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4B Trademark Law Session. The Functionality Doctrine in Disarray?

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Session 4B

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**SESSION 4: Trademark Law
4B. *The Functionality Doctrine in Disarray?***

Moderator:

Marshall Leaffer

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Speakers:

Mark A. Lemley

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The Functionality Doctrine under US Law

Gordon Humphreys

European Intellectual Property Office, Alicante

Functionality in EU Trademark and Design law: Regulating Overlaps

Panelists:

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MARSHALL LEAFFER: So many thanks to Hugh and his assistants for putting on this incredible event. Our topic today, as you all know, is the functionality doctrine. We have two main speakers. Mark Lemley, who among other things, is a professor at Stanford, and Gordon Humphreys of the European Intellectual Property Office. We also have a fantastic group of discussions. David Stone of Allen and Overy, London, Irene Calboli of Texas A&M School of Law, and Jeff Handelman of Crowell and Moring, Chicago.

For what it's worth, I personally consider the functionality doctrine is the most troublesome in all of trademark law. The case law is incoherent, inconsistent, and at best confusing. I can't think of any two better people than Mark Lemley and Gordon Humphrey to explain and clarify functionality for us. Mark Lemley will discuss the issue from a US perspective, and Gordon Humphrey will do so from the European point of view. Mark, why don't you start us off?

MARK A. LEMLEY: Okay, great. Thanks, Marshall. As Marshall indicated, the panel is titled, Functionality Doctrine and Disarray, Marshall thinks it's very confusing. I'm here to explain to you that it's not actually confusing at all. There are a few circuits that have decided for whatever reason not to follow the law, but the law as it presently stands is actually pretty clear in the United States. I'm going to share some slides.

MARK A. LEMLEY: The traditional functionality discussion is best captured pre-Supreme Court intervention by the *Morton-Norwich* case. *Morton-Norwich* says, well, we consider a variety of factors in trying to decide whether this functionality, did you actually get a utility patent on these things, did you claim that it was functionally better? Is it easier to manufacture, cheaper and so forth?

Factor number three, I think, before the *TrafFix* case, this availability of alternative designs was central to a number of courts. Here is the predecessor to the Federal Circuit. They use this doctrine to say that the fantastic spray bottle depicted here, the spray nozzle is not functional because there are other ways to do a spray nozzle even though there are some clear advantages both in manufacturing and use of this nozzle over others. That rule starts to change with the US Supreme Court decision in *TrafFix versus Marketing Displays*, *TrafFix* involves springs designed to keep road signs from blowing over in the wind.

The idea here is that they have a utility patent, the utility patent expires, the competitor comes to use a similar spring design and *TrafFix* sues and says, "No, people recognize this dual spring design as ours." Supreme Court says, "that's not permissible, that's functional." It says, "we don't have to decide whether an expired utility patent itself is going to make something functional, because in this case, there's no question that the springs work better than alternative designs." The court considers and rejects the idea that we heard from *Morton-Norwich* that well, there are other designs you could use. You could space the springs apart, you could have three springs or four springs. The court says that doesn't matter, all we care about is that this spring design actually affects the cost or quality of the article.

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What the court does, then is to set out what has become the general test for functionality. In general terms, a product feature is functional and cannot serve as a trademark, if it is essential to the use or purpose of the article, or if it affects the cost or quality of the article. Then it goes on to talk about a functional feature being one the exclusive use of which would put competitors at a significant non-reputation related disadvantage. Now, note a couple of things about this test. You can read this and you can say, well, we got three different possible tests here. We've got essential to use, we've got affects the cost or quality, we've got significant non-reputation related disadvantage.

Affects the cost or quality, I think is for all intents and purposes the key test for utilitarian functionality. Anything that is essential to the use or purpose of the article, almost by definition is going to affect the cost or quality of that article. Because you couldn't make the article, it obviously affects the cost or quality. The cost or quality of the article test swallows, in almost all cases, the essential to the use or purpose test, and has become in virtually all circuits the de facto, the dominant test for utilitarian functionality. Courts do use this language about significant non-reputation-related disadvantage, though, not just to demonstrate the purpose of the test but also as a test for aesthetic functionality as we'll see in a moment.

One place where you might actually use the essential piece would be to say, a circumstance like the one in *Eppendorf*, in which the piece, the element of the device is essential to this particular device, even though there's no reason to think this particular device is any better than any other device. Here the Fifth Circuit says if the fins on the syringe are necessary to the operation of this product that meets the essentiality test, even though other competitors don't need this fin design.

Similarly, in the wake of, *TraFFix*'s, the Seventh Circuit in the specialized seating case says, there are lots of different designs for a frame chair backs, here are a number of them. Each of these designs have cost-benefit trade-offs, they're better at some things than others, they're stronger, they're cheaper to manufacture, they're lighter, they interlock better. Each of those choices is itself a functional choice because it affects the cost or quality of the article. The fact that there were multiple present alternative designs, the old CCPA test in *Morton-Norwich* would have said no functionality.

