

## EU TRADEMARKS IN THE METAVERSE

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### ABSTRACT

*This article examines the impact of the metaverse on EU trademark rights. The metaverse is still in a nascent state and may or may not happen in the future. Nevertheless, metaverse environments and experiences are becoming a reality, as illustrated by ongoing litigation in the United States involving use of trademarks in NFTs. These disputes serve as a background for an examination of the challenges that the metaverse is likely to pose to EU trademark law. Over a decade ago, EU courts confronted novel questions of infringement claims relating to virtual uses of registered marks by search engines, online marketplaces, and advertisers. Their answers may need to be re-considered for trademark uses in the metaverse. Quite recently, EU trademark law also underwent a major overhaul around new broader categories of registrable marks, new technology-friendly registration requirements, more expansive exclusive rights, and new limitations. This legislative update pre-dated the metaverse by quite a few years, but it may still offer potential solutions to metaverse challenges.*

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**INTRODUCTION**

The protection of consumer experiences—whether virtual or otherwise—is in the fabric of intellectual property rights, particularly trade dress and design rights in trademark law.<sup>1</sup> The metaverse provides users with new immersive experiences, such as social networking, gaming, attending live events like concerts and e-sports, and new forms of e-commerce opportunities for purely virtual goods such as clothing and accessories for avatars.<sup>2</sup> For brand owners, metaverse environments offer unprecedented opportunities for new forms of brand engagement, community-building and positive feedback loops of the type that promote deeper consumer loyalty. The digital era ushered in by the Internet, web 2.0, search engines, social media platforms, and the increasing dominance of

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<sup>1</sup> See César J. Ramírez-Montes, *Trade Marking the Look and Feel of Business Environments in Europe*, 25 COLUM. J. EUR. L. 75, 76–77 (2019).

<sup>2</sup> MATTHEW BALL, *THE METAVERSE: AND HOW IT WILL REVOLUTIONIZE EVERYTHING* 11–12 (2022).

electronic commerce is still challenging and shaping IP laws that were largely devised in the non-digital era.<sup>3</sup> Metaverse environments will pose even greater challenges to IP rights, from copyright, brands, and trade dress to designs. The complexity of those challenges is gradually catching the attention of IP practitioners, agencies, policymakers, and scholars. This article focuses on EU trademark law and critically examines the challenges arising from attempts to register “meta brands” (that is, trademark applications exclusively or primarily for virtual goods and services in connection with metaverse environments), the enforcement of EU trademark rights and the application of settled trademark principles to uses of brands in metaverse environments.

What then is a metaverse? Although the metaverse is still a nascent space that as such does not exist yet, we are not short of definitions of sorts. Commentators, scholars, and courts alike have attempted to explicate the metaverse with various degrees of success. For instance, Mathew Ball writes that the metaverse is

a massively scaled and interoperable network of real time rendered 3D virtual worlds that can be experienced synchronously and persistently by an effectively unlimited number of users with an individual sense of presence and with continuity of data such as identity, history, entitlements, objects, communications and payments.<sup>4</sup>

In unpacking each element of this definition, Ball explains not only what he means by the metaverse, but also how it differs from today’s internet, what will be required to realize it, and when it might be achieved.<sup>5</sup> In an ongoing competition infringement action brought by Epic Games

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<sup>3</sup> *Id.* at 283.

<sup>4</sup> *Id.* at 57.

<sup>5</sup> *Id.*

against Apple, a district court recently defined a metaverse as “a digital virtual world where individuals can create character avatars and play them through interactive programmed and created experiences.”<sup>6</sup> It noted the claimant’s definition of a metaverse as a realistic 3D world in which participants interact with each other having social and game experiences.<sup>7</sup> It thus accepted that “a metaverse both mimics the real world by providing virtual social possibilities, while simultaneously incorporating some gaming or simulation type of experiences for players to enjoy.”<sup>8</sup> However, one of the bigger challenges for the metaverse is how to make all these different “worlds” interact and be fully interoperable with one another. Web2’s walled gardens constitute a significant obstacle for the arrival of a seamless metaverse that enables users to transition taking their data and owned items from one metaverse environment to another.<sup>9</sup>

It is also useful when attempting a metaverse definition to start by eliminating what the metaverse is not. For instance, the metaverse is not about virtual reality (VR) headsets or clunky devices.<sup>10</sup> It is in fact device-agnostic. Consumers may have metaverse experiences through a browser or through their smart phones, in the same way we currently experience digital content.<sup>11</sup> Moreover, the metaverse is not just about gaming or any dystopian futures as the ones depicted in *Ready Player One* or *the Matrix*.

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<sup>6</sup> Epic Games, Inc. v. Apple Inc., 559 F. Supp. 3d 898, 935 (N.D. Cal. 2021).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> BALL, *supra* note 2, at 121–40.

<sup>10</sup> *Id.*

<sup>11</sup> See *Threedium Joins La Maison des Startups LVMH*, BUSINESSWIRE (Jan. 14, 2022, 06:05 AM) [hereinafter *Threedium*], <https://www.businesswire.com/news/home/20220114005058/en/Threedium-Joins-La-Maison-des-Startups-LVMH> [<https://perma.cc/CRU2-CYSY>].

Gaming is perhaps the first space in which aspects of metaverse can be experienced. In platforms such as Fortnite or Roblox, gamers can purchase purely digital goods such as accessories for their avatars (or “skins”), dance moves, items, or enhancing tools using real money.<sup>12</sup> Users can also do far more than just gaming within these platforms; they may also socialize or even attend live concerts.<sup>13</sup> Moreover, advances in VR alongside augmented reality (AR) have enabled users to experience aspects of the metaverse through VR wearables such as headsets and glasses.<sup>14</sup> Seamless AR experiences are also transforming consumers’ online shopping experiences in significant ways.

Up until recently, companies were largely homogenous in their business approach using static images to present their products and convey brand messages to consumers.<sup>15</sup> 3D product capabilities—coupled with AR technologies—are upending these traditional formats and accelerating 3D product experiences that create far more engaging and interactive brand experiences. AR/3D capabilities in metaverse environments are driving new commerce models such as virtual-to-virtual, virtual-to-physical and physical-to-virtual activations, thereby changing the traditional physical-to-physical commerce paradigm.<sup>16</sup> Gamers experience virtual-to-virtual in-game purchases when they buy skins and items for their avatars using virtual currency in platforms like Roblox or

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<sup>12</sup> BALL, *supra* note 2, at 127.

<sup>13</sup> *Id.* at 12.

<sup>14</sup> BALL, *supra* note 2.

<sup>15</sup> *See Threedium, supra* note 11.

<sup>16</sup> Cathy Hackl, *Metaverse Commerce: Understanding the New Virtual to Physical and Physical to Virtual Commerce Models*, FORBES (July 5, 2022, 8:01 PM), <https://www.forbes.com/sites/cathyhackl/2022/07/05/metaverse-commerce-understanding-the-new-virtual-to-physical-and-physical-to-virtual-commerce-models/?sh=220a60625632> [<https://perma.cc/HCK8-DSWV>].

Fortnite.<sup>17</sup> Gen Z consumers are increasingly using AR in virtual worlds to purchase physical products which can then be home delivered.<sup>18</sup> It is also becoming increasingly possible for consumers to be at a physical location (e.g., a shop or a musical festival) and something they acquire at the location can unlock something else for them in the virtual world.<sup>19</sup> In metaverse environments, “there is an emerging business model focused on providing new products to digital twins of the customer, which would be the person’s unique avatar.”<sup>20</sup> This is called “Direct-to-Avatar” and it is a fast-growing market segment with an emphasis on purchasing digital goods that may or may not come with a real-world counterpart.<sup>21</sup> It goes further. Fashion brands are increasingly partnering with video games platforms (for instance, Balenciaga partnering with Fortnite) to promote the fashion brand’s high-end products. Gamers may purchase a digital Balenciaga shirt as a skin which costs a fraction of a real-life Balenciaga shirt. Gen Z and Gen Alpha may not currently have the disposable income to purchase real-life Balenciaga-branded products but these partnerships “may eventually increase brand recognition and eventual product sales for brands.”<sup>22</sup>

For this article, a metaverse world is one in which we as consumers place equal value on virtual goods as we do on physical goods. The distinction between physical and digital gradually fades. Another significant evolution that is contributing towards the creation of metaverse experiences is the emergence of Web3 or “the internet owned by the builders and users, orchestrated with tokens,”

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<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Hackl, *supra* note 16.

which is itself a paradigm technological shift.<sup>23</sup> The ethos of the Web3 movement is “a philosophical goal of decentralized and democratized control of the internet instead of control vesting in an oligarchic set of interdependent multinational corporations or traditional superpowers.”<sup>24</sup> Unlike today’s Web2, Web3’s promise is that ownership and control is fully decentralized.<sup>25</sup> Tokenization is propelling us towards the “ownership” economy driven by Web3—particularly blockchain as the underlying structure upon which the metaverse is supported.<sup>26</sup>

Non-fungible tokens (or NFTs) are increasingly becoming the medium that enables users to own digital objects, which can be exchanged for real money or cryptocurrency. NFTs are unique and cannot be copied or replicated, which makes owning them very appealing. NFTs confer upon users “the ability to own a piece of the internet.”<sup>27</sup> Almost anything can be “minted” as an NFT, such as profile pictures like CryptoPunks and Bored Apes Yacht Club,<sup>28</sup> photographs,<sup>29</sup> an artwork or painting such as

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<sup>23</sup> Chris Dixon, *Why Web3 Matters*, A16ZCRYPTO (Sept. 26, 2021), <https://a16zcrypto.com/content/article/why-web3-matters/> [<https://perma.cc/AVA3-S42M>].

<sup>24</sup> Jon Garon, *Legal Implications of a Ubiquitous Metaverse and a Web3 Future*, 106 MARQUETTE L. REV. 163, 172 (2022).

<sup>25</sup> *Id.*

<sup>26</sup> Gucci, *Coca-Cola & Netflix Aim for the Metaverse*, COINMETRO (Sept. 16, 2021), <https://coinmetro.com/blog/decentralized-world-of-virtual-luxury-this-is-how-to-approach-it/> [<https://perma.cc/4L26-92F2>].

<sup>27</sup> Dixon, *supra* note 23.

<sup>28</sup> John Grapper, *The Bored Ape Yacht Club is more than an NFT joke*, FIN. TIMES (Dec. 17, 2021). <https://www.ft.com/content/bd7c31c8-7212-4ad8-b560-0c99529091f4> [<https://perma.cc/PE7Y-KL6J>]; *10 Things to Know About CryptoPunks, the Original NFTs*, CHRISTIE’S (Apr. 8, 2021). <https://www.christies.com/features/10-things-to-know-about-CryptoPunks-11569-1.aspx> [<https://perma.cc/VK U8-3HZD>].



the Mona Lisa,<sup>30</sup> text messages or tweets,<sup>31</sup> songs,<sup>32</sup> source code,<sup>33</sup> etc. At its core, an NFT is proof of receipt, that is, a blockchain-based digital certificate consisting of lines of code serving as a deed and proving authenticity of the “minted” object which is entered in the blockchain—a distributed digital ledger or database run by a large number of computers.<sup>34</sup> It is almost impossible to change information once entered into the blockchain.<sup>35</sup> In contrast to Web 2.0 platforms, blockchain platforms and technologies are decentralized offering users the freedom to own, exchange freely and monetize their user-generated content (UGC).<sup>36</sup> However, an NFT guarantees its own authenticity rather than the status of its underlying object.<sup>37</sup>

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<sup>29</sup> *Associated Press to launch NFT photography marketplace*, CNET (Jan. 11, 2022, 10:42 AM), <https://www.cnet.com/personal-finance/crypto/associated-press-to-launch-nft-photography-marketplace/> [<https://perma.cc/R3PL-XBYJ>].

<sup>30</sup> *Christie’s auctions ‘first digital-only artwork’ for \$70m*, THE GUARDIAN (Mar. 12, 2021, 8:29 PM), <https://www.theguardian.com/artanddesign/2021/mar/11/christies-first-digital-only-artwork-70m-nft-beepole> [<https://perma.cc/SYF7-TY93>].

