as aesthetic, artistic or ornamental?⁵⁰ But then what does the ECJ mean by the rather illustrious phrase "acknowledged"? Does the use of "acknowledged" mean that outside the categories aesthetic, artistic and ornamental value, the substantial value exclusion can also apply? If so, the ECJ greatly broadens the scope of the substantial value exclusion. In this case it is difficult to oversee to which category of shapes (and characteristics) the substantial value exclusion can apply. Although Gömböc leaves room for a different interpretation, I believe that the ECJ cannot have meant anything other than that the substantial value exclusion applies to aesthetic shapes, where the ECJ uses aesthetic, artistic and ornamental value as interchangeable concepts.

Interim conclusion

The rationale and the conditions of application of the substantial value exclusion have long been unclear and this remains the case. However, Gömböc is a ray of light in the darkness. Where Hauck formulates a broad rationale that risks losing sight of the reason why an aesthetic shape should be refused as a trademark, Gömböc partly fixes this. Indeed, Gömböc clarifies both

the rationale and the conditions of application of the substantial value exclusion. Time will tell whether this actually leads to a more predictable interpretation of the substantial value exclusion.

Another characteristic

As has already been mentioned several times, the substantial value exclusion—like the nature and technical exclusion—is no longer limited to shapes, but is extended to other characteristics. It is very much the question what another characteristic is. The legislator has not given any explanation of this extension of the shapes restrictions. This explanation has not been given afterwards either, despite a request to do so by the Non-traditional Trademarks Committee.⁵¹ In the last part of this article, the extension of the substantial value exclusion to another characteristic will be examined from the perspective of the discussed rationales and conditions of application of the substantial value exclusion.

The origin of the extension to another characteristic

As discussed earlier, the application of the substantial value exclusion in European law has been uncertain for a long time. This uncertainty was so great that, in a 2011 study, the Max Planck Institute proposed abolishing the substantial value exclusion.⁵² It is somewhat ironic that the extension to another characteristic can in all likelihood be traced back to the Institute's research. The Institute notes the following in its study:

"Nevertheless, the confinement of the permanent exclusion clauses to shapes might be too narrow. For instance, the corresponding exclusion clause for functional signs in US trade mark law does not contain any such restrictions, but can be applied to all kinds of signs, like colours, smells, or sounds. Whereas the practical relevance of the exclusion clause for such other forms of signs may be much smaller in practice than for shape marks there is no pertinent reason for generally excluding other signs from its ambit. For instance, if the sound of a motorbike is produced by the technical properties of the engine, it could be of relevance to assess whether the sound results from the nature, or rather from the technical performance, of the goods it is intended to designate." ⁵³

What is important is that the extension that the Max Planck Institute envisaged by proposing another characteristic was explicitly the extension of the nature exclusion and the technical exclusion. There is a clear and logical reasoning behind this. If another characteristic follows directly from the nature of the product or is exclusively attributable to a technical feature, it would be strange if a trade mark right could be obtained for this characteristic. After all, a trade mark right for such a characteristic can prevent competitors from having access to technical aspects of a certain product by a roundabout route. In all likelihood, such characteristics already fail to meet the requirement of distinctiveness,⁵⁴ but it does not hurt to explicitly state in the law that such characteristics are not eligible for trade mark protection. The example mentioned by the Institute, namely the sound of a motorbike that is a direct consequence of the engine's technical aspects,⁵⁵ is enlightening in this respect.⁵⁶ Visser gives another good example of a characteristic that is ***158** technically determined, namely Dyson's transparent container.⁵⁷ The transparent container is not a shape, but it does have the obvious technical advantage of being able to see whether the container needs to be emptied or not. Another example that could be considered is a QR code. The blocks and dashes in a QR code are nothing more than a locked representation of factual information (e.g. a URL). Moreover, the density of the blocks and dashes is determined by the amount of information to which the QR code refers. A QR code is thus a characteristic that is technically determined.⁵⁸

What is another characteristic of the substantial value exclusion?

With the study of the Max Planck Institute in hand, the extension to another characteristic seems manageable in the case of the nature and technical exclusion. With the substantial value exclusion, however, legal practice is left with a headache. What is a characteristic that gives substantial value to the goods? A grammatical interpretation makes for a very broad scope. For example, beautiful logos would also fall within its reach. Think for example of the swoosh of Nike, which undoubtedly gives a substantial value to the goods on which it is attached. For example, the public will pay €20 for a pair of normal sweatpants, but the same public is quickly prepared to pay considerably more for exactly the same pair of sweatpants if the Nike swoosh is on them (for example, €35).

Another characteristic in the light of the rationale of the substantial value of the goods

Although the legislator has not indicated what he means with the extension to "another characteristic", much can be deduced from the rationale of the substantial value exclusion. Before I explain this, first the rationale of the substantial value exclusion after Gömböc is presented below for the sake of convenience. The substantial value exclusion aims to

(a)

prevent trade mark monopolies on shapes or characteristics with technical solutions or functional characteristics (monopoly rationale), whereas that shape or characteristic is eligible;

(b)

for protection by IP laws that have only temporary protection regimes (the anti-perpetuation ratio). Such perpetual monopolies in trade mark law are undesirable;

(c)

if they prevent competition from being able to bring goods on the market freely (the competition rationale). This is the case if a trade mark right on a shape or characteristic would lead to an advantage distorting the conditions of competition on the market concerned (the strict competition rationale).