In the wake of *TraFFix*, virtually every circuit has said no, there is actually functionality in that circumstance, regardless of the presence of the alternative designs. That brings us to the recent case in the Third Circuit from Pocky. In the *Glico* case, the Pocky biscuit is a chocolate-covered long biscuit, you hold on to the non-chocolate-covered portion, which is a cookie there at the top, and you can eat the chocolate-covered cookie portion.

The Third Circuit says this biscuit design is functional. It goes through several ways you might consider functionality. Evidence that shows that it makes it work better. The fact that you're advertising its usefulness, utility patents, we've talked about those. The key here is at the end in the fourth point, if there are only a few ways to design a product, that's evidence that the product is functional, the court says but the converse is not true.

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The existence of other workable designs is not enough to make a design non-functional. The court here says the Pocky cookie is functional, not because there aren't other ways to design cookies, there are plenty of other ways to design a chocolate-covered cookie. Because the particular choices you've made affect the quality of the article, they affect the usability of the article, the ease of holding on to it, whether it will melt on your fingers, and so forth, and that's sufficient to say you don't get to control this shape under trademark law.

One thing to note finally is I think in the wake of *TrafFix*, we actually have a convergence across pretty much all of the circuits on this new test, and in particular on the rejection of the availability of alternative design requirements from *Morton-Norwich*. The one exception to that is the Federal Circuit which has continued notwithstanding *TrafFix* to hold on to this idea that if there are available alternative design something is non-functional as a utilitarian matter.

Finally, let me say just a bit about aesthetic functionality. This is the canonical example of the Heart-Shaped Box of Chocolates. It's not any better at holding chocolates but it's not something that people are buying because they think it signals brand they're buying it because they want a heart-shaped box of chocolates.

Similarly, my favorite trademark registration of all time, I think, the circle. This is a registered trademark for a beach towel. The plaintiff produces a round a beach towel, there's no reason to think round beach towels are better beach towels. That they're better at holding people are easier to fold, probably the opposite. Nonetheless, the court says people aren't buying round two beach towels because they signal that they come from CLM design incorporated, they're buying round beach towels because they look round, and people want round.

Here, too we've got convergence, I think, on the test for the most part, the test for aesthetic functionality is a much narrower one. Here we do actually require effective competition and we do look at comparable alternatives. In the *Maker's Mark* case, the Sixth Circuit says, look, the fact that there are lots of different ways to seal a bottle doesn't mean you can't have a trademark on the red wax dripping seal where the red wax dripping seal is attractive. Here too, again, we've got convergence in the circuit's one circuit exception.

Again, the Fifth Circuit has, notwithstanding repeated suggestions from the Supreme Court refused to acknowledge that the aesthetic functionality doctrine exists at all, but pretty much every other circuit I think is coming in line. The Sixth Circuit says, "We don't have to decide this but the test they adopt is the one everyone is adopting." I will stop there.

MARSHALL LEAFFER: Thank you, Mark, for that nice overview. I think I'll open this up to our panelists. David, Irene, Jeff, and Gordon--What do you all think?

JEFFERY A. HANDELMAN: I've got a question for Mark. Mark, one question with respect to functionality. In your experience, is it effective to exclude functional features from the intellectual property that you're claiming in an effort to avoid a finding of functionality? In the registration context, for example, in the United States, we can exclude a functional feature by using dotted lines in the trademark drawing and an infringement action likewise, we could tell the court,

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we're limiting our claim to a certain ornamental or arbitrary feature rather than claiming the overall design. Is that an effective approach?

MARK A. LEMLEY: I think it can be. I think it depends a little bit on the circumstances. Let me separate litigation and registration because I think the issues present a little bit differently. I think in litigation, it's perfectly reasonable and indeed desirable to say-- Assuming you're not only trying to sue someone who's copied the functional features as in *TrafFix*. Look, we're not trying to claim the functional features. Imagine, for instance, I've got the shape of a Ferrari. There's no question that there are a bunch of elements about the shape of a Ferrari that make it go faster, make it corner better, et cetera. I'm not entitled to lay claim to those things.

I think I don't have to lay claim to those things as if someone copied the actual overall design of the Ferrari. A long as I can show that they've copied things that are not functional, along with the things that are functional, I think that's sufficient for litigation. We'd also like it to be sufficient for registration. There, I think things get a little more questionable, so you're right that we can use dotted lines to say we're excluding or this is not a claimed feature of the product.