<sup>31</sup> *Man who paid \$2.9m for NFT of Jack Dorsey’s first tweet set to lose almost \$2.9m*, THE GUARDIAN (Apr. 14, 2022), <https://www.theguardian.com/technology/2022/apr/14/twitter-nft-jack-dorsey-sina-estavi> [<https://perma.cc/R9PW-BX6N>] (reporting that Twitter founder Jack Dorsey auctioned his first tweet as an NFT for \$2.9m).

<sup>32</sup> Tom Skinner, *Snoop Dogg plans to make Death Row Records “an NFT label,”* ROLLING STONE (Feb. 16, 2022), <https://www.rollingstone.co.uk/music/snoop-dogg-death-row-records-nft-label-11428/#:~:text=Snoop%20Dogg%20wants%20to%20turn,P’s%20No%20Limit%20Records> [<https://perma.cc/996Y-S7UV>].

<sup>33</sup> Tim Bradshaw, *Web inventor Berners-Lee to auction original code as NFT*, FIN. TIMES (June 15, 2021), <https://www.ft.com/content/a77ad1bf-fae0-478b-aa05-a07790314ebc> [<https://perma.cc/KZE3-XAGE>].

<sup>34</sup> BALL, *supra* note 2, at 216–22.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

NFT ownership does not mean exclusive rights over the minted object.<sup>38</sup> This is an example of how NFTs and IP rights such as trademarks may come into conflict, as illustrated by a growing number of recent trademark infringement actions in the U.S. For instance, there are ongoing lawsuits between Parisian luxury house Hermès and artist Rothschild,<sup>39</sup> sports shoes manufacturer Nike and online resale platform StockX,<sup>40</sup> and owners of Bored Apes Yuga Labs and visual artist Ripps.<sup>41</sup> Indeed, in early February 2023, it was widely reported in the media that in the first case to go to trial over virtual IP infringement involving NFTs a jury had found artist Rothschild guilty of trademark infringement by selling his “Metabirkin” NFT collection reproducing the iconic “Birkin” handbag made by Hermès.<sup>42</sup> Undoubtedly, these cases will help lay the groundwork for drawing the line between permissible and infringing uses of IP rights—particularly trademarks and trade dress—in connection with the creation, purchase, and sale of NFTs and more broadly, about novel virtual uses of brands in metaverse environments. It is not, however, this

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<sup>38</sup> *Id.*

<sup>39</sup> See generally *Hermès Int’l v. Rothschild*, No. 22-cv-384, 2023 U.S. Dist. LEXIS 17669 (S.D.N.Y. Feb. 2, 2023); *Hermès Int’l v. Rothschild*, 603 F. Supp. 3d 98 (S.D.N.Y. 2022); *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647 (S.D.N.Y. 2022).

<sup>40</sup> See generally *Nike v. StockX*, No. 22-CV-00983, 2023 U.S. Dist. LEXIS 4516 (S.D.N.Y. Jan. 9, 2023).

<sup>41</sup> See generally *Yuga Labs, Inc v Ripps*, No. CV 22-4355-JFW(JEMx), 2022 U.S. Dist. LEXIS 234124 (C.D. Cal. Dec. 16, 2022).

<sup>42</sup> Isaiah Poritz, *Hermès Defeats MetaBirkins in the First NFT Trademark Trial*, BLOOMBERG LAW (Feb. 8, 2023, 10:55 AM), <https://news.bloomberglaw.com/ip-law/hermes-gets-win-over-metabirkins-in-first-nft-trademark-trial> [<https://perma.cc/9SC3-MR6X>]; Erin McCormick, *Jury rules artist’s NFTs of ‘MetaBirkins’ violate Hermès’ trademark rights*, THE GUARDIAN (Feb. 9, 2023), <https://www.theguardian.com/fashion/2023/feb/08/hermes-metabirkins-trademark-court-case-mason-rothschild> [<https://perma.cc/MN8M-JHYJ>].

article's aim to examine these NFT-related IP disputes involving U.S. law.

Rather, these U.S. trademark disputes regarding allegations of virtual infringements by NFTs serve as a platform for this article's analysis of the challenges and difficulties that brand owners seeking to enter the metaverse will face in the EU. There are yet to be reported high profile metaverse-related IP disputes in the EU like the ongoing litigations in the U.S.<sup>43</sup> Nevertheless, this article's analysis serves as a basis for examining the application of settled principles of EU trademark law to metaverse-related registrations of signs as EU trademarks and the types of virtual uses that trademark owners may be entitled to prohibit in metaverse environments.

This article proceeds in five parts, organized around three broader themes of challenges for EU law, namely registration requirements, enforcement of exclusive rights, and limitations and defenses to infringement. Part I examines the EU requirements of clarity and precision regarding the description of the designated goods and services, and the registered marks. Registration is the primary source of exclusive rights in EU law albeit with limited exceptions. However, European IP offices have only recently published rather general guidelines on how applicants seeking to register metaverse signs as EU trademarks should classify their designated goods and

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<sup>43</sup> *But see* Eleonora Rosati, *Can an NFT infringe one's own trade mark rights? Yes, says Rome Court of First Instance*, IP KAT BLOG (Nov. 11, 2022), <https://ipkitten.blogspot.com/2022/11/can-nft-infringe-ones-own-trade-mark.html> [<https://perma.cc/AND7-SGBU>] (reporting one notable exception, an Italian football club Juventus's successful application for an injunction against unauthorized selling of NFT playing cards depicting a former footballer wearing the club's logo and the team's strip. The Rome Court of First Instance decided that defendant's use infringed Juventus's registered marks).

services.<sup>44</sup> As a response to a surge in metaverse-related applications, the European Intellectual Property Office (EUIPO) has recently stated that term “virtual goods” on its own lacks “clarity and precision” and must be further specified “by stating the content to which the virtual goods relate (e.g. *downloadable virtual goods, namely, virtual clothing*).”<sup>45</sup> Parts II and III will examine the EU concepts of distinctiveness and functionality through absolute grounds for refusal, with an emphasis on metaverse-related applications for word marks and trade dress. Part IV then turns to the three layers of protection afforded to registered EU marks, namely protection against double-identity, consumer confusion, and special protection against dilution and/or free-riding for marks with a reputation. The emphasis is on the problematic EU doctrine of trademark use in double-identity infringement claims, particularly in relation to platform operators. Finally, Part V examines the newly expanded EU defenses to trademark infringement and the role that fundamental rights, particularly freedom of speech and artistic freedom, are likely to play in expanding the normative space for the use of marks by third parties.

This article assesses the manner in which EU trademark law is likely to approach the registration and protection of signs in the metaverse from three perspectives, namely registration, scope of the rights, and limitations. The first issue concerns two related aspects, namely the question of how to classify virtual goods and services in trademark applications, and the question of representation of the proposed sign for registration.

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<sup>44</sup> *Virtual goods, non-fungible tokens and the metaverse*, EUIPO (June 23, 2022) [hereinafter *Virtual goods*], [https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset\\_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse](https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse) [https://perma.cc/4PVX-PKDS].

<sup>45</sup> *Id.*

Trademark registration in the metaverse involves virtual goods and services for which it is unclear whether existing registrations for physical goods and services necessarily extend to the metaverse. From the little guidance that exists it seems that, at least at the EUIPO, applications indicating simply “virtual goods or services” lack clarity and precision as required by the case law of the Court of Justice of the European Union (CJEU). More importantly, the question of classification becomes highly relevant because distinctiveness evaluations are exclusively defined by the wording of the specification of the goods and services.

## **I. TRADEMARK REGISTRATION**

In the EU, there are at least three requirements that are likely to pose significant challenges to the registration of metaverse trademarks, namely identification of the relevant goods and services; the representability of the proposed metaverse mark; and the protectability criteria underpinning the absolute grounds for refusal.

### **A. *Identification of the Recited Goods and Services***

The 2015 EU trademark reforms resulted in a new regulation which came into force in March 2016 and, alongside secondary implementing legislation, apply from October 2017 onward.<sup>46</sup> The reforms drew from the CJEU’s case law finding “clarity and precision” as a general requirement for the identification of the subject-

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<sup>46</sup> Regulation 2017/1001 of the European Parliament and of the Council of Jun. 14, 2017 of the European Union Trade Mark (codification), arts. 54, 56, 212, 2017 O.J. (L 154) 1, 28, 31, 88 (EU).

matter of any trademark application.<sup>47</sup> The requirement for the applicant to identify with sufficient clarity and precision relates to the represented sign itself and the specification of the goods or services for which registration is sought.<sup>48</sup> Both the sign and the goods or services constitute “two inseparable elements of registration, which make it possible to determine the rights conferred by every registered mark.”<sup>49</sup> This sub-section focuses upon the clarity and precision requirement vis-à-vis the recited goods and services while the same requirement vis-à-vis the sign itself is examined below. Under EU law, the purpose of applying for registration is not to stockpile or reserve marks for future use but “always in order to designate certain goods and certain services.”<sup>50</sup> Following closely with the CJEU’s case law<sup>51</sup>, Article 33(2) of the European Union Trade Mark Regulations (EUTMR) requires that the designated goods and services “shall be identified by the applicant with sufficient clarity and precision to enable the competent authorities and economic operators, on that sole basis, to determine the extent of the protection sought.”<sup>52</sup> This requirement for the clear and precise identification of the recited goods and services ensures legal certainty and sound administration of the registration system.<sup>53</sup> It also

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<sup>47</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶ 50–51 (Dec. 12, 2002) (discussing the registration of scent marks).

<sup>48</sup> *Id.*

<sup>49</sup> Case C-418/02, *Praktiker Bau- und Heimwerkermärkte AG*, 2005 E.C.R. I-5875, ¶ 63 (Jan. 13, 2005) (AG Opinion).

<sup>50</sup> *Id.*

<sup>51</sup> *See* Case C-307/10, *CIPA v. Registrar of Trade Marks*, ECLI:EU:C:2012:361, ¶ 49 (June 19, 2012).

<sup>52</sup> Council Regulation 2017/1001, art. 33, 2017 O.J. (L 154) 1, 29 (EU).

<sup>53</sup> Council Regulation 2017/1001, recital 28, 2017 O.J. (L 154) 1, 4 (EU).

enables their classification according to the classes of the Nice Agreement.<sup>54</sup>

A description of goods and services is sufficiently clear and precise “when its scope of protection can be understood from its natural and usual meaning.”<sup>55</sup> The reference point is always the authorities and other traders. Apart from the legitimate interests of third-parties to know with clarity and precision the registrations and applications owned by their competitors, competent authorities must also know with clarity and precision the nature and number of the designated goods and services to fulfil their obligations of prior examination of applications and the publication and maintenance of accurate register of trademarks.<sup>56</sup> Under EU law, a clear and precise description of the designated goods/services is needed to enable the authorities to assess whether any of the absolute grounds for refusal apply.<sup>57</sup> Indeed, the assessment *in concreto* of the general requirement of distinctiveness is always carried out by reference to the recited goods/services and the perception of the average consumer. Similarly, conflicts with earlier rights—which presuppose the identity or similarity of the goods or services designated by the marks at issue—and a clear and precise description of the goods are necessary for a partial or complete revocation for non-use.<sup>58</sup> Although lack of clarity and precision around the terms used for identification of the

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<sup>54</sup> Council Regulation 2017/1001, art. 33, 2017 O.J. (L 154) 1, 29 (EU).

<sup>55</sup> EUIPO, GUIDELINES FOR EXAMINATION § 3, pt. B, subsec. 4.3.1, at 287 (2022), <https://guidelines.euipo.europa.eu/binary/1935303/2000000000> [<https://perma.cc/Q2QN-ERK3>].

<sup>56</sup> Case C-307/10, CIPA v Registrar of Trade Marks, ECLI:EU:C:2012:361, ¶¶ 48–49 (June 19, 2012).

<sup>57</sup> Case C-307/10, CIPA v Registrar of Trade Marks, ECLI:EU:C:2011:784, ¶¶ 54–56 (Nov. 29, 2011) (AG Opinion).