This rationale should be decisive for the question of what constitutes another characteristic that can give substantial value to the goods. After all, the rationale of the substantial value exclusion is the foundation of the exclusion. In the words of the ECJ: all grounds for refusal of registration must be interpreted in light of the general interest that underlies each of them.⁵⁹ This author is therefore of the opinion that the wording "another characteristic" should be interpreted teleologically: if the refusal of a characteristic can be compatible with the rationale of the substantial value exclusion, it can fall within the scope of the substantial value exclusion. This is essentially also how it is with shapes: not all shapes are anti-competitive and therefore not all shapes need to be refused under the substantial value exclusion, but because there are also aesthetic shapes where a trade mark right can be anti-competitive, all shapes can be tested under the exclusion.

Very important is that on the basis of the rationale of the substantial value exclusion, it can also be determined what characteristics do not fall within the scope of the substantial value exclusion. If the refusal of a certain category of characteristics as a trade mark can never be reconciled with the rationale of the substantial value exclusion, then this category of characteristics is not another characteristic within the meaning of the substantial value exclusion. If this were the case, the exclusion would disregard the general interest that underlies it.

The above becomes clearer with a number of examples. Let me start with an obvious example: beautiful figurative marks or word marks (such as the swoosh of Nike) are not another characteristic in light of the rationale of the substantial value exclusion. Figurative mark and word marks do not possess any technical solutions or functional characteristics (1a of the overview above), they never ***159** restrict competition to freely market goods (1c of the overview above) and, moreover, they are not generally protected by other IP rights (1b of the overview above).⁶⁰ Within the rationale of the substantial value exclusion it is not appropriate that beautiful figurative marks or word marks would be excluded from trade mark protection.⁶¹

Another example, in line with the previous one. Pattern marks will also, as a rule, not prevent competitors from freely bringing goods onto the market. For example, the pattern mark of Svenskt Tenn will not prevent competitors from offering the products on which the Manhattan pattern is applied. For example, the pattern mark is applied to tablecloths, but will not prevent competitors from being free to offer tablecloths. In essence, in this respect, pattern marks are no different from figurative marks: the mark does not prevent the offering of the goods *in itself*, only the offering of those goods with the mark on them. A pattern mark is therefore not another characteristic within the meaning of the substantial value exclusion.

What is another characteristic?

In short, figurative, word and pattern marks are not, in the light of the substantial value rationale, the marks that should fall within the scope of what constitutes another characteristic. Excluding this type of mark is generally incompatible with the purpose of the substantial value exclusion. The question remains, which marks can be another characteristic. These are logically characteristics for which exclusion of protection may be in line with the rationale of the substantial value exclusion.

A good example are signs that coincide with the goods themselves and cannot be used separately from the goods.⁶² The rationale for excluding these signs from trade mark protection is the same as that for shapes. After all, a shape is essentially an example of a sign that coincides with the goods and cannot be used separately from the goods. It is logical that, in addition to shapes, other signs that cannot be used separately from the goods can also lead to an undesirable, anti-competitive monopoly when a trade mark right is awarded. Note that this may be the case: also for signs that coincide with the product and cannot be used separately from it, it applies—as in the case of shapes—that only in exceptional cases the aesthetic appearance will give rise to an anti-competitive monopoly. Only in those exceptional cases should the substantial value exclusion be applied. Thus, the fact that a sign coincides with the product and cannot be used independently of it does not mean that the sign should thus be refused under the substantial value exclusion. For example, Swapfiets' blue tyre,⁶³ X Technology Swiss' position mark consisting of the orange tip of a sock⁶⁴ and Louboutin's red sole are signs which coincide with the goods and cannot be used separately from them, but they do not prevent competitors from freely marketing their goods. In light of the rationale of the substantial value exclusion, these signs should not be refused on the basis of the substantial value exclusion.⁶⁵ Examples of signs that coincide with the product and cannot be used separately from it, which are both not a shape and disrupt the market, are hard to come up with, but one could think of the iconic Fatboy cushions.⁶⁶ The design of the Fatboy cushions is revolutionary but does not consist exclusively of a shape.⁶⁷ It does, however, coincide with the product and cannot be used separately from it. Moreover, it is likely that a trade mark right on the Fatboy cushions is anti-competitive: the aesthetic design that is integrated in the function of the cushions is so dominant that it is recognisable at a glance in every possible variation.⁶⁸ A trade mark right for the Fatboy cushions would thus create a monopoly that would make a (large) part of the beanbag market inaccessible to competition. A trade mark would therefore lead to a distortion of the market for beanbags.