One more complicated situation is where I think it actually is a claim of the overall trademark that it is the entire design that I am claiming, and I understand that some of the features in that design are functional and I don't lay claim to those things standing alone but I want to lay claim to the entirety of the shape of the Ferrari, let's say. I'm not sure dotted line claiming is going to work necessarily there. A, because it may be hard to take out exactly or identify the things that are making the car go faster. B, because my understanding of dotted line claiming is that if I use a dotted line, I'm actually saying you could vary something here and I don't care what goes there. That might or might not be true, but the instinct is right, which is, I think you can get around a functionality limitation by affirmatively disclaiming to the office, "Look, I'm not claiming ownership over that particular functional element."

JEFFERY A. HANDELMAN: Thank you, very helpful.

MARSHALL LEAFFER: Irene you had something in mind.

IRENE CALBOLI: Mark, thank you very much for, as always, a fantastic presentation. I agree with you about the fact that in the utilitarian functionality, we see a convergence, but I would challenge that in the aesthetic functionality. In the aesthetic functionality, in particular, now, we are seeing a lot of expired design, color claiming and we are seeing-- I would say there have been more guidelines so that I'm looking at that from a non-traditional trademark standpoint, as you might imagine. I would say that there is really no a convergence or some specific guidelines that applicants or the TTB, the TAB, and later the courts are following.

It's a bit of a "we know when we see it" approach. I mean, would you say that aesthetic functionality also is a small converging or it's the most difficult to assess? At the same time, it seems to me that is becoming the elephant in the room very much on a lot of perpetual rights.

MARK A. LEMLEY: I think I agree with that. I would say two things are going on here, one is as Irene indicates, lots of people are making efforts to lay claim to things in expired design patents and so forth. I think many of those will

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turn out to be aesthetically functional. People are the fact that the doctrine is becoming clear, it doesn't mean people aren't trying to sort of change or push against the doctrine. The second thing, though, that might be a more significant reason for Irene's reaction is, I think the legal rules are converging.

We've got agreement that there is an aesthetic functionality doctrine, we've got agreement on what the test is, but that test is a lot more amorphous and less clear than it is in utilitarian functionality. The fact that we're asking, does this put competitors at a significant non-reputation-related disadvantage? Is there sort of not a competitive necessity, but a kind of competitive usefulness to having access to this?

Those tests as the Sixth Circuit phrases them, I think the courts are agreeing that that's the test, but that it's kind of like the obviousness doctrine in patent law, it does have a more you know it when you see it feature. That leaves a lot of room for more disagreement about particular applications of that test.

IRENE CALBOLI: Thank you.

MARSHALL LEAFFER: I see, perhaps we've exhausted our five minutes of discussion. Irene does that seem to be the case?

IRENE CALBOLI: Yes, that's correct.

MARSHALL LEAFFER: Let's go on to Gordon Humphreys and who will present the European point of view on this issue.

GORDON HUMPHREYS: The most common form of prohibited functionality in the EU is obviously technical function like in the States. While trademarks that are composed exclusively of the shape, or other characteristics of goods that are needed or necessary to obtain a technical result have no place on the register, designs are prohibited if their features are solely dictated by technical function. That difference in wording between the two types of IPR was noted by the advocate general in *Philips v Remington (C-299/99)*, now quite an old case and was said to be "not a capricious difference".

Put simply, the bar is higher for designs to be found functional than it is for trademarks. It's going to be harder to show that a design is solely technical. Now, why is this? Well, the main problem is that with IP, as far as market competition is concerned, the right holder has obviously a monopoly. In *Lego Juris A/S v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) Case C-48/09 P*, the Court of Justice noted that if a monopoly is given to the shape that embodies a technical solution, it would unduly impair the ability of competitors to market shapes incorporating the same technical solutions. In reality, what's often lurking in background in these cases is a patent that has either expired or is about to do so.

A strict approach to registering shape marks is necessary to avoid the 20-year monopoly over a technical solution granted to a patent being extended potentially in perpetuity. Now, obviously, the damage done in similar circumstances by a design which has a maximum lifespan of 25 years in the EU is less. EU case law has come to regard patents, at least in trademark cases, as strong prima facie evidence of functionality rather like in the cases we've just heard about in the US. Now, in this *Lego* case (C-48/09 cited above), the Court of Justice basically laid down a two-step test, which was, firstly, to identify all the

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essential characteristics of the shape and then to consider, at the second stage, whether all of those characteristics perform a technical function.

The shape doesn't have to be the only one that could obtain the technical result, so it's quite different to the situation in the US. EU is not so impressed by the multiplicity of forms theory. Nevertheless, EU trademark law doesn't make it too easy for registrants to try and circumvent functionality prohibitions by simply adding some random decorative element to the shape. Instead, the decorative element has to be important or play a distinctive role, and this requirement is pretty strict. In the *Lego* case, the red color of the Lego brick didn't distract from the technical function of the studs and the brick shape.