<sup>58</sup> CIPA, ECLI:EU:C:2012:361, ¶ 44; Council Regulation 2017/1001, art. 58, 2017 O.J. (L 154) 1, 31 (EU).

goods and services does not constitute an independent ground for invalidating a registered national or EU trademark,<sup>59</sup> the Office is under a duty to “reject an application in respect of indications or terms which are unclear or imprecise.”<sup>60</sup>

The EUIPO has already received applications of metaverse-related trademarks, but most are rejected for breaching Article 33(2)’s requirement of clarity and precision, particularly goods/services in classes 9 (software) and 35 (online retail services).<sup>61</sup> Following this sharp rise in metaverse-related applications, the EUIPO recently published a brief note about terms relating to “virtual goods” and “non-fungible tokens” (NFTs), advising that virtual goods are “proper to Class 9 because they are treated as virtual content or images.”<sup>62</sup> However, it also pointed out that the term “virtual goods” on its own fails the EU requirement of “clarity and precision” and must be further specified “by stating the content to which the virtual goods relate (e.g. *downloadable virtual goods, namely, virtual clothing*).”<sup>63</sup> The 2023 EUIPO Guidelines for Examination confirms that all “downloadable” goods (which can be called “virtual goods”) are proper to Class 9, which includes NFTs and avatar “skins.”<sup>64</sup> It also clarifies that the term “providing a virtual environment,” alone,

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<sup>59</sup> Case C-371/18, *Sky plc v. SkyKick UK Ltd.*, ECLI:EU:C:2020:45, ¶ 60 (Jan. 29, 2020).

<sup>60</sup> Council Regulation 2017/1001, art. 33, 2017 O.J. (L 154) 1, 29 (EU).

<sup>61</sup> *See id.*; RTFKT, Registration No. 1600091 (registered Apr. 26, 2021) (WIPO) (for class 35 online retail services in relation to virtual merchandise); CRYPTOKICKS, Registration No. 018053498 (registered Oct. 12, 2019) (EU) (for wider range of goods); OCULUS, Registration No. 018047587 (registered Apr. 11, 2022) (EU) (for goods/services in classes 9, 35, 38, 41 and 42).

<sup>62</sup> *Virtual goods*, *supra* note 44.

<sup>63</sup> *Id.*

<sup>64</sup> EUIPO, *supra* note 55, at 314.



lacks clarity and precision and must be defined further.<sup>65</sup> National IP offices such as the UKIPO have only recently published strategies to “assess the IP issues relating to the metaverse and related technology” with a view to developing an action plan “to ensure the IP system meets the opportunities and challenges the metaverse brings.”<sup>66</sup> There has yet to emerge a European consensus around metaverse trademarks.

***B. Clear and Precise Representation of the Mark***

In the 2015 reforms, the concept of an EU “trademark” also underwent significant transformations. To start with, the categories of registrable signs were expanded to cover new categories of non-traditional marks including non-visual signs. Article 4 of the EUTMR provides a non-exhaustive definition of what may constitute a “trademark” by stating that “[a]n EU [trademark] may consist of any signs, in particular words, including personal names, or designs, letters, numerals, [colors], the shape of goods or of the packaging of goods, or sounds.”<sup>67</sup> Colors and sounds appeared for the first time, even though pre-2015 case law of the CJEU had interpreted broadly the existing legislation as supporting color *per se* and sounds—including scents and color combinations—to be

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<sup>65</sup> *Id.* at 332.

<sup>66</sup> *Intellectual Property Office corporate priorities 2022 to 2023*, UK INTELL. PROP. OFF. (May 12, 2022), <https://www.gov.uk/government/publications/intellectual-property-office-corporate-priorities-2022-to-2023/intellectual-property-office-corporate-priorities-2022-to-2023#uk-designs-reform> [<https://perma.cc/EDV8-ZLX7>].

<sup>67</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

registrable EU trademarks.<sup>68</sup> The conditions for securing registration were also arguably eased by abolishing the need for any proposed sign to be represented “graphically.” Therefore, once the reforms applied in 2017, Article 4 in the EUTMR subjects applications to the two-fold conditions that signs must be “capable of a) distinguishing the goods or services of one undertaking from those of other undertaking; and b) being represented on the Register of the EU trademarks (‘the Register’) in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.”<sup>69</sup>

Following the 2015 changes, sounds and scents, for instance, need only be capable of distinguishing and being represented on the Register in a clear and precise manner to enable the authorities *and* the public alike to ascertain exactly what is being claimed.<sup>70</sup> Sounds and scents no longer need to be “graphically” represented. Nor do multimedia, holograms, haptic, or store design marks of the type that corporations seeking to market goods and services in the metaverse need to exist in “graphic” form.<sup>71</sup> An EU trademark “should be permitted to be represented in any appropriate form using generally available technology.”<sup>72</sup>

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<sup>68</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶ 32 (Dec. 12, 2002) (discussing the registration of scent marks); Case C-283/01, *Shield Mark BV v. Kist*, 2003 E.C.R. I-14313, ¶ 38 (Nov. 27, 2003) (discussing the registration of sound marks); Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 69 (May 6, 2003) (discussing the registration of color per se marks); Case C-49/02, *Heidelberger Bauchmie GmbH*, 2004 E.C.R. I-6129, ¶ 40 (June 24, 2004) (discussing the registration of color combination marks).

<sup>69</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> Council Regulation 2017/1001, recital 10, 2017 O.J. (L 154) 1, 2 (EU).

However, according to Recital 10 of the EUTMR, that representation must be “clear, precise, self-contained, easily accessible, intelligible, durable and objective.”<sup>73</sup> It is intriguing that these additional conditions—also known as the *Sieckmann* criteria developed in the CJEU’s case law—did not make it into any of the statutory provisions though they are likely to be interpreted as legally binding upon applicants. The *Sieckmann* criteria constitute stringent conditions that make it almost impossible to secure registration of scents and flavors on account of their representation lacking clarity and precision. The *Sieckmann* criteria also make it challenging for colors and color combinations. Indeed, there is evidence to suggest that EU courts regard Article 4’s new wording, read in conjunction with Recital 10, as being “more restrictive than the previous wording” insofar as it expressly incorporates the strict identificatory objectives which the CJEU had developed in its case law before 2015.<sup>74</sup>

There is no legislative guidance on when any subject matter, as represented, meets the condition of enabling the public and the authorities to identify clearly and precisely what the applicant intends to claim as a trademark. Nevertheless, by stressing the requirements of “clarity and precision” for a trademark consisting of any subject-matter, the EU legislator adopted the CJEU’s preoccupation for legal certainty as developed in its case law.<sup>75</sup> It is thus important to revisit CJEU’s case law

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<sup>73</sup> *Id.*

<sup>74</sup> *See id.*; Joined Cases T-101/15 & T-102/15, *Red Bull GmbH v. EUIPO*, ECLI:EU:T:2017:852, ¶ 118 (Nov. 30, 2017) (citing *Sieckmann*, 2002 E.C.R. I-11737, ¶ 8 and *Heidelberger*, 2004 E.C.R. I-6129, ¶ 8). *See generally* Case C-124/18 P, *Red Bull GmbH v. EUIPO*, ECLI:EU:C:2019:641 (July 29, 2019) (dismissing the appeal by *Red Bull GmbH*); Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

<sup>75</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶¶ 50–51 (Dec. 12, 2002).

interpreting the old legislation. Prior to being abolished in 2017, the EU “graphic representation” requirement was interpreted as existing “to enable the sign to the represented visually, particularly by means of images, lines or characters, so that it can be precisely identified.”<sup>76</sup> According to the CJEU, this precise identification requirement was imposed “to allow for the sound operation of the trademark registration system.”<sup>77</sup> In *Sieckmann*, the CJEU examined the thorny issue of the requisite graphic representation for non-visual subject-matter consisting of an olfactory sign.<sup>78</sup> In doing so, the court also addressed questions as to whether scents could be in principle registrable signs under EU law and, if so, whether a scent described as “balsamically fruity with a slight hint of cinnamon” could satisfy the then “graphical” representability requirement where the applicant had, in addition to the written description, submitted a chemical formula of the substance and a sample.<sup>79</sup> The CJEU interpreted the expression “signs capable of being represented graphically” within the definition of a trademark in Article 2 of the (then) Trade Marks Directive—which paralleled that of Article 4 of the (then) CTMR—as not limiting the universe of registrable signs to those which can be perceived visually.<sup>80</sup> Adopting a similar interpretation to that of U.S. courts,<sup>81</sup> it held that the

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<sup>76</sup> *Id.* ¶ 46.

<sup>77</sup> *Id.* ¶ 47.

<sup>78</sup> *Id.* ¶ 19.

<sup>79</sup> *Id.* ¶¶ 56, 59.

<sup>80</sup> *Id.* ¶ 42.

<sup>81</sup> *See generally* *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (holding that a color may meet ordinary legal trademark requirements); *In re N.V. Organon*, 79 U.S.P.Q.2d 1639 (T.T.A.B. 2006) (holding that the broad definition of trademark encompasses non-traditional trademarks by not excluding them, such as the flavor at issue in the case); *In re Phol-Boskamp*, 106 U.S.P.Q.2d 1042 (T.T.A.B.

provision also includes non-visual signs such as odors by not expressly excluding them.<sup>82</sup> It therefore ruled that “a [trademark] may consist of a sign, which is not in itself capable of being perceived visually, provided that it can be represented graphically.”<sup>83</sup> That graphic representation “must enable the sign to be represented visually, particularly by means of images, lines or characters, so that it can be precisely identified.”<sup>84</sup> According to the CJEU, the graphical representation requirement is a crucial component in the EU trademark system in which exclusive rights are acquired by registration rather than prior use and is necessary to allow for the sound administration of the trademark system, which is based upon the principle of legal certainty.<sup>85</sup> It identified two important consequences of entering marks in a public register that were underpinned by the (defunct) graphic representability.

Firstly, the function of the graphic representability requirement serves “in particular, to define the mark itself in order to determine the precise subject of the protection afforded . . . to its proprietor.”<sup>86</sup> Secondly, registration of the mark in a public register “has the aim of making it accessible to the competent authorities and the public, particularly to economic operators.”<sup>87</sup> This latter aim has a dual nature, as regards the obligations of the Office to conduct a prior review and the legitimate interests of traders to ascertain the scope of the granted registration.<sup>88</sup>

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2013) (holding that nothing precludes a scent or flavor from being a recognized trademark).

<sup>82</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶ 44 (Dec. 12, 2002).

<sup>83</sup> *Id.* ¶ 45.

<sup>84</sup> *Id.*

<sup>85</sup> *Id.* ¶¶ 46–47.

<sup>86</sup> *Id.* ¶ 48.

<sup>87</sup> *Id.* ¶ 49.

<sup>88</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶¶ 50–51 (Dec. 12, 2002).

Requiring the representation to be “clear and precise” thus served both competitor interests and the broader public interest. In order to enable registry users to know the precise nature of the mark on the basis of the registration alone without ambiguity and for the mark to fulfil its role as a guarantee of origin, the representation must always be “clear, precise, self-contained, easily accessible, intelligible, durable and objective.”<sup>89</sup> These came to be known as the *Sieckmann* criteria and are reproduced in the new Recital 10 in the EUTMR.<sup>90</sup>

The metaverse is likely to offer extensive opportunities for companies to use a wide range of signs as a means of commercial identification. For example, signs may range from the look and feel of digital shops, restaurants, concert halls, bars, or any other digital venue, to the look and feel of cars, aircraft, furniture, clothing, accessories, trainers, jewelry, and any other personal item. These metaverse marks may exist in any appropriate form using existing technologies, which obviously includes digital means.<sup>91</sup> As filed, their representation must enable authorities and the public to know with clarity and precision the subject-matter of protection pursuant to the *Sieckmann* criteria.<sup>92</sup> Particularly, any metaverse mark must be perceived by average consumers unambiguously, uniformly, and durably, in order to safeguard an EU trademark as indication of commercial origin.<sup>93</sup> Ambiguous representations of signs undermine the essential function of the trademark, which is to indicate

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<sup>89</sup> *Id.* ¶ 55.

<sup>90</sup> Council Regulation 2017/1001, recital 10, 2017 O.J. (L 154) 1, 2 (EU).