There are also other signs which can create an undesirable, competition-restricting monopoly with a trade mark right.⁶⁹ Think, for instance, of colour marks as such. In *Libertel*, the ECJ rightly pointed out that colours as such are scarce in an absolute sense. According to the ECJ, the fact that there are only a limited number of available colours may mean that a trade mark for a colour as such can be incompatible with the system of undistorted competition.⁷⁰ Although in *Libertel* the ECJ stated that national courts may take into account the general interest of undistorted competition when assessing ***160** the distinctive character of the sign, after the advent of Trade Mark Directive 2015/2436 it is more correct to let this assessment take place in the context of the substantial value exclusion. It is also conceivable that smell,⁷¹ taste⁷² or sound marks⁷³ can lead to an undesirable, market-distorting monopoly with a trade mark right. Smell, taste and sound marks are therefore also other characteristics that can fall within the scope of the substantial value exclusion. Of course, these trademarks *can* be another characteristic within the meaning of the substantial value exclusion. It will always have to be assessed in the specific circumstances of the case whether the rationale of the substantial value exclusion can justify the refusal or invalidity of the trademark.

Another characteristic in the light of the conditions of application of the substantial value doctrine

In my opinion, in light of the rationale of the substantial value exclusion, categories of marks which can be another characteristic include colour marks as such, smell marks, sound marks, taste marks and marks which cannot be used separately from the goods. The rationale of the substantial value exclusion implies that also for these categories of marks the substantial value exclusion applies only in an exceptional case. It should also be borne in mind that these marks, like shape marks, must always be tested against the conditions of application of the substantial value exclusion. The conditions of application of the substantial value exclusion are as follows

(a)

the exclusion only applies if the shape or characteristic has a very considerable influence on the consumer's purchase decision. In this respect, it should be borne in mind that;

(b)

only characteristics of the shape or characteristic which are traceable to the inherent value of the shape or characteristic may be included in the assessment; and

(c)

only objective and reliable evidence can prove the above.⁷⁴

As indicated in the section titled "What is another characteristic?" above, a sign that cannot be used separately from the goods may be another characteristic that is covered by the substantial value exclusion. For many of these marks, however, it is likely that they should not be refused under the substantial value exclusion because the conditions of application do not permit this. A good example is Louboutin's red sole. For this example, apart from the question of whether this specific registration has the effect of preventing competition from being able to market goods freely, there is a high probability that the substantial value of the trademark is not traceable to the inherent characteristics of the sign (Point b of the application overview), but to the goodwill, reputation or investments of the trade mark proprietor.⁷⁵ The red sole may be another characteristic in this example, but it probably does not fall within the scope of application of the substantial value exclusion on the basis of the conditions of application.⁷⁶ Applied to Louboutin's red sole it is therefore not only relevant that the consumer finds the red sole attractive, but also relevant is why the consumer finds the red sole attractive. Is it because the consumer finds red soles attractive per se or does the attraction lie in other values, such as the reputation, fame or allure of the Louboutin brand? In the latter case, the red sole trade mark cannot be refused on the basis of the substantial value exclusion.⁷⁷

A roadmap for the substantial value exclusion

Although a number of overviews have already passed in this article, a final roadmap can serve as a practical summary. This article has shown that (a) the rationale of ***161** the substantial value exclusion should always be leading for its interpretation and (b) that a sign can only be excluded if this is possible on the basis of the conditions of application of the exclusion. This leads to the following roadmap for the question whether the substantial value exclusion is applicable:

Does the sign in question have the potential to create an undesirable trademark monopoly which may prevent competition from bringing goods onto the market? If yes,

Is there objective and reliable evidence that the sign in question creates a barrier to competition such that the conditions of competition on the relevant market are distorted? If yes,

Is there objective and reliable evidence that the intrinsic value of the shape or characteristic itself determines to a very large extent the consumer's purchase decision? If yes,

The shape or characteristic must be refused as a trademark or, if registered, be declared invalid.

Conclusion

The substantial value exclusion is and will remain tricky. It does not get any easier now that another characteristic can also fall within the scope of the exclusion. Because the wording of the exclusion is open for interpretation, it is of the utmost importance to pay attention to the rationale of the exclusion. The rationale of the substantial value exclusion should always be leading for its interpretation. It is incorrect to refuse shapes and characteristics because they give (substantial) value to the goods. It is incompatible with the rationale and may even lead to circular reasoning. Also, in the light of the rationale of the substantial value exclusion, it is not justifiable to include all trademarks that could linguistically be another characteristic within the scope of the exclusion. The rationale of the substantial value exclusion implies that the exclusion should be limited to exceptional situations. Next, it should be borne in mind that when it is compatible with the rationale of the substantial value exclusion to test a sign, this test can only take place on the basis of the conditions of application of the exclusion. Only values that are traceable to the shape or the characteristic itself may be taken into account in determining whether the consumer's purchasing decision is determined to a very large extent by the shape or the characteristic.

The biggest risk with the substantial value exclusion is that one applies the exclusion solely on the basis of the terminology and leaves the rationale for what it is. It is also tempting, because the terminology of the exclusion makes for a multi-interpretable provision. Therefore, I find it incomprehensible that the vague phrase "the substantial value of the goods" has ever made it into law. Perhaps even more incomprehensible is that it is still in the law. The abolition of the substantial value exclusion, however, goes a bit too far for my liking. The substantial value exclusion does meet a need that exists in trade mark law. However, the usefulness of the substantial value exclusion is overshadowed by all the ambiguities attached to it. I am therefore very much in favour of replacing the exclusion with one that does use clear and unambiguous terms. Who knows, perhaps the exclusion can then be of substantial value to trade mark law.