As case law has progressed so too has the severity of the functionality test. Technical function has increasingly been inferred rather than being readily apparent from graphic representation. Traditionally, in EU trademark law where there's a dispute on the registrability of a sign, we look at what it is on the register and how the sign is represented there. Increasingly, a certain largess has crept in and in *Simba Toys GmbH & Co. KG v EUIPO, Case C-30/15 P*, (the *Rubrics Cube* case), the Court of Justice considered that there was a technical function here consisting in the twisting or rotating mechanism that was internal in the cube, but which was - according to the Court - apparent from the grid lines running up and down the cube. I would submit that such inference seems rooted in actual knowledge of how the cube functions, how it's used, and is not apparent just from the representation on the trade mark register.

Inference from graphical representation has sometimes required a certain amount of gymnastics and in the *Yoshida metal Industry Co. Ltd v EUIPO, Case C-421/15 P*, (the *Yoshida knife* case) that you can see in the middle here, the original filing was in fact for a 2D trademark consisting of a pattern of dots. It was subsequently requalified by the EUIPO as a 3D handle of a knife with dents that were necessary to obtain a non-skid effect and as a result, was found to be technically functional. This decision was approved by both the General Court and the Court of Justice.

However, it may have been more appropriate to admit that use actually plays a role in assessing technical function. That seems to be increasingly the case. In the very recent judgment *The Yokohama Rubber Co. Ltd and European Union Intellectual Property Office v Pirelli Tyre SpA, Joined Cases C-818/18 P and C-6/19 P*, (the *Pirelli Tire* case), the Court held that for the purposes of identifying the essential characteristics of the sign, material can be considered that makes it possible to look at what the mark actually represents. For that reason, the representation of product use will be relevant.

However, in this case, the Court said that it wasn't sufficiently apparent from the representation of the sign that the shape was actually a single tread of a groove. More particularly, it wasn't apparent that it was a single tread pattern groove performing an exclusively technical function (i.e. expelling water and gripping the road surface).

The Court considered that the sign didn't exclusively represent the shape of the goods in question, or a shape, which on its own represents quantitatively and qualitatively a significant part of the goods, in this case, the tires. In fact,

looking at the way that shape marks are actually used is becoming increasingly relevant. In the *Gömböc* judgment, Case C-237/19, the shape at issue was a three-dimensional object that, due to its external design, always returns to a balanced upright position. You would probably only know that if you'd seen it being used. Nevertheless, the shape of that object was held by the Court to serve in its entirety to achieve a technical objective of always being able to stand upright.

Even the humble Kit Kat four-fingered chocolate bar (Joined Cases [C-84/17 P](#), [C-85/17 P](#), and [C-95/17 P](#)) can actually result from purely technical functions such as its three grooves for breaking the chocolate and the angle of those grooves due to the manufacturing process.

The Court said that to check whether the essential features of a shape are functional, decision takers need to look at objective and reliable information. In other words, things that are external to the representation on the register. Unlike for other absolute grounds, the perception of the target public is not the litmus test of functionality. It may have some persuasive value but it's never decisive.

Turning now to designs. For designs, in the wake of *DOCERAM GmbH v CeramTec GmbH*, C-395/16, (the *DOCERAM* case), the crux of the functionality test is the so-called, no aesthetic consideration test. That is that only technical considerations dictate the design of the product. The aim here is to prevent technological innovation from being hampered by granting design protection to features dictated solely by the technical function of a product.

The problem that we are getting is what kind of evidence do you need to prove that there were some aesthetic considerations. Do you need expert witnesses, for example? The Advocate General in *DOCERAM* (C-395/16) said that it may be necessary for courts to seek clarification from independently court-appointed experts because national courts don't sometimes possess the highly technical competences necessary to determine these issues.

I have to say, this is something that is a difficulty at the EUIPO and at the Boards of Appeal. Like for trademarks, assessments are made on objective relevant circumstances, including objective reasons for selecting the designs, its use, and the existence. The existence of alternative designs can be relevant but they're not determinative, and they're compromised for the law that prevailed in some member states beforehand, particularly Germany.

Establishing what are aesthetic considerations is not easy and sits with difficulty with the notion of an industrial design, which by the very way it's phrased is not a particularly aesthetic thing. I would just quickly say that the situation in designs seems to have got more generous because of the General Court's judgment in *Case T-515/19 Lego A/S v EUIPO and Delta Sport Handelskontor GmbH*, decided last year. The Court annulled the Board of Appeal's decision for failing to consider possible creative aspects of the design, namely, the smooth surface of either side of the row of four studs on the upper side of the Lego brick. This was quite a generous approach to what could conceivably be an aesthetic feature.

