

**Intellectual Property Scholars Conference
2015 at DePaul College of Law**

**‘Protecting Trade Dress for
Services under European Law’**

Dr. César Ramírez-Montes

Leeds University, UK

Intellectual Property Scholars Conference 2015

TRIGGER:

A reference to the Court of Justice of the European Union (CJEU) in C-421/13 *Apple v DPUM* [2014] asking for preliminary questions re registration principles under the harmonised trade mark provisions of the Directive:

- 1) Can the 'packaging of goods' in Art.2 be extended to cover 'the presentation of the establishment in which a service is provided'?
- 2) Can that 'representation of the establishment' be registered according to Article 2. and Art.3(1)?
- 3) Can the requirements for graphical representability in Art.2 be satisfied simply by the design or depiction alone without any description as to size and proportions?
- 4) Can 'services' in Art.2 extend to the goods produced by the retailer itself?

Intellectual Property Scholars Conference 2015 at DePaul College of Law



**Apple's application submitted to the German Trade Marks Office:
The mark consists of 'the distinctive design and layout of a retail store.'**

Intellectual Property Scholars Conference 2015 at DePaul College of Law

OUTLINE

- Part 1: Questions and answers in the Apple reference, including the connection with the broader principles that European law has developed around the registration provisions
- Part 2: Discussion on European interpretation and principles around subject-matter and statutory grounds for refusing registration under Art.2 and Art.3 of the Directive.
- Part 3: Inherent distinctiveness test for three-dimensional shape of product marks and the development of the 'departs significantly' test.
- Part 4: Analysis and critique of the 'departs significantly' and its impact on the protection of trade dress for services arising from Apple.
- Conclusion

**Intellectual Property Scholars Conference
2015 at DePaul College of Law**

PART I: The *Apple* Reference to the CJEU

I. *Apple Reference* and Its Implications

- Surprising short analysis without the benefit and (academic) analysis of an AG Opinion;
- Re Art.2 Directive, 'designs' are a category of signs explicitly mentioned which raises the presumption of being registered. Thus, Apple's design or depiction is, in principle, a sign that is capable of graphical representation and capable of distinguishing good or services.
- No need to treat the layout of a retail store as 'packaging' of services.
- No need to satisfy the graphical representability requirements developed for such unconventional marks as smells, sounds and single colours.

Intellectual Property Scholars Conference 2015 at DePaul College of Law

Re Art.3(1) Directive, the CJEU recalled the principle that, the mere fact that a sign is in general capable of constituting a TM within the meaning of Art.2, doesn't necessarily mean it has concrete distinctiveness as required by Art.3(1), ie sub-paragraph (b);

- An example of when a mark like Apple's could be inherently distinctive was when 'the depicted layout departs significantly from the norm or customs of the economic sector concerned.' This recalled **part** of the CJEU's well-established 'departs significantly' test developed for assessing the distinctiveness of product shape marks and their packaging.
- In any case, the CJEU recalled that concrete distinctiveness could only be assessed to the established method of looking at 1) the goods/services chosen, and 2) the perception of the average consumer.
- Distinctiveness criteria are no different for trade dress marks.

Intellectual Property Scholars Conference 2015 at DePaul College of Law

- Perhaps the closest indication where Apple might run into trouble came when, in the context of Art.3(1)(c), the CJEU said the national authority could find the mark to be ‘descriptive’ of the services.
- Yet since its *Linde* and *Henkel* decisions in 2002, the case-law around shape marks had developed without any reference to the possibility of refusing such marks on the basis of ‘descriptiveness.’
- The potential application of functionality doctrine was also rejected for trade dress of services when the CJEU excluded Art.3(1)(e) from the assessment.
- Finally, Apple’s mark could also be registered for the ‘services’ (ie product demonstrations) it supplies on its premises, even if they don’t form an integral part of the offer for sale of Apple products.

IMPLICATIONS OF THE *APPLE* REFERENCE

- Well-established principles re distinctiveness continue to apply;
- Apart from the possibility of refusing the mark for being ‘descriptive’, not much guidance is given;
- Though the affirmative answers *do* break new ground for EU law in the sense of expanding the subject-matter of registration to cover the look/appearance of any other shop or business, the CJEU failed to set the appropriate limits of the trade dress concept
- Nor does the CJEU offer any potential reliance on functionality doctrine to address competition concerns.
- Despite the deparfs significantly test being settled, the failure to state the full test and assert established principles developed around this test effectively creates more uncertainty and confusion around the EU framework for inherent distinctiveness.

II. Unpacking the EU Registration Principles

- Categories of signs that may be registered as marks are listed as mere examples in Art.2 Directive and Art.4 Regulation.
- These two provisions are interpreted to contain 3 positive requirements for any TM registration: a) a sign, b) capable of graphical representation, c) capable of distinguishing.
- Art.2 has been case-law has been developed largely around unconventional marks, ie smells, sounds, colours and taste, particularly the graphic representability requirement. (Sickmann, Libertel, Shield Mark, Dyson)
- Questions in the Apple reference centred around this provision, which may suggest the national authority wasn't sure the depiction with the description as filed was in fact precise enough.