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Footnotes

- 1 Jorn Torenbosch is a lecturer in Law, Innovation and Technology at Utrecht University in the Netherlands. This article is an adaptation of a Dutch article that has been published in the journal *Berichten Industriële Eigendom*.
- 1 Directive 2015/2436 to approximate the laws of the Member States relating to trade marks [2015] OJ L336/1.
- 2 Regulation 2017/1001 on the European Union trade mark [2017] OJ L154/1.
- 3 Gielen, "Het rode zool-merk en terugwerkende kracht nieuwe nietigheidsgrond" (2018) 31 I.E.R. 287.
- 4 See e.g. A.M.E. Verschuur, "De wezenlijke waarde van de waar: een waarlijk wonderlijk wezen" (2012) 76 I.E.R. 603; C. Gielen, "Substantial Value Rule: How It Came into Being and Why It Should Be Abolished" (2014) 36 E.I.P.R. 164–169; E. Rosati, "The absolute ground for refusal or invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: in search of the exclusion's own substantial value" (2019) 15(2) *Journal of Intellectual Property Law & Practice* 103; *Max Planck Institute, Study on the Overall Functioning of the European Trade Mark System (Munich, 2011)*, p.72.
- 5 *Explanatory Memorandum of the Benelux Treaty on Trade Marks and the Uniform Benelux Law on Trade Marks*, p.11.
- 6 Burberry's I BenCJ 14 April 1989, NJ 1989/834 with annotation Wichers Hoeth at [12]–[13].
- 7 A reasoning that has also been used with regards to other food. For instance, the shape of the Viennetta ice cream cake does not give a substantial value to the product, because the consumer ultimately buys the cake for the taste and not because of its (attractive) appearance, see court of first instance: Viennetta (Hertogenbosch) ECLI:NL:RBSHE:1993:AH4360. See also court of first instance: Taco ice cream (Gravenhage) ECLI:NL:RBSGR:1999:AM2971, where the judge states that the shape of an ice cream package does not give a substantial value to the product, because the substantial value in this case is the taste of the ice cream.