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Then just very quickly to say that like in the States, we have aesthetic functionality, it's also extremely difficult to establish. It was established in the judgment in *Bang & Olufsen Speaker, Case T-508/08*.

It was also referred to in the *Hauck Trip Trap Case C-205/13*, where they said that beauty, safety, comfort, quality and iconic style can confer substantial value. It wasn't successful in the Louboutin red sole shoe case (C163/16) because the Court said it wasn't dealing with a shape. In the Eames chair Board of Appeal case, it would've been a very interesting case. Unfortunately, it settled, but one of the arguments that was brought forward was that it wasn't just all about aesthetics. It was actually about some snob value in owning one of these chairs because the likes of Andy Warhol, David Bowie, and Madonna had also had these chairs. The jury is still out on how we're really going to handle aesthetic functionality, but as I say, it's a difficult one, and with that, thanks.

MARSHALL LEAFFER: Well, thank you so much, Gordon. I don't want to put you guys on the spot, but it would be interesting if you could to reflect on the similarities and differences between the US view and the European view on the issue of functionality. Before so, is there anything from the panel that you would like to discuss here?

DAVID STONE: Marshall, if I can just jump in and put a question to Gordon, that perhaps isn't a fair one. Do you think registries have got too strict on findings of functionality in trademarks? I'll perhaps set out where I'm coming from. This is an exception to the rule that signs should be registrable, and as an exception it should be narrowly construed. We're not seeing vast numbers of businesses successfully enforcing patent-like monopolies through trademarks. We're not in fact seeing many cases in courts at all that raise these issues. They're mostly registry decisions where the law is being settled. Against that background, do you think a test closer to the design test might be better for trademarks?

GORDON HUMPHREYS: Well, it's an interesting question. First of all, I would say that it's true that it is an uphill struggle to get these kinds of shape marks onto the register in terms of functionality. There was a modicum of success last year with the *Guerlain red lipstick holder* case, Case T-488/20, but then that was succeeded by the *moon boot* case, T-483/20, which seemed to dash those hopes very quickly. I think that there is a lot of reticence from the General Court and we've now actually got over 20 years of history behind this, starting with, I think, the *Maglite* torch (flashlight) case, T-88/00, that goes back to the beginning of the century. It's going to be very difficult to change it.

As I demonstrated at the beginning, in the *Philips v. Remington* case, the Advocate General started out by saying that the wording of the provisions is different and that he made a big deal out of that which I think has been followed by the Court. While I can appreciate from the point of view of trademark owners, it would be very nice to have an easier ride with getting these registrations. I think it's unlikely to happen. I think we're just too far down this road to go back now, and I think that really designs are an alternative. Theoretically, somebody could start off with filing a design and try and use it as a trademark and build up secondary meaning with it. Potentially difficult, but theoretically possible.

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MARK A. LEMLEY: Could I ask about the interaction between some of the technical and aesthetic functionality doctrines in particular in the *Lego* case? Because one of the things that struck me as quite interesting about that is, it was entirely plausible to say some elements of the Lego brick design are not dictated by function in the technical sense but those elements I think are desirable aesthetically, and they are also well known as Legos. I wonder what the court does. This is something the US courts have struggled with. How do we deal with something that is both desirable because of how it looks and has become known as a brand over time?

GORDON HUMPHREYS: I should have pointed out that, of course, when I used the word design, it's patent design. It's a design patent in US terminology, so it's not a trademark. At the EUIPO we're dealing with both rights. This is not aesthetic functionality in the trademark sense. It's the functionality test drawn up for designs. The last slide that I showed was about the aesthetic functionality test with the Eames chair and everything, but it's true that there's a huge overlap between as David was just saying. There's a huge overlap between these shape marks that we have and what we call the designs in Europe. You can actually have dual protection and the idea of the aesthetic functionality is to limit that dual protection.

I have to admit that on the trademark side, it's rarely you used because it's actually very, like you were saying, Mark for the US, it's actually so difficult to apply. It can be used and it sometimes is, but it's a bit because you feel it's too much of it's too aesthetic to be a trademark, but it is a bit of a nebulous test and therefore it's more difficult. On the side of the Lego brick, to go back to your thing, the issue there was, was it functional in a technical sense? Like the grips and everything like that, or was it just purely functional or was there any aesthetic element that could save it from being technically functional? There, it looks like the court may be willing to be more generous for the EU designs. That may be the route to take is if you can't get a trademark, go for design.

JEFFERY A. HANDELMAN: Go ahead.

MARK A. LEMLEY: I was going to say the other issue that the Lego raises, which I think is a fascinating one for trademark to think about is the sort of role of interoperability and functionality. One of the things Lego wants, I think is not just to control the actual design of its bricks, but to make sure that other people's bricks, even if they don't look the same, can't interconnect easily with it, and so it might be that the courts could distinguish between the design elements that don't relate to the kind of ability to interlock and the design elements, even if they are aesthetic that do affect the ability to interlock.