<sup>91</sup> *Id.*

<sup>92</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

<sup>93</sup> Council Regulation 2017/1001, recital 10, 2017 O.J. (L 154) 1, 2 (EU).

commercial source to consumers without any possibility of confusion, the heart of EU trademark law. The CJEU has been prepared to affirm their refusal notwithstanding evidence demonstrating acquired source-identifying significance.<sup>94</sup> The following sub-sections demonstrate the wider effects of the *Sieckmann* criteria on colors and sounds.

## 1. Wider Effects of the Sieckmann Criteria

### a. Color Marks

The *Sieckmann* criteria had profound implications for all types of non-traditional marks, which may include subject matter that traders in the metaverse may seek to register as EU trademarks. The case law developed before 2015 remains highly relevant in cases where the applied-for trade dress is accompanied by a description—which the 2017 changes require for some marks—and there is a discrepancy between the description and the representation.<sup>95</sup> In *Sieckmann*, the CJEU affirmed that a valid (graphical) representation must permit the sign to be represented visually in such a way that it can be precisely identified.<sup>96</sup> It also applied the identification requirements underpinning the *Sieckmann* criteria (any representation must be clear, precise, self-contained, easily accessible, intelligible, durable and objective) to single colors *per se*, color combinations and sounds.<sup>97</sup> In the case of a single color *per se* without defined borders, the CJEU in *Libertel*

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<sup>94</sup> See Case C-124/18 P, Red Bull GmbH v. EUIPO, ECLI:EU:C:2019:64, ¶ 45 (July 29, 2019) (affirming the cancellation of the registered EU trademark consisting of a color combination for energy drinks).

<sup>95</sup> Case C-578/17, Oy Hartwall Ab v. Patentti- ja rekisterihallitus, ECLI:EU:C:2019:261, ¶ 40 (Mar. 27, 2019).

<sup>96</sup> Case C-273/00, Sieckmann v. Deutsches Patent- und Markenamt, 2002 E.C.R. I-11737, ¶ 46 (Dec. 12, 2002).

<sup>97</sup> *Id.* ¶ 55.

ruled that a sample of a color, combined with a written description of it, might constitute a valid graphic representation provided that the description meets the *Sieckmann* identification criteria.<sup>98</sup> Similarly, using an internationally recognized identification code to designate the color *per se* mark might also constitute a valid graphic representation, as such codes are precise and stable.<sup>99</sup> The court also articulated the principles of precision and uniformity as regards the graphic representation of color combination marks designated in the abstract and without contours. In *Heidelberger*, the CJEU explained that samples of two colors together with a written description of those colors may constitute a valid graphic representation provided they be “systematically arranged by associating the colors concerned in a predetermined and uniform way.”<sup>100</sup>

Merely juxtaposing two or more colors without contours or claiming one or more colors “in every conceivable form,” as in the *Heidelberger* application, fails to exhibit the qualities of precision and uniformity envisaged in the representability requirement.<sup>101</sup> In fact, such representations which are neither predetermined nor uniform “would allow numerous different combinations, which would not permit the consumer to perceive and recall a particular combination, thereby enabling him to repeat with certainty the experience of a purchase.”<sup>102</sup> The reasons for interpreting representability in this way are bound up with the essential source-guaranteeing function of a trademark. Indeed, “[a] mark must always be perceived

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<sup>98</sup> Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 36 (May 6, 2003).

<sup>99</sup> *Id.* ¶ 37.

<sup>100</sup> Case C-49/02, *Heidelberger Bauchmie GmbH*, 2004 E.C.R. I-6129, ¶ 33 (June 24, 2004).

<sup>101</sup> *Id.* ¶ 34.

<sup>102</sup> *Id.* ¶ 35.



unambiguously if it is to fulfil its function as an indication of origin.”<sup>103</sup> Similarly, a mark which is not always perceived unambiguously and uniformly offends the representability requirement as its registration would not “allow the competent authorities and economic operators to know the scope of the protection afforded to the proprietor . . . .”<sup>104</sup> This is particularly challenging where the verbal description which accompanies the application raises doubts rather than clarifies the subject-matter and scope of the protection sought. Thus, “if the authorities and the public [(including traders and competitors)] are left in a state of confusion as to the nature of the sign then these requirements [of precision and uniformity] will not be satisfied.”<sup>105</sup>

For EU tribunals, it implicitly follows from the *Sieckmann* identification criteria that a representation cannot fulfil its defining function where the competing authorities and the public (including registry users and competitors) would have to expend “a huge amount of intellectual energy and imagination” in order to understand with the requisite degree of certainty what the mark consists of.<sup>106</sup> Where there is discrepancy between the visual representation and the written description of the mark, European tribunals have declared the registered marks invalid, as demonstrated in such cases as Cadbury’s purple color mark,<sup>107</sup> Mattel’s tile marks for Scrabble,<sup>108</sup>

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<sup>103</sup> *Glaxo Wellcome U.K. Ltd. v. Glaxo Grp. Ltd.* [2017] EWCA (Civ) 335, [36] (Eng.).

<sup>104</sup> *Heidelberger*, 2004 E.C.R. I-6129, ¶ 35.

<sup>105</sup> *Glaxo Wellcome UK*, [2017] EWCA (Civ) 335, [35].

<sup>106</sup> Case T-293/10, *Seven Towns Ltd. v. OHIM*, ECLI:EU:T:2012:302, ¶ 60 (June 14, 2012); *see also Glaxo Wellcome UK*, [2017] EWCA (Civ) 335, [76].

<sup>107</sup> *Société des Produits Nestlé SA v. Cadbury UK Ltd.* [2013] EWCA (Civ) 1174, [55] (Eng.).

<sup>108</sup> *J.W. Spear & Son v Zynga Inc.* [2013] EWCA Civ 1175, [32] (Eng.).

Glaxo's purple color combination mark,<sup>109</sup> and Red Bull's blue and silver color combination marks.<sup>110</sup>

*b. Sound Marks*

The *Sieckmann* criteria are also highly relevant to sound marks, though the CJEU adopted a more nuanced approach to their (then) graphic representation.<sup>111</sup> *Shield Mark* is the CJEU's leading ruling on the registrability of acoustic signs and, though decided at a time when *graphical* representation was still a requirement in the EU, its rules and principles still carry weight.<sup>112</sup> When a sign consists of sound messages, *Shield Mark* explained that the *Sieckmann* criteria are also binding upon sound marks and those identification requirements are not satisfied:

when the sign is represented graphically by means of a description using the written language, such as an indication that the sign consists of the notes going to make up a musical work, or the indication that it is the cry of an animal, or by means of a simple onomatopoeia, without more, or by means of a sequence of musical notes, without more.<sup>113</sup>

In contrast, *Shield Mark* established that “those requirements are satisfied where the sign is represented by a staff divided into measures and showing, in particular, a clef, musical notes and rests whose form indicates the

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<sup>109</sup> Glaxo Wellcome U.K. Ltd. v. Glaxo Grp. Ltd. [2017] EWCA (Civ) 335, [80] (Eng.).

<sup>110</sup> Case C-124/18 P, Red Bull GmbH v. EUIPO, ECLI:EU:C:2019:641, ¶ 66 (July 29, 2019).

<sup>111</sup> Case C-283/01, *Shield Mark BV v. Joost Kist h.o.d.n. Memex*, 2003 E.C.R. I-14313, ¶ 55 (Nov. 27, 2003).

<sup>112</sup> See Eugene C. Lim & Samtani Anil, *Acoustic Branding, Non-Traditional Trademarks and the Graphical Representation Requirement: A Conceptual and Empirical Analysis*, 41 EUR. INTELL. PROP. REV. 5, 6 (2019).

<sup>113</sup> *Shield Mark*, 2003 E.C.R. I-14313, ¶ 64.

relative value and, where necessary, accidentals.”<sup>114</sup> The CJEU essentially articulated a musical notation test based upon a distinction between two categories of sound messages, namely musical sound marks composed of melodies and non-musical sound marks composed of sounds produced by humans, animals, nature, machines, etc.<sup>115</sup>

In *Shield Mark*, the written descriptions of “the first nine notes of Für Elise” and the cry of “a cockcrow” could not constitute valid graphical representations for lacking clarity and precision.<sup>116</sup> The CJEU also rejected a simple onomatopoeia consisting of ‘Kukelekuuuuu’ (imitating in Dutch a cockcrow) as a valid graphic representation.<sup>117</sup> It stressed a lack of consistency between the onomatopoeia itself, as pronounced, and the actual sound or noise which it purports to imitate phonetically, expressing the concern that in such a case “it is not possible for the competent authorities and the public, in particular traders, to determine whether the protected sign is the onomatopoeia itself, as pronounced, or the actual sound or noise.”<sup>118</sup> These are not however the only problems associated with onomatopoeias. According to the CJEU, linguistic and cultural differences between EU Members States mean that “an onomatopoeia may be perceived differently [in different contexts],”<sup>119</sup> which reveals its imprecise nature.

The CJEU’s nuanced approach to sound marks in *Shield Mark* interpreted the *Sieckmann* “intelligibility” criterion more broadly by permitting representation of a musical sound mark by musical notation not to be

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<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *Id.* ¶ 59.

<sup>117</sup> Case C-283/01, *Shield Mark BV v. Joost Kist h.o.d.n. Memex*, 2003 E.C.R. I-14313, ¶ 60 (Nov. 27, 2003).

<sup>118</sup> *Id.*

<sup>119</sup> *Id.*

“immediately intelligible” by the public.<sup>120</sup> The permissibility of this “non-immediate intelligibility” criterion recognizes that few have the skills to read and understand musical notation, but, once acquired, the sound message may be perceived unambiguously.<sup>121</sup> However, the rules for sound marks articulated in *Shield Mark* are not without criticism. For commentators, the “musical stave test” is “under-inclusive” as it “is not suitable for acoustic signs with no ‘melodic’ component.”<sup>122</sup> Indeed, some argue that “a large [number] of sounds [simply] fall outside the [CJEU’s] ‘musical stave’ test” as “sounds that are generated by natural phenomena, or animals, or phonetic articulations of ambient noises may have no specific rhythm, harmony or melody to begin with.”<sup>123</sup> Such “non-musical sounds can be [better] perceived through information contained in . . . spectrograms, sound samples and written descriptions,” though the CJEU declined to rule on “whether [these] would satisfy the graphical representa[bility]” owing to the specific facts of *Shield Mark*.<sup>124</sup>

While the EUIPO initially took a flexible approach to the representation of non-musical sounds such as the roar of a lion using a spectrogram,<sup>125</sup> it soon backtracked in subsequent decisions. In its 2007 *Tarzan* decision, the EUIPO rejected a sound spectrogram accompanied by the written description “the yell of the fictional character

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<sup>120</sup> *Shield Mark*, 2003 E.C.R. I-14313, ¶ 63.

<sup>121</sup> Lim & Anil, *supra* note 112, at 7.

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> *Id.* at 8.

<sup>125</sup> MGM Lion Corp., Case R-781/1999-4, Office for Harmonization in the Internal Market Fourth Board of Appeal, ¶ 28 (Aug. 25, 2003), <https://www.copat.de/markenformen/r0781-1999-4.pdf> [<https://perma.cc/QJ6R-282F>].

Tarzan” as a valid graphical representation.<sup>126</sup> It purportedly based its rejection upon *Shield Mark* and the *Sieckmann* criteria.<sup>127</sup> The Board reasoned that the verbal description was “not a ‘clear’ and ‘self-contained’ representation of the sound itself,” in the wake of *Shield Mark*.<sup>128</sup> More importantly, it also flatly rejected the applicant’s reliance on the public’s alleged prior knowledge of the Tarzan yell as a valid representation of the mark,<sup>129</sup> which implicitly suggests that applicants cannot merely rely on claims that “everyone knows” the sound, smell or taste of such and such. As for the spectrogram, the Board recalled that “the notion of ‘self-contained’ presupposes that third parties viewing the [Trademark] Bulletin should on their own and without additional technical means be able to reproduce the sound or at least to have a general idea of what the sound is.”<sup>130</sup> The submitted spectrogram offered no indication as to how people should discern the sound from the image.<sup>131</sup> It thus failed to be “self-contained” since the Board doubted that “anybody, even a superior specialist of spectrograms, could, on the basis of the spectrogram alone and without technical means, reproduce the sound.”<sup>132</sup> Nor, for that reason, could the spectrogram alone be “intelligible” and “easily

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<sup>126</sup> Edgar Rice Burroughs, Inc., Case R-708/2006-4, Office for Harmonization in the Internal Market 4th Board of Appeal, ¶ 47 (Sept. 27, 2007), <http://www.tarzan.com/docs/yell.pdf> [https://perma.cc/3CB7-FT23].