**Intellectual Property Scholars Conference
2015 at DePaul College of Law**

**PART II: EU Interpretation and Principles around
Registration Grounds.**

Unpacking the EU Registration Principles

- ‘Absolute grounds for refusal’ are preliminary obstacles to registration and are listed in Art.3 Directive and Art.7 Regulation.
- Whilst there’s a measure of overlap, each ground is independent of one another and calls for separate examination;
- Settled principle to interpret these grounds not only according to their wording but also in the light of the public interest underlying them:
- Those public interest objectives are the need to keep free for all, need to preserve availability for competitors and essential function,

Intellectual Property Scholars Conference 2015

Product Shape Marks and their Packaging

- These are expressly offered as examples of signs that may be registered in Art.2 Directive and Art.4 Regulation
- Expansive interpretation of 'shape': covers all situations where the sign in question is not independent of the appearance of the goods or services. Examples: containers, position marks, motion marks, cars, patterns, surfaces, etc.
- Specific exclusions for product shapes in Art.3(1)(e): natural, functional and ornamental shapes are permanently excluded (*Remington, Lego, Pi Design, Hauck, Nestle*);
- Case-law and principles have been developed around the exclusion for being devoid of distinctiveness in Art.3(1)(b), though descriptiveness ground in Art.3(1)(c) could apply (*Linde and Henkel*)

Academic Criticism Over the CJEU's Interpretation

- European concept of distinctiveness is a single, indivisible concept. It's wrong to treat the refusal grounds as independent of one another (Handler & Keeling);
- Also, the public interest recognised for descriptive, customary and functional marks could also be relevant for non-distinctive mark. All the refusal grounds, taken collectively, should either perform a 'distinguishing function' alone or, in addition to it, a 'protective function.'
- Recent case-law has recognised that descriptiveness and generic exclusions are specific examples of lack of distinctiveness (Technopol) which confirms some of these academic criticisms. Yet different public interests continue to apply.
- This Paper argues that the modified rules around the distinctiveness test for shape marks (which includes trade dress) does accommodate a range of interests identified in academic criticisms.

**Intellectual Property Scholars Conference
2015 at DePaul College of Law**

**PART III: Inherent Distinctiveness Test for Product Shape
Marks: Departs Significantly Test.**

III. Inherent Distinctiveness Test for Product Shape Marks

- General principle: there is nothing in the relevant legislation to impose stricter criteria depending on the 'ontological status' of the mark or to treat certain types of marks differently. (Linde and Remington)
- No basis under EU law for denying inherent distinctiveness of a mark as a matter of principle.
- The question of distinctiveness under any of the grounds in Art.3 Directive must be assessed from two perspectives: 1) the goods/ services in question, and 2) the perception of the average consumer.
- Whether acquired or inherent distinctiveness, the assessment method is the same.

Empirical Rule re Consumer Perception

- Whilst the criteria for distinctiveness are the same for all marks, consumer perception is not as consumers may react differently to different types of marks, ie colours (Libertel).
- This market reality observation led to the CJEU's creation of the empirical rule that 'consumers are not in the habit of making assumptions about the origin of goods based upon the shape of their packaging in the absence of any graphic or word element, and it could therefore prove more difficult to establish distinctiveness in the cases of such three-dimensional trade marks than in the case of a word or figurative mark.' (Linde, Henkel and P&G)

‘Departs Significantly’ Test for Shape Marks

- Given this consumer pre-disposition, ‘only a trade mark which significantly departs from the norm or customs of the sector and thereby fulfils its essential function is not devoid of distinctive character.’ (Henkel; Louis Vuitton)
- This departs significantly test features prominently in the case-law of the CJEU, but there’s been little examination of its true nature and normative basis. Not surprisingly, this has created misconceptions around this test.
- One of those misconceptions is to treat it as a one step rather two step test: ‘and thereby’. In fact, partly to blame is the CJEU itself as in the *Apple* reference this test was only partly cited.

Intellectual Property Scholars Conference 2015 at DePaul College of Law

First Step: Mark Must Depart Significantly From the Norm

- Academic misunderstanding around this first condition. How different the mark is from other similar marks is not tested by comparing it with existing marks on the market. Ever since the Tabs Cases in *Henkel & P&G*, the CJEU made it clear that this aspect of the test is not affected ‘by how many similar products were already on the market.’
- Instead, the relevant criterion is whether the shape mark is the ‘obvious shape’ based upon ‘an ideal paradigmatic concept of the product or how many instantly it comes to mind.’ (AG Opinion in *Henkel & P&G*)
- This obvious shape criterion must examine the mark as a whole, but could also consider each element in turn (SAT.2)

Intellectual Property Scholars Conference 2015 at DePaul College of Law

First Step: Mark Must Depart Significantly From the Norm

- There are at least three decisions by the Court of First Instance (now General Court) delivered between around 2003 that seem to be based entirely on this part of the test, ignoring or disregarding the second part, ie whether the mark itself would enable the average consumer to distinguish the product.
- Those decisions concern Nestle's Contrex Bottle, Henkel's bottle and DaimlerChrysler's registration of a car grille.
- For instance, in Henkel case, the Court stressed that the combination of elements had 'a truly individual character and cannot be as altogether common to all the products in question.' This test however is more reminiscent of the European test for designs!