GORDON HUMPHREYS: I mean the interconnection issue is an issue in the design case. That's a different kettle of fish, but it's there in the background. You are absolutely right.

MARSHALL LEAFFER: Irene, do you have a comment? Before we get to Irene, I just want to say that we have a very distinguished group of people in the audience here and I was hoping that they would come up with some questions or comments themselves. I'd like to invite them as well to participate.

IRENE CALBOLI: Again, thank you Gordon very much for guiding us through several of the old and newer cases in the EUIPO. I agree that it's becoming more difficult to register this, Mark, but different than David. I'm actually happy about it because I and Mark and others have actually had meetings with the examiners and with the EUIPO, the Swiss EUIPO office, and several other EUIPO offices, specifically to look at guidelines to restrict the registration of these signs because of the overlap.

I think the way you frame it, with the overlap with industrial design. here, I want to ask your question, when you look at the Lego, and not at the *Lego* case but also the Lego bricks, you look at Legos and you have the shapes, but then you have every single little round of Lego as the word Lego, so the logo of Lego imprinted in. I've been doing a lot of work on industrial design, furniture design lately. Whether it's the Barcelona chair, the canal, and so on.

Now, the shapes, some of them have been registered. Many of them are even if they're registered, they can easily be challenged, but so now they relying on, really, the serial number and the signature or the actual trademark engraved in the-- so the authenticity is given by the mark, which it's the way should be. During the life of the design, you have a monopoly and then, of course, that feature becomes distinctive because you had a monopoly, and then when the monopoly expires, that's the quid pro quo, regardless of whether it is distinctive or not, you have to let it go because that was the quid pro quo with design, and then you have to rely on the trademarks on the branding, so, say, well Bialetti coffee makers are only made by Bialetti but the actual functionality of the thing can be copied by somebody else. That's, to me, is a great example. No one coffee makers make as good coffee makers as Bialetti does in reality.

The question is when you see this suit, just this cumulative use of the logo, and, at the same time, the attempt to register the shape, both are trademark, don't you think that that is theoretically a contradiction because now the generic version cannot use the name Lego, and so it's going to be different enough. The fact that I use my name on my products in many way is the only way I can guarantee authenticity but is all the way to basically acknowledge that the other is a design, and, here, I have my mark, so other cannot copy that. What do you think about that?

GORDON HUMPHREYS: Well, what I think is that putting the brand name on the product and then registering the whole as a 3D mark. Including the brand name embossed on the product is a sort of backdoor entry to getting these types of mark on the register. It is one way you can do it. There are some caveats to that. I mean, obviously, if the brand name is so small that it's virtually imperceptible, that might not work, but it is a way that people use to get these shapes onto the register. Whether that is too sneaky to be and shouldn't really be allowed is another question, but it's done. I mean, then the issue becomes what scope of protection does that mark have in an infringement situation?

MARK A. LEMLEY: Just one great example, now a fairly old one from the United States in this regard, in the *Sega versus Accolade* case, where Sega tried to prevent game players from writing games compatible with their video game platform. One of the things they did was they made a lockout code that you

had to enter, and if you entered that lockout code, it made the letters "SEGA" appear on the screen, and then when Accolade used the lockout code and the letters "SEGA" appeared, it filed suits for trademark infringement saying, "Hey, you've made the word 'SEGA' appear."

The ninth circuit actually turned it around on them and said, "No, if anything, this is Sega's active infringement, not Accolade's because it's Sega that is forcing this company, if it wants compatibility, to falsely represent that there's a connection between Sega and Accolade. Your mileage may vary, but it's not always going to work out to the benefit of the trademark owner to try to force that brand name use as part of the interconnection.

GORDON HUMPHREYS: I mean, conversely, if the shape is something that's not really particularly distinctive, it may be that there's no real scope of protection of that mark beyond the actual verbal element of it. To answer Denis' question, I mean, whether it should be more properly a clear distinction between designs and trademarks. I think the reality is that there is a huge overlap, and I think that the decision-taking authorities are not rigorously pursuing the aesthetic functionality objection. We could go a lot further with that, but at the end of the day, this is a policy decision. I'm not saying it's a policy of the EUIPO or anybody else, but I mean policy decision in a political sense as to how objectionable you regard the cumulative effect of designs and trademarks to be. Certainly, trademarks and patents are highly objectionable, but trademarks and design seem to be somewhat less objectionable to accumulate.

MARSHALL LEAFFER: Any other comments from our panel? Again, I urge our very distinguished audience to ask us questions here. I see some of these names here that I'd like to hear from. You're on mute, Jeff.