- 8 Especially the example of the crystal vase has drawn criticism. In his Opinion of 13 October 2011, Case 10/02367 HR (Trianon/Revillon), AG Verkade calls it an unsound example at [3.51.3]. The AG reasons that if someone desires a crystal vase, this person will mainly be interested in the fact that the vase is made of crystal and not so much in whether the shape of the vase is artistic or not. For similar criticism, see *F.M. Bus, "Vormen die een wezenlijke waarde van de waar beïnvloeden: een hanteerbare uitzondering?" BMM Bulletin, 2002, p.179.*
- 9 Wokkel HR 11 November 1983, NJ 1984/203 with annotation Wichers Hoeth.
- 10 Amsterdam court of first instance, third chamber, 9 December 1981 (Mrs H. van Breda, J.M.H. van Staveren and J.B. Fleers).
- 11 Amsterdam court of appeal, first chamber, 17 June 1982 (Mrs J. N. van Veen, W. D. C. ter Haar and C. Sluyk). It is noteworthy that in the 1980s the Amsterdam court of appeal did not have a clear position on the substantial value exclusion. With regard to another Smith's crisp, the same court of appeal ruled that the shape of the crisp does give substantial value to the goods, because the buying behaviour of the consumer is to a large extent determined by the shape. The Hoge Raad did not waste much time on this judgment of the court of appeal and overturned it in a very short judgment: Bacony HR 21 April 1989, ECLI:NL:PHR:1989:AD0736. After Wokkel, the question whether the shape is absolutely essential for the goods is a criterion that recurs regularly in Benelux case law (at least, until the moment that the European Court of Justice started to provide normative case law), see e.g. Hoegaarden beer glass II Amsterdam court of first instance 16 December 1992, ECLI:NL:RBAMS:1992:AM1961.
- 12 Wokkel HR 11 November 1983, NJ 1984/203 with annotation Wichers Hoeth. It is disappointing that the Hoge Raad does not spend any words on the conclusion of AG Franx, where the AG extensively discusses the rationale of the substantial value exclusion. According to the AG, the substantial value exclusion is intended to cover shapes that determine the artistic character of the product or the packaging; the substantial value exclusion does not cover the value of the shape related to its distinctive character.
- 13 Adidas BenCJ 23 December 1985, IER 1986/6 with annotation Wichers Hoeth. See in particular point 6 of Wichers Hoeth's annotation about the similarities between Wokkel and Adidas.
- 14 Adidas BenCJ 23 December 1985, IER 1986/6 with annotation Wichers Hoeth at [60]–[61] and [99].
- 15 See also the conclusion of AG Krings in his answer to Question 4, NJ 1986, 258.
- 16 Burberry's I BenCJ 14 April 1989, NJ 1989 at 834 with annotation Wichers Hoeth.
- 17 Directive 89/104 to approximate the laws of the Member States relating to trade marks [1989] OJ L40/1.
- 18 Koninklijke Philips Electronics NV v Remington Consumer Products Ltd (C-299/99) EU:C:2002:377; [2002] 2 C.M.L.R. 52.
- 19 See in a similar sense Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehor Walter Huber (C-108/97) EU:C:1999:230; [1999] E.T.M.R. 585 at [25]–[27].
- 20 Linde AG's Trade Mark Application (C-53/01) EU:C:2003:206; [2005] 2 C.M.L.R. 44 at [72], [77].
- 21 Lego Juris A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (C-48/09 P) EU:C:2010:516; [2010] E.T.M.R. 63.
- 22 Hauck GmbH & Co KG v Stokke A/S (C-205/13) EU:C:2014:2233; [2014] E.T.M.R. 60.
- 23 This was already implied in Philips v Remington, see also the unambiguous conclusion of AG Ruiz-Jarabo Colomer of 23 January 2001 in Philips Electronics NV v Remington Consumer Products Ltd (C-299/99) EU:C:2002:377; [2002] 2 C.M.L.R. 52 at [31]. This is repeated by AG Ruiz-Jarabo Colomer in his opinion of 24 October 2002 in Linde AG's Trade Mark Application (C-53/01) EU:C:2003:206; [2005] 2 C.M.L.R. 44 at [29].
- 24 Whereas the nature and technical exclusion draw a line between patent law and trade mark law within the framework of the anti-perpetuation rationale: see Lego Juris (C-48/09 P) [2010] E.T.M.R. 63 at [45]–[46] for the technical exclusion.
- 25 See also Quaedvlieg, "Shapes with a technical function: an ever-expanding exclusion?" (2016) 17 ERA FORUM 101, 112 onwards for a very insightful analysis of [31]–[32] of Hauck.
- 26 It is remarkable how the ECJ arrives at this interpretation. The ECJ interprets the word "exclusively", which refers to all three shape mark restrictions ("shall not be registered or, if registered, shall be liable to be declared invalid, signs which consist *exclusively* of" etc), teleologically in the case of the substantial value exclusion and not, as in the case of the technical exclusion and the nature exclusion, grammatically.
- 27 Noteworthy is that most of the viewpoints do not make sense. Most of them are inherently subjective—and some are even downright contradictory. Take, for example, the viewpoint which asks the judge to look at the dissimilarity from other shapes in common use on the market concerned. This is downright contradictory with the requirement that a shape must significantly deviate from the norm of the market or what is customary in the relevant sector before it has distinctive character. A shape must therefore deviate significantly for it to be distinctive, whereby this deviation subsequently also plays a negative role (for the trademark owner) in the

refusal or annulment of the shape as a trademark. See extensively J. Torenbosch, "De wezenlijke waarde van de waar en de gezichtspunten van Hauck/Stokke" (2020) B.I.E. 2020/5.

28 This can also be deduced somewhat from the chosen wording of the exception: after all, the legislator speaks of a substantial value of the goods, not *the* substantial value of the goods. See European Commission 2 April 2012, written observations in *Trianon/Revillon* (C-2/12) at [35]–[37].

29 See, e.g. Gielen, "Substantial Value Rule: How It Came into Being and Why It Should Be Abolished" (2014) 36 E.I.P.R. 164, 167; Rosati, "The absolute ground for refusal or invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: in search of the exclusion's own substantial value" (2019) 15(2) *Journal of Intellectual Property Law & Practice* 103; Z. Teunissen, "Niet-traditionele merken na Hauck/Stokke en de EU Trade Mark package" (2016) I.E.R. 2016/45, p.305; A. Kur, "Too common, too splendid, or 'just right'?" *Max Planck Institute for Innovation and Competition Research Paper No.14–17*, p.11.

30 Rosati, "The absolute ground for refusal or invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: in search of the exclusion's own substantial value" (2019) 15(2) *Journal of Intellectual Property Law & Practice* 103.

31 Gielen, "Substantial Value Rule: How It Came into Being and Why It Should Be Abolished" (2014) 36 E.I.P.R. 164, 167. Gielen even argues for the abolition of the substantial value exception, a position that other authors also take, see inter alia Poulsen, "Adding substantial value to shapes—why this absolute ground should be abolished" (2017), *World Trademark Review* available at: <https://www.worldtrademarkreview.com/portfolio-management/adding-substantial-value-shapes-why-absolute-ground-should-be-abolished> [Accessed 5 January 2022] and Troussel and Meuwissen, "Because consumers do actually eat trade marks: an assessment of current law regarding non-conventional trade marks in the European Union" (2012) 13(3) *ERA FORUM* 432.

32 *Max Planck Institute, Study on the Overall Functioning of the European Trade Mark System* (2011), p. 72.

33 The viewpoints that Quaedvlieg, very appropriately, calls a Pandora's box, see A.A. Quaedvlieg "Absolute merkuitsluitingen: wezenlijke waarde en aard van de waar in het licht van de anti-monopolieratio" (2016) 1 I.R.D.I. 49, 55.