<sup>127</sup> *Id.* ¶ 15.

<sup>128</sup> *Id.* ¶ 18.

<sup>129</sup> *Id.* ¶¶ 36–40.

<sup>130</sup> *Id.* ¶ 20.

<sup>131</sup> *Id.* ¶ 21.

<sup>132</sup> Edgar Rice Burroughs, Inc., Case R-708/2006-4, Office for Harmonization in the Internal Market Fourth Board of Appeal, ¶ 21 (Sept. 27, 2007), <http://www.tarzan.com/docs/yell.pdf> [https://perma.cc/3CB7-FT23].

accessible.”<sup>133</sup> In the Board’s view, the “‘self-contained’ . . . criterion requires the intelligibility of the sound without external technical support such as the installation of specific software.”<sup>134</sup>

Scholars question the Board’s “discriminatory” treatment of spectrograms and its overly restrictive interpretation of *Shield Mark*, particularly the non-immediate intelligibility criterion for acoustic marks.<sup>135</sup> The CJEU in *Shield Mark* demonstrates flexibility in accepting that the need for “[specialized musical] training to decode musical notation [is] no impediment to [satisfying] the graphical representation requirement.”<sup>136</sup> Nevertheless, the Board’s *Tarzan* decision suggests that “[specialized] skills in decoding written notations are treated more [favorably] than the use of equipment or technical hearing aids designed to decode information in non-graphical forms.”<sup>137</sup> These scholars also question whether *Shield Mark*’s musical notation test can truly replicate the “emotional impact” of an acoustic mark to the same degree as a digital sound sample.<sup>138</sup> In July 2005, the EU legislator solved this issue by adding “new Rule 3(6) [of the then] CTMIR [allowing] the filing of sound files, in an electronic CTM application (e-filing) [alongside] a graphical representation.”<sup>139</sup> The EUIPO treats “[s]uch

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<sup>133</sup> *Id.* ¶¶ 22–23.

<sup>134</sup> *Id.* ¶¶ 23, 35 (stating that the image as filed would not enable competitors “to transform the image into a sound [for themselves], or otherwise [to transform] it into a sound through technical means.”).

<sup>135</sup> Lim & Anil, *supra* note 112, at 8.

<sup>136</sup> *Id.*

<sup>137</sup> *Id.*

<sup>138</sup> *Id.* at 8–9.

<sup>139</sup> Edgar Rice Burroughs, Inc., Case R-708/2006-4, Office for Harmonization in the Internal Market Fourth Board of Appeal, ¶ 46 (Sept. 27, 2007), <http://www.tarzan.com/docs/yell.pdf> [<https://perma.cc/3CB7-FT23>].

sound files [as fulfilling] the requirements of being easily accessible and self-contained,” since they are published electronically on its website enabling readers “to hear the sound.”<sup>140</sup> Following this 2005 regulatory change, which is consistent with the 2017 legislative reforms, sound mark applications generally include an audio file and rarely stumble upon valid representation grounds.<sup>141</sup> Sound marks instead may struggle to demonstrate source-identifying capacity to distinguish the applicant’s products and services or inherent “distinctive character,” as discussed below.<sup>142</sup>

### C. *Capacity to Distinguish Goods and Services*

The second general condition for securing registration over any subject-matter according to Article 4 of the EUTRM is that the proposed sign must be capable of “distinguishing” the goods and services of a trader.<sup>143</sup> There is no legislative guidance on how this preliminary requirement is to be interpreted,<sup>144</sup> but pre-2017 case law sheds some light on this question. Capacity to distinguish implies that the any proposed sign is generally able “to fulfil the trademark’s function as an indicator of origin.”<sup>145</sup> This origin-indicating capacity constitutes the “essential function of the trademark [which] is to guarantee the

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<sup>140</sup> *Id.*

<sup>141</sup> Case T-668/19, *Ardagh Metal Beverage Holdings GmbH & Co. v. EUIPO*, ECLI:EU:T:2021:420, ¶¶ 46–48 (July 7, 2021); Case T-408/15, *Globo Comunicação e Participações S/A v. EUIPO*, ECLI:EU:T:2016:468, ¶¶ 51–54 (Sept. 13, 2016).

<sup>142</sup> *Ardagh*, ECLI:EU:T:2021:420, ¶¶ 46–48; *Globo*, ECLI:EU:T:2016:468, ¶¶ 51–54.

<sup>143</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

<sup>144</sup> *See id.*

<sup>145</sup> Case C-404/02, *Nichols plc v. Registrar of Trade Marks*, 2004 E.C.R. I-8499, ¶ 22 (Sept. 16, 2004).

identity of the origin of the marked goods or service to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or service from others which have another origin . . . .”<sup>146</sup> By highlighting capacity to distinguishing in the old wording of Article 4, the CJEU understood the EU legislature to have incorporated the essential function into the preliminary conditions for registration, “irrespective of the goods or services for which protection might be [claimed] . . . .”<sup>147</sup>

In practical terms, for any proposed subject matter to show capacity to distinguish, the CJEU has ruled that “it is necessary to determine whether or not [it is] capable of conveying specific information, in particular as to the origin of a product or service.”<sup>148</sup> It has specifically singled out “colors” as “possess[ing] little inherent capacity for communicating information, especially since they are commonly and widely used, because of their appeal, in order to advertise and market goods or services, without any specific message.”<sup>149</sup> Yet, the CJEU noted that “[this] factual finding would not justify the conclusion that [color] [marks] cannot, as a matter of principle, be considered to be capable of distinguishing . . . .”<sup>150</sup> In the case of sound signs, it has held that sound marks “are not by nature incapable of distinguishing the goods or services of one

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<sup>146</sup> Case C-517/99, *Merz & Krell GmbH & Co.*, 2001 E.C.R. I-6959, ¶ 22 (Oct. 4, 2001).

<sup>147</sup> Case C-363/99, *Koninklijke KPN Nederland NV v. Benelux-Merkenbureau*, 2004 E.C.R. I-1619, ¶ 80 (Feb. 12, 2004) [hereinafter *Postkantoor*]; see also *Merz & Krell*, 2001 E.C.R. I-6959, ¶ 23.

<sup>148</sup> Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 39 (May 6, 2003).

<sup>149</sup> *Id.* ¶ 40.

<sup>150</sup> *Id.* ¶ 41.



undertaking from other of other undertakings.”<sup>151</sup> At other times it has simply made the analytical assumption that a sign representing the design and layout of a retail space possesses capacity to distinguish retail services simply because the possibility that it may serve to distinguish can never be ruled out *a priori* and as a matter of principle.<sup>152</sup> Therefore, there is no basis under EU law for preliminary refusing any sign such as colors, sounds, store designs or gestures as a matter of principle, and applicants seeking to register these marks in the metaverse should not experience great difficulty in clearing Article 4’s preliminary barrier.

Up until now, the general approach to the preliminary conditions for registration is that, once a mark is identified as being explicitly listed as a registrable sign, it automatically meets the conditions of constituting a “sign” which is in principle capable of “distinguishing.”<sup>153</sup> In the wake of the 2017 reforms, colors and sounds are now explicitly listed as categories of registrable signs, which means that the EU legislator partly agreed with *Libertel* and fully endorsed *Shield Mark*. By legislative design, these non-traditional marks can now in principle meet Article 4’s preliminary barrier to registration. Nevertheless, as the CJEU has repeatedly held, “the fact that a sign is, in general, capable of constituting a [trademark] . . . does not mean however that the sign necessary has a distinctive character . . . in relation to the products or services for which registration is sought.”<sup>154</sup> This refers to the absolute grounds for refusal, which require a concrete overall

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<sup>151</sup> Case C-283/01, *Shield Mark BV v. Joost Kist h.o.d.n. Memex*, 2003 E.C.R. I-14313, ¶ 36 (Nov. 27, 2003).

<sup>152</sup> Case C-421/13, *Apple Inc. v. DPUM*, ECLI:EU:C:2014:2070, ¶ 20 (July 10, 2014).

<sup>153</sup> Case C-404/02, *Nichols plc v. Registrar of Trade Marks*, 2004 E.C.R. I-8499, ¶ 22 (Sept. 16, 2004) (listing “personal names”); *Postkantoor*, *supra* note 147 (listing “words” and “letters”).

<sup>154</sup> *Apple*, ECLI:EU:C:2014:2070, ¶ 21.

assessment focusing upon the specific goods/services and the presumed expectations of the average consumer, as discussed below.

## II. EU ABSOLUTE GROUNDS FOR REFUSAL

### A. *General Principles*

Several interests are at play when it comes to securing trademark registration, particularly in connection with non-traditional trade dress marks of the kind that are likely to be claimed in connection with the metaverse. To start with, there are competitor interests in being able to continue to have access to certain product features which are indispensable for competition such as technical and aesthetically appealing signs. Consumers find technical and decorative features highly desirable, so much that they will look for them in the product of competitors without caring much about their commercial source or who stands behind their quality.<sup>155</sup> Secondly, there are also consumer interests in search cost-reducing trademarks of trusted quality that best satisfy their needs and in having multiple branded choices at competitive prices. Consumer welfare increases where there is unfettered product market competition while it significantly decreases when the law allows traders to cause consumer confusion or one trader to foreclose entire markets by owning technical or ornamentally appealing product features to the detriment of other competitors.<sup>156</sup> Thirdly, there is the general public's interest in open and competitive markets which are

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<sup>155</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 78 (June 18, 2002).

<sup>156</sup> MAX PLANCK INST. FOR INTELL. PROP. & COMPETITION L., *STUDY ON THE OVERALL FUNCTIONING OF THE EU TRADE MARK SYSTEM* 122, ¶ 52 (2011) [hereinafter *MAX PLANCK STUDY*], <https://op.europa.eu/en/publication-detail/-/publication/5f878564-9b8d-4624-ba68-72531215967e> [<https://perma.cc/RZV9-YQFC>].

underpinned by transparent information without insurmountable or permanent entry barriers. Unlike other intellectual property rights which have limited durations, such as patents, copyrights, and designs, trademark registration is, in principle, perpetual. As long as the mark continues to be used in trade, the exclusive rights thereof may never expire.<sup>157</sup>

There are several policy levers at trademark law's disposal to ensure that a fair balance is struck between all these competing interests. For instance, it can impose a permanent exclusion of functional signs by virtue of a non-functional requirement regardless of source distinctiveness ("functionality" doctrine);<sup>158</sup> declare a general interest aim in keeping certain descriptive and customary signs free for all ("need to keep free for all" doctrine);<sup>159</sup> acknowledge that certain signs such as colors are in such limited supply that there is specific interest in not unduly reducing their availability to competitors ("need not to reduce availability" doctrine);<sup>160</sup> raise the distinctiveness threshold by creating a normative presumption of non-origin-based consumer predisposition towards certain non-traditional marks and requiring such signs to "depart significantly" from the norms of the sector ("departs significantly" doctrine).<sup>161</sup> Alternatively, the law can simply assume that product design features, such as color, can *never* be inherently source distinctive and may only be protected

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<sup>157</sup> Council Regulation 2017/1001, art. 53, 2017 O.J. (L 154) 1, 27–28 (EU).

<sup>158</sup> Council Regulation 2017/1001, art. 7(1)(e), 2017 O.J. (L 154) 1, 8 (EU).

<sup>159</sup> Case C-191/01 P, OHIM v. Wm. Wrigley Jr. Co., 2003 E.C.R. I-12473, ¶ 31 (Oct. 23, 2003) (regarding Doublemint chewing gum).

<sup>160</sup> Case C-104/01, Libertel Groep BV v. Benelux-Merkenbureau, 2003 E.C.R. I-3793, ¶ 55 (May 6, 2003).