JEFFERY A. HANDELMAN: Marshall. Quick point on-- related to what Gordon was just mentioning, and Mark and Irene. In the embossing world, if you take a look at bath tissue and paper towels, more and more companies are trying to protect the embossing pattern that appears on the bath tissue or on the paper towel, and there's an example where increasingly companies are using not only designs, but also-- For example, Georgia Pacific will emboss GP integrated into the quilted Northern design, so if somebody copies the design, if they copy the GP elements, those are strong identifiers of the source of the tissue, so it's a way to deter copying. As long as the design is not functional, if it becomes distinctive, it can be registered as a trademark and then protected against other paper manufacturers.

GORDON HUMPHREYS: Yes. I mean, we are getting-- we've had cases simply involving embossed toilet paper and things like that, [chuckles] with logos and patterns, and which people try to protect as trademarks in my view, my personal view, is that those are not really source identifiers, but if you start adding on verbal elements onto them, then that may be a sufficiently distinctive element in order to actually identify commercial origin, so they may be able to act as trademarks, and they're no longer purely aesthetic because there's a verbal element in them. I think that is a possibility.

MARK A. LEMLEY: Of course, this is the strategy that the luxury goods market has long used to try to effectively get design protection when copyright

wasn't available. Reprint the Louis Vuitton logo all over your purse. Reprint the Chanel logo all over your purse. It doesn't matter whether the purse design is protectable. If you have to copy the logo repeatedly in order to copy the thing, then you're going to be running afoul of a more standard trademark protection.

MARSHALL LEAFFER: Any other comments? Again, question and answer is quite open, and I urge you all to do so. In the interim, I do want to make a plug for *In re Morton-Norwich*. I've always been a fan of that case. I believe that competitive alternatives should be one of the criteria, and an important one. The problem with that is how many? Is there a universe of effective substantial alternatives? That's been the problem. How large does that universe have to be? On the other hand, I like *Morton-Norwich* for one reason. It has a clarity in terms of the litigation process.

To me, nebulous language of the *Kravis* case is not enough. You have to have specific elements in which you can hang on to and make sense in a litigation situation like that, particularly with the jury. That's my plug for *Morton-Norwich*. Another question is why are the Morton Norwich used in the context of design patent but since *Traffix* are not used in trademark law. I'm just wondering if you could make a distinction, whether you find it more appropriate for the *Morton-Norwich* elements to be used in design patent rather than in a trademark, or, perhaps, you see no difference at all?

MARK A. LEMLEY: I am troubled by the fact-- You're absolutely right that, in part, because we use *Morton-Norwich* in designing the patent, the functionality doctrine of design patents in the United States is much narrower than the trademark functionality doctrine. I find that troubling. A particularly remarkable example of that to me is the *Apple versus Samsung* case, where the federal circuit held that the very same rounded corner of your cell phone was functional for trademark purposes and not functional for design patents purposes. That strikes me as an indication that maybe we're thinking about one of these things wrong because when the very same design elements can be protected under two different doctrines and we say it's functional for one and not functional for the other, that's worrisome.

To me, I think the problem is that we have narrowed the design patent functionality doctrines almost to the point of non-existence, and we've done it, in part, by using *Morton-Norwich* and Irene's reference earlier. The other question is how many different design elements will there be? Once we go down that route, we end up making it a competitive necessity test. If this is not the only possible way to design a product, then I get to own this shape even though it turns out to effect the cost or quality of the article.

For me, I think the traffic's test is actually quite more-- a bit more specific and applicable because we can easily determine, "Does this product element affect the cost or quality of the article?" That is a factual question on which we can take evidence, whereas, the sort of, "How many alternatives is too many?", I find to be a somewhat amorphous question.

MARSHALL LEAFFER: Not to be argumentative here, Mark, but on the effect of cost and quality of an article, every product feature affects the cost and

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quality of an article. How do you specify the kind of costs, the kind of quality that we're looking at in order to determine functionality?

MARK A. LEMLEY: I do think it is a significant test but-- It's a significant, more restrictive test, in part, for that reason, but I'm not sure I've signed onto the idea that everything affects the cost or quality of the article, the choice of color scheme, or the kinds of things that we had in mind as possibly serving as sort of aesthetic or three-dimensional trademarks, I think, are generally not things that affect the shape and operation of the product and probably shouldn't affect the cost of the article.

I guess if it turns out that red paint is more expensive than blue paint, that's probably not something that we would want to consider in going into the functionality determination. Making it cheaper to manufacture, and, therefore, giving you a cost advantage over competitors does seem, to me, precisely the kind of thing we would include.

MARSHALL LEAFFER: Absolutely. I couldn't agree with you more on that. I just think it needs to be specified with a little bit more detail.