34 *Hauck GmbH & Co KG v Stokke A/S* (C-205/13) [2014] E.T.M.R. 60 at [22]; *Lego Juris A/S v OHIM* (C-48/09 P) [2010] E.T.M.R. 63 at [52], [72].

35 See also AG Szpunar who rightly states that every type of trademark confers a competitive advantage, but that "the exclusive right to use a sign (trade mark) does not restrict competitors' freedom to offer goods for sale": opinion of AG Szpunar of 14 May 2014, *Hauck GmbH & Co KG v Stokke A/S* (C-205/13) [2014] E.T.M.R. 60 at [31]. In addition, the ECJ itself has stated that a trademark can also fulfil other functions besides the function of indication of origin, such as the advertising function, communication function, guarantee function, and the investment or goodwill function, *Interflora Inc v Marks & Spencer Plc* (C-323/09) EU:C:2011:604; [2012] E.T.M.R. 1. Logically, such functions offer advantages to the trademark owner, but it can never be the intention that advantages inherent to the function of a trademark are a ground to refuse or declare the trademark invalid.

36 A good example of a category of aesthetic shapes that can actually hamper competition are, as Quaedvlieg calls them, shape concepts. Shape concepts are essentially aesthetic inventions, in which style and function come together in one fully integrated design. Examples of such shape concepts Quaedvlieg mentions are the Tripp-Trapp chair, the fashion Barbie doll and the Dyson Hoover. Quaedvlieg "Absolute merkuitsluitingen: wezenlijke waarde en aard van de waar in het licht van de anti-monopolieratio" (2016) 1 I.R.D.I. 49, 55. See in similar fashion Quaedvlieg, "Substantial value and the concept of shapes" in *Transition and Coherence in Intellectual Property Law* (2020), pp.373–381.

37 *Hauck GmbH & Co KG v Stokke A/S* (C-205/13) [2014] E.T.M.R. 60 at [32], read in conjunction with the opinion of AG Szpunar of *Hauck GmbH & Co KG v Stokke A/S* (C-205/13) [2014] E.T.M.R. 60 at [80]–[85].

38 *Bang & Olufsen A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)* (T-508/08) EU:T:2011:575; [2012] E.T.M.R. 10.

39 See also extensive and critical of this case 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*. See also J. Gläsel and L. Stuhr, "The 3D shape dilemma: Refusal to register the three-dimensional shape of a loudspeaker" (2012) 7(10) *Journal of Intellectual Property Law & Practice* 763.

40 For a critical discussion of the judgment of the ECJ and the run-up to this judgment, see A.A. Quaedvlieg, "De wezenlijke waarde uitsluiting vs goodwillbescherming" (2010) 4 B.I.E. 147–149 (annotation under HR 9 April 2009, ECLI:NL:HR:2009:BH1225).

41 *G-star/Benetton* HR 9 April 2009, ECLI:NL:HR:2009:BH1225 at [3.3]–[3.4].

42 Court of appeal's Gravenhage 13 September 2011, ECLI:NL:GHSGR:2011:BS8925.

43 It should be noted that this is in no way the fault of the court of appeal of the Hague, which ruled neatly in line with the Hoge Raad ruling.