Second Step: The Mark Must Fulfil Its Essential Function

➤ What this requirement means is that, the mark found to be so different from the norm should, by itself, enable the relevant public *immediately* to rely on it as indication of source (Maglite)

➤ In 2004, the CJEU handed down its *Maglite* where, despite the alleged significant differences in the shape of the torch, the Court paid more attention to the second part of the departs significantly test:

‘The mere fact that the is a variant of a common shape of that type of product is not sufficient...it must always be determined whether such a mark permits the average consumer of that product...to distinguish the product concerned...without conducting an analytical examination and without paying particular attention.’

Second Step: The Mark Must Fulfil Its Essential Function

- A crucial aspect of the second part of the test is that, once the Office has conducted its examination and concluded that the mark doesn't meet the test, the onus is on the applicant to produce specific and concrete evidence to the contrary (Develey)
- The Office can rely on well-known facts and general experienced acquired through its practice, but the CJEU takes the view that the applicant is in a better position to produce the relevant evidence to prove that consumers do perceive the shape mark in question an indication of origin.
- Central to this is the need to rebut the empirical presumption that consumers are not in the habit of making purchasing decision on the basis of a product's appearance.

The Normal Marketing Practices of the Product

- Since *Libertel*, it's been an established principle that the question of inherent distinctiveness for all mark can only be answered by reference 'the ordinary use of trade marks as a **badge of origin** in the sectors concerned and to **the perception of the relevant public**'
- Following this approach, the CFI has stressed that the assessment of consumer habits can only be made by reference to the normal marketing practices of the product (P&G Square White Tablets with Coloured Floral Design)
- This approach makes sense as the test is not purely a normative test but a blend between law and empirical evidence which stressed the need to examine '**branding practices**' to ascertain consumer perception.

**Intellectual Property Scholars Conference
2015 at DePaul College of Law**

**PART IV: IMPACT OF THE DEPARTS SIGNIFICANTLY TEST
ON TRADE DRESS AFTER APPLE**

Intellectual Property Scholars Conference 2015 at DePaul College of Law

- The CJEU's ruling in *Apple* doesn't help to create a proper understanding and normative role of the two-step 'departs significantly' test. The test is not cited in full, which gives the impression that what matters is that the trade dress in question must be unique on the market. Nor does the empirical rule re consumer perception is mentioned,
- This is unfortunate because focussing on the first step gives the impression that the distinctiveness test is the same as the individual character test for European designs. ,
- In the recent *Voss of Norway* decision, the CJEU confirmed the refusal to register a cylindrical bottle and reaffirmed the *Maglite* principles that, even if the mark departs to some extent, it still must be proved that the departure is enough to enable the consumer to rely on it as a guarantee of origin. (*Vos of Norway ASA v Nordic Spirit*, 2015)

Intellectual Property Scholars Conference 2015 at DePaul College of Law

➤ *Apple* also shows a continued judicial reluctance to engage with the soundness of the empirical basis re consumer perception: Does the fact that consumers may not rely on the look of goods apply without any qualification to the appearance of a retail shop or a restaurant?

➤ Although the CJEU established in *Linde* and *Henkel* that the inherent distinctiveness of a product shape remains a 'multifaceted examination' which allows for the possibility of refusing registration based on 'descriptiveness', the relevant principles have developed around non-distinctiveness.

Intellectual Property Scholars Conference 2015 at DePaul College of Law

- In its 2004 Opinion, AG Szpunar in *Hauck* suggested that functionality exclusion in Art.3(1)(e) should also apply to ‘a collection of different shapes’ such as the layout of a retail outlet which doesn’t represent the ‘shape of goods’ but a physical reflection of the circumstances in which a service is provided. However, using a formalistic interpretation the Court rejected this approach in *Apple*.
- The CJEU’s ruling in *Apple* is also difficult to reconcile with its own ruling in *Dyson*. In that case, the mark related to the registration of a transparent bin forming part of the external appearance of a vacuum cleaner. The mark was described in those terms. In its decision, the CJEU decided that Dyson’s application could take on ‘a multitude of different appearances and is thus not specific.’

CONCLUSION

- Whilst the Apple reference opened the door for the registration trade dress for services, the ruling is hard to reconcile with the established principles and the departs significantly test.
- The CJEU had a number of devices at its disposal to ensure that proper limits could be established: reliance on consumer habits as mandated by the departs significantly test, taking a much broader and teleological approach to functionality doctrine or recalling the need for the subject-matter to be more specific.
- It's highly likely that more questions will shortly be referred to consider again the possibility of registering trade dress.

Intellectual Property Scholars Conference 2015 at DePaul College of Law