<sup>161</sup> Case C-218/01, Henkel KGaA v. Deutsches Patent- und Markenamt, 2004 E.C.R. I-1725, ¶ 49–52 (Feb. 12, 2004)

after being successfully used in the market (“Samara rule” under U.S. law).<sup>162</sup>

EU trademark law has adopted all these doctrines except the *Samara* rule.<sup>163</sup> However, the “departs significantly” criterion significantly reduces successful registration of shape-of-product marks on non-inherently distinctiveness grounds, instead forcing applicants to test the proposed trade dress in the market first in order to produce evidence of acquired distinctiveness.<sup>164</sup> As explained above, trademark registration of non-traditional marks raises significant risks to undistorted product competition—the overriding aim of EU trademark law. There are therefore compelling policy reasons for *raising* rather than lowering the distinctiveness bar, at least for certain categories of non-traditional marks. This is precisely what underpins the “departs significantly” criterion—the EU distinctiveness test that may represent a significant barrier to overcome for trade dress marks in the metaverse.

### ***B. European Absolute Grounds for Refusal***

Once a proposed mark is found to have cleared Article 4 of the EUTMR, the next step is for the Office to verify whether it is free of any of the objections underlying the so-called “absolute grounds for refusal” in Article 7 of the EUTMR.<sup>165</sup> This section focuses upon the absolute grounds most relevant to metaverse trademarks. According to Article 7(1), the following shall not be registered (or, if

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<sup>162</sup> *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 213 (2002).

<sup>163</sup> *Joined Cases C-53/01 & C-55/01, Linde AG, Winward Industries Inc. and Rado Uhren AG*, 2003 E.C.R. I-3161, ¶ 75 (Apr. 8, 2003).

<sup>164</sup> MAX PLANCK STUDY, *supra* note 156, at 122 ¶ 71.

<sup>165</sup> Council Regulation 2017/1001, art. 7, 2017 O.J. (L 154) 1, 8 (EU).

registered, may be invalidated on an application to the Office or on the basis of a counterclaim in infringement proceedings under Article 49 of the EUTMR):

- a) signs which do not conform to the requirements of Article 4;
- b) [trademarks] which are devoid of any distinctive character;
- c) [trademarks] which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;
- d) [trademarks] which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade
- e) 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;
- f) [trademarks] which are contrary to public policy or to accepted principles of morality;

- g) [trademarks] which are of such a nature as to deceive the public, for instance as to the nature, quality or geographical origin of the goods or service

These refusal grounds shall apply even though the objections exist in only “part” of the EU.<sup>166</sup> However, EU law does envisage the possibility of overcoming certain non-registrability grounds on the basis of acquired distinctiveness (also known as “secondary meaning”) following successful market use.<sup>167</sup> Thus, the non-registrability grounds of non-inherent distinctiveness in Article 7 part b, descriptiveness in part c, and customariness in part d “shall not apply if the trademark has become distinctive in relation to the goods or services for which registration is requested as a consequence of the use which has been made of it.”<sup>168</sup> There is, by implication, a select group of signs that can *never* enjoy the exclusive rights arising from EU registration even where there is evidence of acquired source significance and accumulated consumer goodwill that may be harmed by consumer confusion. EU law imposes a permanent ban on registration for signs that do not meet Article 4’s preliminary obstacles of clear and precise representation (including general capacity to distinguish), purely functional signs, immoral marks, marks contrary to public policy, and deceiving marks.<sup>169</sup>

The CJEU also recognizes the possibility of limiting the registration of a trademark for reasons relating to the public interest.<sup>170</sup> The court has been incredibly creative in

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<sup>166</sup> *Id.*; see also Case C-304/06 P, Eurohypo AG v. OHIM, 2008 E.C.R. I-3297, ¶ 68 (May 8, 2008).

<sup>167</sup> Council Regulation 2017/1001, art. 7(3).

<sup>168</sup> Council Regulation 2017/1001, art. 7.

<sup>169</sup> Council Regulation 2017/1001, arts. 7(1)(a), 7(1)(e), 7(3).

<sup>170</sup> Case C-104/01, Libertel Groep BV v. Benelux-Merkenbureau, 2003 E.C.R. I-3793, ¶ 50 (May 6, 2003).

crafting additional EU doctrinal rules to mitigate the negative effects arising from reserving exclusive rights over a sign that offers an unearned competitive advantage to its owner to the detriment of the freedom of all other traders to compete effectively.<sup>171</sup> For instance, descriptive signs may be so effective at communicating intrinsic characteristics of the designated products to the consumer that their reservation through registration inhibits—rather than fosters—the flow of valuable information between consumers and producers. There is therefore a public interest aim of keeping descriptive signs free for all. The same public interest extends to keeping customary signs free for all. Both interests in keeping free for all are underpinned by the need to preserve competitor interests. However, the CJEU has fiercely rejected attempts to extend the same concern about competitor interests to the non-distinctiveness ground in Article 7(1)(b), for which it has received sustained criticism.<sup>172</sup> For a tribunal to base a refusal on the non-distinctiveness ground, it is impermissible to rely upon the need to preserve competitor interests by keeping the proposed non-distinctive mark free for all. The court has consistently ruled that Article 7(1)(b)'s non-distinctiveness objection is manifestly indissociable from the essential function of the trademark.<sup>173</sup> The specific interest pursued by the non-distinctiveness ground is thus “to guarantee the identity of

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<sup>171</sup> See *infra* notes 172–180.

<sup>172</sup> Case C-329/02 P, SAT.1 v. OHIM, 2004 E.C.R. I-8317, ¶ 36 (Sept. 16, 2004) (criticizing the lower tribunal's interpretation that the general interest aim pursued by Article 7(1)(b)'s non-distinctiveness is to keep marks which are commonly used in trade free for all. According to the CJEU, that is the wrong yardstick against which Article 7(1)(b) must be judged.); ROLAND KNAAK ET AL., THE STUDY ON THE OVERALL FUNCTIONING OF THE EUROPEAN TRADE MARK 1, 6–7 (2011).

<sup>173</sup> Case C-304/06 P, Eurohypo AG v. OHIM, 2008 E.C.R. I-3297, ¶ 59 (May 8, 2008).

the origin of the designated product or service,”<sup>174</sup> not necessarily the interests of competitors in having unrestricted access to certain marks. There must be evidence that the refused mark cannot act as a source-identifier for consumers rather than it being important for competition. Therefore, the general interest aim of non-distinctiveness is arguably underpinned by consumer rather than competitor interests.

There is also a public interest aim of preventing trademark law granting proprietors a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors.<sup>175</sup> The CJEU repeatedly recalls that the immediate aim of keeping purely natural, technical and aesthetic signs free is “to prevent the exclusive and permanent right which a trademark confers from serving to extend indefinitely the life of other rights which the EU legislature has sought to make subject to limited periods.”<sup>176</sup> Such time-limited rights include patents, registered designs, and copyright without the possibility of exclusion being limited thereof.<sup>177</sup> This broad interpretation reflects the CJEU’s commitment to preserving competitor’s freedom by ensuring that protecting functional signs does not limit competitors from supplying a product incorporating a technical function “or at least limit their freedom of choice in regard to the technical solution they wish to adopt in order to incorporate such a function of their product.”<sup>178</sup> There may well be other signs in limited supply such that reducing their

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<sup>174</sup> *Id.*

<sup>175</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 78 (June 18, 2002).

<sup>176</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶¶ 19–20 (Sept. 18, 2014).

<sup>177</sup> *Id.*

<sup>178</sup> *Remington*, 2002 E.C.R. I-5475, ¶ 79.



availability for other market operators by upholding trademark protection hinders—rather than advances—the competition goals underlying the law.

Prior to 2017, the EU functionality reach did not extend to non-shape functional features of products—for instance, a color mark placed on a particular position of the goods.<sup>179</sup> This did not, however, prevent the CJEU from acknowledging the potential risk of “color depletion” and articulating the need not to reduce significantly availability of colors which are in limited supply when considering their inherent distinctiveness.<sup>180</sup> In the wake of the 2017 EU reforms, not only the shape, but also “another characteristic” of the goods can be refused registration on the basis that it is a natural, technical or value-adding sign.<sup>181</sup> For instance, the Max Planck Institute’s Study on the Functioning of the EU Trade Mark System—which served as the basis for the EU Commission’s Proposal for a new Regulation and a new Directive—found no apparent reason for restricting the scope of the EU functionality doctrine to shapes, calling for a broader application to all kinds of signs such as colors, smells and sounds, as in U.S. law.<sup>182</sup> As an example, it reasoned that, “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.”<sup>183</sup>

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<sup>179</sup> Case C-163/16, *Louboutin v. Van Haren Schoenen BV*, ECLI:EU:C:2018:423, ¶ 27 (June 12, 2018).

<sup>180</sup> *Bongrain SA, Re Trade Mark Application [2004] EWCA (Civ) 1690*, [24] (Eng.) (pointing out the “depletion” public interest acknowledged by the CJEU cannot be limited to color depletion and can also extend to other signs in limited supply such as shapes).

<sup>181</sup> Council Regulation 2017/1001, art. 7(1)(e), 2017 O.J. (L 154) 1, 8 (EU).

<sup>182</sup> MAX PLANCK STUDY, *supra* note 156, at 72.

<sup>183</sup> *Id.* at 72 ¶ 2.31.

When approaching these refusal grounds in Article 7(1), the CJEU has adopted important interpretative principles that are perhaps foreign to other jurisdictions. For instance, the court has declared that a mark that is found to be descriptive of any the characteristics of the goods or services under part c is necessarily also devoid of any distinctiveness within the meaning of part b.<sup>184</sup> However, the reverse is not true. A mark that is non-descriptive under part c or non-customary under part d is not automatically inherently distinctive under part b and thus eligible for registration.<sup>185</sup> This is a stark contrast to U.S. trademark law, where the application of the *Abercrombie* distinctiveness test permits U.S. courts to classify a non-generic or non-descriptive mark as either suggestive, arbitrary or fanciful and thus declare it eligible for protection on distinctiveness grounds.<sup>186</sup> Similarly, a proposed mark that is found non-functional is not necessarily, for that reason alone, distinctive or free of descriptiveness or customariness objections. A mark may thus be non-registrable on account of being devoid of any distinctiveness under Article 7(1)(b) for reasons other than the fact that it may be descriptive<sup>187</sup>, customary, or functional. In particular, shape-of-product marks, which include product design and product packaging alike, are subject to a multi-factorial examination to which all non-registrability grounds in parts b, c, d and e may apply.<sup>188</sup> Product design trade dress faces an uphill struggle under

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<sup>184</sup> Case C-51/10 P, *Agencja Wydawnicza Technopol sp. Z o.o v. OHIM*, ECLI:EU:C:2011:139, ¶ 33 (Mar. 10, 2011).

<sup>185</sup> *Postkantoor*, *supra* note 147, ¶ 70.

<sup>186</sup> *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 8 (2d Cir. 1976).

<sup>187</sup> *Agencja Wydawnicza Technopol*, ECLI:EU:C:2011:139, ¶ 46.

<sup>188</sup> Case C-218/01, *Henkel KGaA v. Deutsches Patent- und Markenamt*, 2004 E.C.R. I-1737, ¶ 39 (Feb. 12, 2004) (internal citations omitted).

EU law if an applicant is merely claiming inherent distinctiveness.

### C. *EU Distinctiveness*

As a preliminary point, it is settled CJEU case law that “for a [trademark] to possess a distinctive character within the meaning of Article 7(1)(b) . . . it must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, and thus to distinguish that product from those of other undertakings.”<sup>189</sup> This distinctiveness definition applies to all marks, whether traditional or otherwise.<sup>190</sup> When undertaking the concrete examination of distinctiveness, the CJEU has also consistently held that it is necessary to take into account the nature of the recited goods or services and the perception of an average consumer of those goods or services who is reasonably well-informed and reasonably well-observant.<sup>191</sup> Abstract examinations, without considering the specific categories of goods for which registration is sought, are incompatible with EU law.<sup>192</sup> The CJEU finds *a priori* rejection of certain marks on the assumption that they cannot serve as source-identifiers as a matter of principle without investigating the presumed expectations and reactions of the average

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<sup>189</sup> Case C-304/06 P, *Eurohypo AG v. OHIM*, 2008 E.C.R. I-3297, ¶ 66 (May 8, 2008).