- 44 Gomboc Kutato, Szolgaltato es Kereskedelmi Kft v Szellemi Tulajdon Nemzeti Hivatala (C-237/19)
EU:C:2020:296; [2020] E.T.M.R. 41.
- 45 For the answer to the question of what exactly constitutes market disruption, approaches in economic law can
be examined. See, for example, *W. Landes and R. Posner, The Economic Structure of Intellectual Property Law*
(Belknap Press, 2003).
- 46 It is noteworthy that the ECJ in Gömböc also explicitly states that cumulation of IP rights is a basic principle of
the IPR system, Gömböc (C-237/19) [2020] E.T.M.R. 41 at [51]. Incidentally, Quaedvlieg has already rightly
argued that the anti-perpetuation rationale is a rationale that cannot be justified in any way whatsoever, as it
is nothing more than a disguised rule of anti-cumulation of IP rights, which is a violation of the cumulation
principle and a distortion of the regime of absolute exclusions, see Quaedvlieg "Absolute merkuitsluitingen:
wezenlijke waarde en aard van de waar in het licht van de anti-monopolieratio" (2016) 1 I.R.D.I. 49, 57.
- 47 Although this principle did not appear in the ECJ's case law until Gömböc, A-G Szpunar had already argued
in his opinion in the Louboutin case that the substantial value exclusion should be based on the intrinsic value
of the shape; opinion of AG Szpunar of 22 June 2017, Christian Louboutin and Christian Louboutin Sas v van
Haren Schoenen BV (C-163/16) EU:C:2017:495 at [70]–[72].
- 48 This approach to the intrinsic value can long be found in EU Intellectual Property Office (EUIPO) case law,
see, e.g. EUIPO board of appeal 18 March 2015, Vitra chair (T-664/2011/5) EUIPO 22 May 2019, I.E.R.
2019/43 with annotation Geerts and Torenbosch and EUIPO 5 November 2019, Cancellation No.15427 (MB/
McCain). This principle of the EUIPO could also already be found in old guidelines (and also in the most recent
guidelines), see, e.g. *EUIPO Guidelines on trade mark law (1 October 2017), Pt B, s.4, Ch.6, Point 3.*
- 49 BenCJ 14 April 1989, NJ 1989, 834 with annotation Burberry's I Wichers Hoeth at [16].
- 50 The difference between the concepts of attractiveness, aesthetics, artistic and ornamental value is also
important, despite the fact that the ECJ lumps these concepts together. The concepts may be extensions of each
other, but they are not the same. Artistic design does not always have an aesthetic function; attractiveness is
not the same as aesthetics and can also consist of something that is not aesthetic; an ornamental object need not
have an artistic value etc.
- 51 The International Trademark Association, "Feedback form for comments on the draft Guidelines" (2016) 1
INTA 1.
- 52 *Max Planck Institute, Study on the Overall Functioning of the European Trade Mark System (2011), p.74.*
- 53 *Max Planck Institute, Study on the Overall Functioning of the European Trade Mark System (2011), p.72.*
- 54 See D.J.G. Visser, "Ken de kenmerkende kenmerken van de kenmerkmerken" (2020) 45 I.E.R. 359 and the
examples cited in fn.27 of this article.
- 55 An important question this raises is how this example relates to ECJ 16 September 2015, Societe des Produits
Nestle SA v Cadbury UK Ltd (C-215/14) EU:C:2015:604; [2015] E.T.M.R. 50, in particular at [52] onwards. In
this judgment, the court ruled that the technical exclusion only relates to the way in which the product functions
and not to the production process of that product. The noise of the engine is the result of a technical process, so
it is questionable whether the exclusion of the noise based on the technical exclusion is compatible with *Kitkat*.
- 56 It is noteworthy that in the guidelines of the EUIPO, the EUIPO mentions the sound of a motorbike as an
example of a characteristic that gives substantial value to the goods, while the Max Planck Institute mentions
the sound of a motorbike as an example of a characteristic that is solely attributable to a technical result. See
EUIPO Guidelines on trade mark law (2 January 2020), Pt B, s.4, Ch.6, para.4: "An example of a sign that
consists exclusively of 'other characteristics' that give substantial value to the goods could be a sound mark,
representing a specific sound of a *motorbike* that may be appealing to a significant part of the relevant public to
the extent that it may indeed affect the consumer's choice of purchase."
- 57 See D.J.G. Visser, "Kroniek van de intellectuele eigendom" (2019) 828 N.J.B. 1050.
- 58 See Bundesverwaltungsgericht 14 October 2020, B-2262/2018 (SIX Interbank Clearing AG v Eidgenössisches
Institut für Geistiges Eigentum IGE); Peter Ling, "Farewell Post: Can QR codes be registered as trade
marks?" (29 December 2020) available at: [https://ipkitten.blogspot.com/2020/12/farewell-post-can-qr-codes-
be.html](https://ipkitten.blogspot.com/2020/12/farewell-post-can-qr-codes-be.html) [Accessed 5 January 2022].
- 59 See, for example, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter
Huber (C-108/97) EU:C:1999:230; [1999] E.T.M.R. 585 at [25]–[27] and Hauck GmbH & Co KG v Stokke A/
S (C-205/13) [2014] E.T.M.R. 60 at [17].*
- 60 It should be noted, however, that beautiful figurative marks (at least, in the Netherlands) will most of the time
be protected by copyright. Of course, this does not detract from the fact that these figurative marks never
prevent competitors from freely marketing their goods.
- 61 Moreover, the substantial value of beautiful figurative and word marks will not result from the intrinsic
characteristics of the sign. For example, the swoosh of Nike undoubtedly gives a substantial value to the
goods on which this trademark is affixed, but this value can be traced back to investments and goodwill of the

trademark holder. See earlier the example of the sweatpants at section titled "What is another characteristic of the substantial value exclusion?" See also later section titled "Another characteristic in the light of the conditions of application of the substantial value doctrine".

62 See also L. van Gaal, "Bescherming van niet-traditionele merken" (2019) 2 B.M.M. 45.

63 SwapThis Holding BV, Registration No.1415137 (Benelux trademark).

64 X Technology Swiss GmbH v Office for Harmonisation in the Internal Market (Trade Marks and Designs)

(OHIM) (T-547/08) EU:T:2010:235. The General Court ruled that the sock mark has no distinctive character.

65 I thus also believe that the red sole mark of Louboutin is unlikely to create an anti-competitive monopoly as the Louboutin red sole only enjoys trademark protection for a specific colour red (Pantone 18.1663TP) in a specific place of a specific product. However, this is a view that can be disputed. Calboli, for example, argues that a trademark right on the red sole is an unacceptable monopoly on style and aesthetics that has the potential to stifle creativity and options in the marketplace, see *I. Calboli, "Hands Off 'My' Colors, Patterns, and Shapes!" in The Protection of Non-traditional Trademarks: Critical Perspectives (Oxford: Oxford University press, 2018), pp.287–307.*

66 See, inter alia, court of first instance the Hague 30 September 2005, ECLI:NL:RBSGR:2005:AV2153 (Fatboy cushions) and Court of Appeal's Hertogenbosch 16 February 2010, ECLI:NL:GHSHE:2010:BM0484 (Fatboy Original).