DAVID STONE: Marshall, may I please pick up on Mark's comment on *Apple-Samsung* because I think it's a demonstration of the difference, and it was dealt with by various courts in Europe at the time. A rounded corner on a smartphone is cheaper to make than a sharp corner. It's less likely to break if it drops. It's less likely to catch on clothes. Those are all technical functions. But in rounding a corner, there is an aesthetic choice between a sharp rounding or a very gentle rounding that goes over a bigger curve.

The fact of "roundedness", if I can call it that, is a technical function, but the way in which the rounding is done is an aesthetic choice. Adopting the language from the EU statutes, as Gordon pointed out earlier, "Is the "roundedness" necessary to obtain a technical result?" "Yes, it is. Therefore, no trademark." "Is this "roundedness" solely dictated by technical function?" "No, it's not." There's an aesthetic choice into how the rounding has been done, so that feature is not *solely* dictated by technical function. Therefore it's entitled to what you would call design patent protection, what we would call registered design protection. I think, Mark, it's actually a really good example - at least under EU law - of how an object can fall one side for trademarks, the other side for designs. That, in essence, highlights the difference between the two tests.

MARSHALL LEAFFER: Gordon, do you agree with that?

GORDON HUMPHREYS: Yes. I was just wondering, Mark, do you think that the more liberal approach of design patents is due to what I was saying in my presentation about the lesser damage that's done by having a design patent protection for a more limited period of time, as compared with the damage that can be done for a trademark protection that is unlimited, potentially? Do you think that's the policy behind this, or is that just a--?

MARK A. LEMLEY: I'm not sure we made up-- I think there's a policy argument for it. I'm not sure that's actually the policy explanation for why we went there. I think this is an historical accident, and Peter Menell has a nice historical paper on the development of us law in this regard. Irene wants to jump in here.

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IRENE CALBOLI: You know what I think is the story here? Why do we ended up with these three-dimensional marks, despite, early on, the UK courts said the bottle of Coca-Cola should never be. The US never wanted to have this *sui generis* right for design. The US is allergic to generic. We had an industrial design protection on a time for-- Europe, before, was ornamental models, Italy and so on, and that system has really been what created industrial design protection in Europe, and that's been exported to a lot of jurisdiction.

America had the design patent, but design patent are much more expensive to get. They require an actual examination, and so you are not using it as easily. Because America didn't have an industrial design, we ended up with that trade dress. Now trade dress is, of course, trademarks on steroids in many ways because it's trademarks for shapes. Not just shapes, but the cores, restaurants, and so on, based on the Supreme court cases.

Now, the European say, "Well, the Americans have potential protection for better protection for shapes and trade dress. Now we also want to have the three-dimensional mark protection, so you start to see a booming on shapes. Now, on the other side, we have famous design expiring, famous copyrights expiring." When you start to look at these junctures as well, in my view, has created that. The offices initially allow many more of these because distinctiveness is a very ambiguous concept or is the same. Then they started to reign it in because they saw there was no courts, the ECJ has been answering a bunch of these marks, that the court in the US as well, even though I would say now courts are not as strict as they were before because offices have been filtering more of these.

To me, it was allowed because the US didn't want industrial design protection. I don't know if I'm right or wrong. This is something that Jerry Reichman and I have been discussing at length because industrial design is a cheaper right, but short, compared to forever trademarks.

DAVID STONE: I wonder, too, if another element of it is that a trademark also has to function as an indication of source of origin, so you're already getting a hurdle that you have to meet. The foldable chairs we saw earlier, I'm not an expert in that field, but I'm not convinced that consumers would view the back of the folding chair as an indication of where it came from, so it's not going to function as a trademark in any event. With a registered design, it doesn't have to function as anything. It is a right that you can enforce for up to 25 years, that you don't even have to use yourself. There's not that additional hurdle of having to function as an indication of source of origin that would already keep out a lot of otherwise functional trademarks.

MARK A. LEMLEY: I think that's a great point. It was, literally, the last point I wanted to note, which is that the vast majority of the functionality cases that we see are, in fact, efforts by people to claim as trademarks things that are very unlikely to be functioning as a trademark. No one looks at a dual spring on a road sign and says, "Ah-ha, that must be a Traffix and not a windproof dual spring." I don't think anyone looks around a beach towel and says, "That must be a CMI design beach towel."

Part of what the doctrine is effectively doing here, in many of these cases, is policing overreaching. That does leave a sort of edge sort of cases where the

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design is actually very well recognized and understood. The *Lego* and the *Kit Kat* cases are more challenging, conceptually, for that reason.

MARSHALL LEAFFER: I'd like to break in here right now. This has been such a wonderful discussion. I hate to take the punch bowl away, but I think that we have another session coming up. Everybody, thanks. Gordon, Irene, David, and Jeff, thanks for the wonderful session.