<sup>190</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 49 (June 18, 2002); *Joined Cases C-53/01 & C-55/01, Linde AG, Winward Industries Inc. and Rado Uhren AG*, 2003 E.C.R. I-3161, ¶ 42 (Apr. 8, 2003).

<sup>191</sup> Case C-398/08 P, *Audi AG v. OHIM*, 2010 E.C.R. I-535, ¶ 34 (Jan. 21, 2010); *Eurohypo*, 2008 E.C.R. I-3297, ¶ 67.

<sup>192</sup> Case C-265/09, *OHIM v. BORCO-Marken-Import Matthiesen GmbH & Co. KG*, 2010 E.C.R. I-8265, ¶ 37 (Sept. 9, 2010).

consumer to be equally incompatible with EU law.<sup>193</sup> The following sub-sections will examine EU distinctiveness for new word marks under the “perceptible difference” criterion and then proceed to analyze EU distinctiveness for non-traditional marks under the “departs significantly” criterion.

### 1. “Perceptible Difference” Criterion for Assessing Distinctiveness of Neologisms

Brand owners are more likely initially to pursue a brand metaverse strategy by applying to register terms, words, and word-combinations as EU trademarks, some of which may be coined terms or neologisms. In order to meet the EU distinctiveness standard, abbreviations or neologisms must depart significantly from the lexical rules of the relevant language of the average consumer of the recited goods or services, in the same way that product trade dress must depart significantly from the common market practices.<sup>194</sup> In general, merely combining two commonplace terms, each of which is ineligible—without any modifications—does not confer the requisite European distinctiveness upon the whole.<sup>195</sup> By qualifying the necessary departure from the norm as “significant” rather than simple, the CJEU in *Henkel* sought to bring the method of assessment for shape-of-product marks into line with its reformulated *Baby-Dry* test of “a perceptible difference” (not just *any* difference) applicable to composite word marks.<sup>196</sup> In *Companyline, Postkantoor*,

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<sup>193</sup> *Linde AG*, 2003 E.C.R. I-3161, ¶ 75.

<sup>194</sup> César J. Ramírez-Montes, *The Elusive Distinctiveness of Trade Dress in EU Trademark Law*, 34 EMORY INT’L L. REV. 277, 304 (2020)

<sup>195</sup> Case C-104/00 P, *DKV Deutsche Krankenversicherung AG v. OHIM*, 2002 E.C.R. I-7561, ¶ 23 (Sept. 19, 2002) [hereinafter *Companyline*].

<sup>196</sup> Ramírez-Montes, *supra* note 194.

*BioMild*, and *Eurohypo*, the court adopted the “perceptible difference” criterion for testing the distinctiveness of all types of word-combination marks.<sup>197</sup>

In *Companyline*, the applicant appealed the refusal to register the compound word “Companyline” as an EU trademark for services in the field of insurance and financial affairs.<sup>198</sup> The influential AG Opinion proposed that a difference should be regarded as perceptible “if it affects significant elements either of the appearance of the mark claimed or of its semantic content.”<sup>199</sup> Endorsing the AG’s proposal, the CJEU rejected the appeal and agreed that “Companyline” for financial services was non-inherently distinctive notwithstanding its absence in any dictionary.<sup>200</sup> The court significantly raised the distinctiveness bar for unusual word juxtapositions by ruling that merely bringing together customary terms, each of which is ineligible for registration, “without any graphic or semantic modification, does not imbue them with any additional characteristic such as to render the sign, taken as whole, capable of distinguishing . . . .”<sup>201</sup> Subsequently in *Eurohypo*, the CJEU confirmed the need for an *additional* element to render the word-combination as a whole sufficiently distinctive.<sup>202</sup> That case concerned the application to register the word-combination “EUROHYPO”, comprising two current terms EURO and

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<sup>197</sup> See generally *Companyline*, *supra* note 195; Postkantoor, *supra* note 147; Case C-304/06 P, *Eurohypo AG v. OHIM*, 2008 E.C.R. I-3297, ¶ 41 (May 8, 2008); Case C-265/00, *Campina Melkunie BV v. Benelux-Merkenbureau*, 2004 E.C.R. I-1699, ¶ 39 (Feb. 12, 2004) [hereinafter *BioMild*].

<sup>198</sup> *Companyline*, *supra* note 195, ¶¶ 4–5.

<sup>199</sup> Case C-104/00 P, *DKV Deutsche Krankenversicherung AG v. OHIM*, 2002 E.C.R. I-7563, ¶ 51 (May 14, 2002) (AG Opinion).

<sup>200</sup> *Companyline*, *supra* note 195, ¶¶ 13–25.

<sup>201</sup> *Id.* ¶ 23.

<sup>202</sup> See Case C-304/06 P, *Eurohypo AG v. OHIM*, 2008 E.C.R. I-3297, ¶ 41 (May 8, 2008).

HYPO for mortgage loan services, as an EU trademark.<sup>203</sup> The CJEU held that the distinctiveness assessment of a word-combination trademark “cannot be limited to an evaluation of each of its words or components, considered in isolation, but must, on any view, be based on the overall perception of that mark by the relevant public . . . .”<sup>204</sup> EU law outlaws the presumption that “elements individually devoid of distinctive character cannot, on being combined, have a distinctive character.”<sup>205</sup> Just as with so many other questions of EU trademark law, the “overall impression” produced by the word-combination mark upon the average consumer is a crucial determination.<sup>206</sup> In the case of compound word marks, the existence of “an element of imaginativeness” constitutes a particularly relevant consideration.<sup>207</sup> For neologisms to clear a non-distinctiveness objection, there must therefore exist evidence of a change in meaning which requires some mental effort on the part of consumers.<sup>208</sup>

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<sup>203</sup> *Id.* ¶¶ 6–10.

<sup>204</sup> *Id.* ¶ 41 (citing Case C-329/02 P, *SAT.1 v. OHIM*, 2004 E.C.R. I-8317, ¶ 35 (Sept. 16, 2004)).

<sup>205</sup> *Id.* (citing Case C-37/03 P, *BioID v. OHIM*, 2005 E.C.R. I-7975, ¶ 29 (Sept. 15, 2005)) (“The mere fact that each of those elements, considered separately, is devoid of any distinctive character does not mean that their combination cannot present such character.”).

<sup>206</sup> *Id.* ¶ 44; *SAT.1*, 2004 E.C.R. I-8317, ¶ 35.

<sup>207</sup> *SAT.1*, 2004 E.C.R. I-8317, ¶ 35.

<sup>208</sup> This requirement for non-descriptive word-combination marks to display an “element of imaginativeness,” which requires some interpretation by the public or the trigger of a cognitive process in their minds, is also applicable to slogan marks. *See, e.g.*, Case C-398/08 P, *Audi AG v. OHIM*, 2010 E.C.R. I-535, ¶ 57 (Jan. 21, 2010) (“In so far as [advertising slogan] marks are not descriptive . . . they can express an objective message, even a simple one, and still be capable of indicating to the consumer the commercial origin of the goods or services in question. That can be the position, in particular, where those marks are not merely an ordinary advertising message, but possess a certain originality or resonance, requiring at least some

In affirming the refusal of the word mark *Eurohypo*, the CJEU ruled that an added element was missing and could not conclude that the combination of two current components might be “unusual or have its own meaning which, in the perception of the relevant public, distinguishes the services offered by the appellant from those of a different commercial origin.”<sup>209</sup> Therefore, compound trademarks, such as abbreviations or neologisms, had to depart significantly from the lexical rules of the relevant language of the average consumer in the same way that product trade dress marks must depart significantly from the common market practices.<sup>210</sup> In *Postkantoor* and *BioMild*, the CJEU took further decisive steps to move away from *Baby-Dry*’s low distinctiveness bar by recalibrating the “perceptible difference” criterion and raising the non-descriptiveness standard for composite word marks by requiring only differences of a *certain* magnitude.<sup>211</sup> It held that, as a general rule, a mere combination of descriptive elements remains descriptive of the relevant goods or services for the purposes of the EU descriptiveness ground; merely bringing together those elements “without introducing any unusual variations, in particular as to syntax or meaning,” cannot result in anything other than an exclusively descriptive mark.<sup>212</sup> In *Postkantoor*, the CJEU held that such a combination may nonetheless overcome the descriptiveness barrier “provided that it creates an

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interpretation by the relevant public, or setting off a cognitive process in the minds of that public.”).

<sup>209</sup> Case C-304/06 P, *Eurohypo AG v. OHIM*, 2008 E.C.R. I-3297, ¶ 69 (May 8, 2008).

<sup>210</sup> *Ramírez-Montes*, *supra* note 194.

<sup>211</sup> *Postkantoor*, *supra* note 147, ¶ 98; *BioMild*, *supra* note 197, ¶ 39.

<sup>212</sup> *Postkantoor*, *supra* note 147, ¶ 98; *BioMild*, *supra* note 197, ¶ 39.

impression which is significantly far removed from that produced by the simple combination of those elements.”<sup>213</sup>

Since the unusual variation must significantly affect both the aural and visual impression produced by the word mark, one cannot help but notice that the wording “significantly far removed” for word-combination marks is arguably a reference to the “significant departure” criterion applicable to the usual presentation of shape-of-product marks.<sup>214</sup> Thus, the CJEU in *Postkantoor* heightened the bar in deciding that a word-combination mark composed of elements, each of which describes characteristics of the goods or services, is itself descriptive and unable to function as a source-identifier without more:

[U]nless there is a perceptible difference between the word and the mere sum of its parts: that assumes either that, because of the unusual nature of the combination in relation to the goods or services, the word creates an impression which is sufficiently far removed from that produced by the mere combination of meanings lent by the elements of which it is composed, with the result that the word is more than the sum of its parts, or that the word has become part of everyday language and has acquired its own meaning, with the result that it is now independent of its components.<sup>215</sup>

This heightened descriptiveness standard applies equally to new words which are not listed in dictionaries.<sup>216</sup>

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<sup>213</sup> *Postkantoor*, *supra* note 147, ¶ 99.

<sup>214</sup> *Ramírez-Montes*, *supra* note 194, at 305.

<sup>215</sup> *Postkantoor*, *supra* note 147, ¶ 99. For a critical examination of the evolved “perceptible difference” test, see Case C-408/08 P, *Lancôme Parfums et Beauté & Cie SNC v. OHIM*, ECLI:EU:C:2009:634, ¶¶ 90–98 (Oct. 15, 2009), <https://curia.europa.eu/juris/document/document.jsf?mode=LST&pageIndex=0&docid=72632&part=1&doclang=EN&text=&occ=first&cid=7683497> [https://perma.cc/9Y3U-DCTP] (AG Opinion),

<sup>216</sup> *BioMild*, *supra* note 197, ¶ 41.



It nonetheless strikes the right balance in requiring that the word itself, not just its components, be wholly descriptive.<sup>217</sup> In a clear move to abandon the *Baby-Dry* criterion, the court also clarified any ambiguity around the scope of descriptiveness by reinstating the public interest pursued by the descriptiveness ground in keeping descriptive signs free for all.<sup>218</sup> The “any perceptible difference” criterion underpinning *Baby-Dry* for word-combination marks is a minimal test that can comprise any difference however small, but subsequent developments in the CJEU’s case law found it insufficient to guarantee that trademarks can fulfil their identifying function.<sup>219</sup> In reformulating the perceptible difference test for composite word marks and adopting the departs significantly criterion for all types of trade dress, the court has laid to rest the debate around minimal levels of distinctiveness resulting from the statutory wording (“devoid of *any* distinctive character”) and problematic rulings like *Baby-Dry*.<sup>220</sup> This can be seen most clearly in *Mag Instrument*.<sup>221</sup>

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<sup>217</sup> Case C-273/05 P, OHIM v. Celltech R&D Ltd., 2007 E.C.R. I-2883, ¶ 76 (Apr. 19, 2007); Case C-329/02 P, SAT.1 v. OHIM, 2004 E.C.R. I-8317, ¶ 28 (Sept. 16, 2004).