67 At least, not all versions of the Fatboy consist solely of a shape.

68 See e.g. the LAMZAC Hangout and the KAISR ORIGINAL, which call the design of the Fatboy (original) to mind at a glance, court of appeal of the Hague 20 July 2017, ECLI:NL:GHDHA:2016:2232 (Massive Air/Fatboy).

69 Cf. the opinion of A-G Szpunar of 22 June 2017, Louboutin (C-163/16) EU:C:2017:495 at [26], where the A-G states that the considerations regarding the risk of monopolisation of the essential characteristics of the goods in question may also apply to other types of trade marks—such as position marks, movement marks, sound marks, smell marks, or taste marks—which (like shapes) may also coincide with an element of the appearance of the goods in question.

70 Libertel Groep BV v Benelux-Merkenbureau (C-104/01) EU:C:2003:244; [2005] 2 C.M.L.R. 45 at [54].

71 For example, the smell of fresh cut grass, registered in the past for tennis products (e.g. applied to tennis balls) could easily distort the conditions of competition on the market: v.o.f. Senta Aromatic Marketing EUTM, Registration No.000428870 (The Smell of fresh cut grass). This specific registration was registered in 2000 and expired in 2006. Another example that comes to mind is the smell of perfume. Whether the application of the substantial value exclusion to smell marks will really make a practical difference is another question: at the moment, the registration of smell marks is virtually impossible, because a scent cannot be represented clearly and accurately in the trademark register. See in this context also ECJ 12 December 2002, Sieckmann v Deutsches Patent- und Markenamt (C-273/00) EU:C:2002:748; [2005] 1 C.M.L.R. 40 and Recital 13 in the preamble of the Trademark Directive 2015/2436, where the Sieckmann criterion has been codified.

72 For example, the taste of drinks or food: such tastes almost certainly add substantial value to the goods and usually lead to anti-competitive monopolies if registered as trademarks: see *A. Kur and M. Senffileben, European Trade Mark Law (Oxford: Oxford University Press, 2017), pp.160–161.*

73 It is conceivable, for example, that world-famous classical pieces such as Mondscheinsonate (see Visser, "Kroniek van de intellectuele eigendom" (2019) 828 N.J.B. 1050) or Für Elise by Ludwig van Beethoven, if registered for music-related products, would distort the conditions of competition on the market.

74 I have not included the viewpoints formulated by the ECJ in the overview, because these points of view *may be taken into account* (Hauck (C-205/13) [2014] E.T.M.R. 60 at [35]). Use of these viewpoints is therefore not mandatory. However, if the facts of the case lend themselves thereto, national courts may use these viewpoints to substantiate the conditions of application (e.g. to determine whether values are reducible to the shape or the characteristic itself).

75 Whether this is truly the case is a difficult question. Colours, and therefore also trademarks consisting of a colour, do have values that can be traced back to the colour itself, as is shown in colour psychology. For example, research has shown that the colour of a packaging or a product can, to a very high degree, determine the consumer's purchase decision, see *J.-G. Causse, De verbazingwekkende invloed van kleuren (Antwerp: Kosmos Uitgevers, 2015), p.75 onwards*, which incidentally applies not only to colours, but also to other design choices, see *J. Luffarelli et al., "A Study of 597 Logos Shows Which Kind Is Most Effective", Harvard Business Review, 12 September 2019* available at: <https://hbr.org/2019/09/a-study-of-597-logos-shows-which-kind-is-most-effective> [Accessed 5 January 2022]. See extensively on empirical evidence that colours have intrinsic value, also in relation to trade mark law, D.R. Gerhardt and J.J. McClanahan Lee, "Owning Colors" (2019) 50(6) Cardozo Law Review 2494–2505 and the study cited there.

- 76 Which is also the opinion of the EUIPO, see EUIPO 22 May 2019, Cancellation No.14 145 C, I.E.R. 2019/43 with annotation Geerts and Torenbosch (van Haren/Louboutin).
- 77 Something the ECJ also explicitly states in Gömböc (C-237/19) [2020] E.T.M.R. 41 at [42]: "Characteristics of the product not connected to its shape, such as technical qualities *or the reputation of the product* are, on the other hand, irrelevant" (emphasis added). The "tearing apart" of the intrinsic value of characteristics and values that can be traced back to the brand (such as reputation) is not straightforward, because the experience of products is also influenced by the reputation of a brand. See in particular the very interesting (and fun to read) book *P. Barden, Decoded: The Science Behind Why We Buy* (New Jersey: Wiley & Sons, 2013) where Barden describes among other things how a brand can ensure that in the subconscious of the consumer the objective expectation of the product is adjusted, as a result of which the actual experience of the qualities of the product can increase (see pp.33 onwards for a number of good examples).

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