<sup>218</sup> Case C-150/02 P, Streamserve Inc. v. OHIM, 2004 E.C.R. I-1461, ¶ 25 (Feb. 5, 2004); Case C-191/01 P, OHIM v. Wm. Wrigley Jr. Co., 2003 E.C.R. I-12473, ¶ 31 (Oct. 23, 2003) (regarding Doublemint chewing gum).

<sup>219</sup> Ramírez-Montes, *supra* note 194, at 306.

<sup>220</sup> Case C-24/05 P, August Storck KG v. OHIM, 2006 E.C.R. I-5680, ¶ 47 (Mar. 23, 2006) (AG Opinion) (regarding the shape of Werther’s Original sweet).

<sup>221</sup> Case C-136/02 P, Mag Instrument Inc. v. OHIM, 2004 E.C.R. I-9165, ¶¶ 24–25 (Oct. 7, 2004). The appellant relied upon *Baby-Dry* to argue that, as with word marks, “any perceptible difference” in relation to goods in common use is sufficient for the proposed shape mark not to be devoid of any distinctiveness and satisfy the required minimal distinctiveness. *Id.* ¶ 24. This followed from the lower court’s finding that the proposed shapes were “variants of a

Nonetheless, it is also the case that the requirement for a composite sign to be more than the mere sum of its parts in order to meet the perceptible difference standard is arguably equivalent to the departs significantly criterion as that perceptible difference standard applies equally across different categories of marks. Indeed, the “perceptible difference” standard has been applied to packaging trade dress marks in *Corona*<sup>222</sup> and *Voss*,<sup>223</sup> and product trade dress marks in *Mag Instrument*<sup>224</sup> and *Timehouse*.<sup>225</sup> Contrary to common opinion, this article thus argues that the same stringent standard of distinctiveness is applied to all marks, without bias or discrimination against shape-of-product marks or any other trade dress.

## 2. Metaverse-Related Word-Combination Marks

Application of the EU grounds for refusal following the CJEU’s case law is not as straightforward as it may seem. A case in point is Puma’s attempts to invalidate Nike’s registrations of the word mark “FOOTWARE” in respect of goods and services in classes 9 (computer

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common torch shape.” *Id.* ¶ 25. The CJEU flatly rejected this argument. *Id.* ¶ 28.

<sup>222</sup> Case T-399/02, Eurocermex SA v. OHIM, 2004 E.C.R. II-1391, ¶ 31 (Apr. 29, 2004), *aff’d*, 2005 E.C.R. I-5797 (June 30, 2005).

<sup>223</sup> *Voss of Norway ASA v. OHIM*, ECLI:EU:C:2015:303, ¶¶ 126–28 (May 7, 2015) (rejecting appellant’s argument that it was error to apply the criteria developed around composite word marks, according to which a combination of non-distinctive components can have sufficient distinctiveness provided that, taken as a whole, it amounts to more than just the mere sum of its parts).

<sup>224</sup> Case C-136/02 P, *Mag Instrument, Inc. v. OHIM*, 2004 E.C.R. I-9169, ¶¶ 30–37 (Mar. 16, 2004) (AG Opinion) (applying, alongside the departs significantly criterion, the perceptible difference test to a shape-of-product mark—the shape of a torch—to demonstrate that more stringent criteria had not been used).

<sup>225</sup> Case C-453/11 P, *Timehouse GmbH v. OHIM*, ECLI:EU:C:2012:291, ¶ 40 (May 14, 2012).

hardware), class 38 (telecommunication services) and 42 (software as a service). Notably, none of the selected classes covered class 25 for footwear and shoes.<sup>226</sup> Around March 2019, Nike applied and subsequently registered “FOOTWARE” for those classes before the UK-IPO as a UK trademark and at the EUIPO as an EUTM.<sup>227</sup> In both proceedings, Puma sought to invalidate Nike’s registration by arguing that “FOOTWARE” was descriptive, non-distinctive and a customary designation of the recited goods and services in all classes, focusing mainly on the descriptiveness attack.<sup>228</sup> In the UK, the Hearing Officer (HO) rejected Puma’s invalidity action,<sup>229</sup> which the High Court upheld by dismissing Puma’s appeal.<sup>230</sup> Before the UK-IPO, Puma accepted that its non-inherently distinctiveness objection stood or failed with its main attack based upon “FOOTWARE” being merely descriptive.<sup>231</sup> Neither the argument that “FOOTWARE” would be understood by consumers as an obvious misspelling of “FOOTWEAR,” nor that “FOOTWARE” is an obvious portmanteau of “FOOTWEAR” and other compound words ending in “WARE” (i.e., “HARWARE,” “SOFTWARE and/or “FIRMWEAR”) were accepted by the HO.<sup>232</sup> Puma’s related argument that “FOOTWARE” is evidently

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<sup>226</sup> See generally *Nike Innovate C.V. v. Puma SE*, O-415-20, Opposition Decision, U.K. Intellectual Property Office [UK IPO] (Sept. 2, 2020), <https://www.ipo.gov.uk/t-challenge-decision-results/o41520.pdf> [<https://perma.cc/ZTM3-HM8A>]; *Puma SE v. Nike Innovate CV* [2021] EWHC (Ch) 1438 (Eng.).

<sup>227</sup> *Nike Innovate C.V.*, O-415-20, ¶ 1.

<sup>228</sup> *Id.* ¶ 2; *Puma SE*, [2021] EWHC (Ch) 1438, [2].

<sup>229</sup> See generally *Nike Innovate C.V.*, O-415-20.

<sup>230</sup> *Puma SE*, [2021] EWHC (Ch) 1438, [35].

<sup>231</sup> *Nike Innovate C.V.*, O-415-20, ¶ 31.

<sup>232</sup> *Nike Innovate C.V. v. Puma SE*, O-415-20, Opposition Decision, U.K. Intellectual Property Office [UK IPO], ¶ 15 (Sept. 2, 2020), <https://www.ipo.gov.uk/t-challenge-decision-results/o41520.pdf> [<https://perma.cc/ZTM3-HM8A>].

“a combination in the format “descriptor + WARE,”<sup>233</sup> was also rejected.<sup>234</sup>

Having set out the relevant legal principles from English and CJEU’s case law, the HO rightly began by examining the meaning of each of elements of “FOOTWARE”. While accepting that “WARE” “is not inherently distinctive in relation to the goods in class 9 or services in class 42, given that it is likely to be perceived as referring to software, hardware, firmware or software as a service,” the HO did find “FOOT” distinctive.<sup>235</sup> In respect of class 38 services, the OH viewed “WARE” as “unlikely to be perceived as a contraction of software (or hardware or firmware) . . . .”<sup>236</sup> Rather than a misspelling or a combination of two non-elements, the OH took the view that “FOOTWARE” is actually “a neologism . . . which changes the meaning and requires some mental effort on the part of the consumer.”<sup>237</sup> This followed from Nike’s argument about “FOOTWARE” being a play on the word “FOOTWEAR.”<sup>238</sup> While accepting that average consumers may deduce that “FOOTWARE” means footwear with embedded technology, the Officer concluded that “FOOTWARE” as a whole “is not a meaning which is immediately apparent or easily recognizable without some stretch of the imagination.”<sup>239</sup> On appeal to the High Court, the judge took the view that ultimately the question for him was “whether [FOOTWARE], when notionally and fairly used, is descriptive of the goods and services in

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<sup>233</sup> *Id.* ¶ 16.

<sup>234</sup> *Id.* ¶ 24.

<sup>235</sup> *Id.*

<sup>236</sup> *Id.*

<sup>237</sup> *Id.* ¶¶ 16–17.

<sup>238</sup> Nike Innovate C.V. v. Puma SE, O-415-20, Opposition Decision, U.K. Intellectual Property Office [UK IPO], ¶ 17 (Sept. 2, 2020), <https://www.ipo.gov.uk/t-challenge-decision-results/o41520.pdf> [<https://perma.cc/ZTM3-HM8A>].

<sup>239</sup> *Id.*

question . . . .”<sup>240</sup> Puma argued that, had the Officer properly considered the notional and fair use of the trade mark “across the full range of its very broad specification of goods and services,” the Officer would have concluded that the FOOTWARE was descriptive and non-registrable.<sup>241</sup>

The High Court summarily rejected Puma’s pleas.<sup>242</sup> It noted that the Officer applied the correct legal test based upon the relevant CJEU’s case law, namely *BioID* and *Agencja Wydawnicza Technopol*.<sup>243</sup> For the court, the Officer was entitled to reach the conclusion of non-descriptiveness because “FOOT”—as a term referring to a body part—“was not descriptive of any of the goods or services for which registration is sought.”<sup>244</sup> That is, as “foot” is not the same as “shoe” or “boot,” “FOOTWARE” cannot be descriptive of any of the classes because the recited goods and services for which Nike obtained registration did not cover footwear at all.<sup>245</sup> This was a narrow basis upon which to dismiss Puma’s descriptiveness attack. CJEU’s case law stands for the principle that a non-descriptive neologism such as “FOOTWARE” is not necessarily inherently distinctive.<sup>246</sup>

By contrast, the recent decision by the Fifth Board of Appeal at the EUIPO which reversed the Cancellation Division’s dismissal of Puma’s attempt to invalidate Nike’s EUTMR over “FOOTWARE” demonstrates a much broader application of the CJEU’s case law. Similar to the reasoning by the UK HO and the High Court, the

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<sup>240</sup> Puma SE v. Nike Innovate CV [2021] EWHC (Ch) 1438, [21] (Eng.).

<sup>241</sup> *Id.* [15].

<sup>242</sup> *Id.* [23].

<sup>243</sup> *See id.* [20]–[27].

<sup>244</sup> *Id.* [26].

<sup>245</sup> *Id.* [26]–[27].

<sup>246</sup> *See* Puma SE v. Nike Innovate CV [2021] EWHC (Ch) 1438, [26]–[27] (Eng.).

Cancellation Division at EUIPO also concluded that “FOOTWARE” is not descriptive because the registration did not cover footwear or shoes at all.<sup>247</sup> As regards non-distinctiveness, the Cancellation Division also rejected Puma’s invalidity claim, holding that even if “FOOTWARE” was a neologism, the play on the words between the beginning of “FOOTWEAR” and the ending of “HARDWARE/SOFTWARE” was “sufficient in order to confer the mark with the required minimum distinctive character.”<sup>248</sup> This standard wrongly confuses “perceptible” with “minimal” difference, which is clearly contrary to the CJEU’s decisions in *BioMild* and *Companyline*. On appeal to the Fifth Board of Appeal, Puma expanded its pleas of appeal by pursuing a more robust descriptiveness attack under Article 7(1)(c) and offering an independent non-distinctiveness objection under Article 7(1)(b).<sup>249</sup> For the first time, Puma also argued that, in the context of the increasingly “[digitalized] footwear industry,” relevant consumers would view “FOOTWARE” as descriptive of “purely digital footwear” in dressing an avatar in the metaverse or as NFTs for footwear.<sup>250</sup> Puma alleged that the provision of “purely digital” offerings now constitutes the main focus of the sportswear industry and that of Nike in particular.<sup>251</sup>

Nike fiercely contested PUMA’s new and more enhanced arguments because PUMA, the invalidity applicant, had not pleaded them before the Cancellation Division.<sup>252</sup> It highlighted that PUMA’s evidence about the

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<sup>247</sup> PUMA SE v. Nike Innovate, Case R-2173/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 5 (Jan. 9, 2023).

<sup>248</sup> *Id.*

<sup>249</sup> *Id.* ¶ 10.

<sup>250</sup> *Id.*

<sup>251</sup> *Id.*

<sup>252</sup> *Id.* ¶ 11.

metaverse and NFTs dated from 2020–2021, which was at least a year after the relevant date of March 2019 for distinctiveness assessments of the EUTM.<sup>253</sup> Once again, Nike argued that a distinctiveness attack must be assessed by reference to the specific goods or services which, in the case of a registered EUTM, is strictly defined by the terms included in the specification of goods and services.<sup>254</sup> It stressed that the registration of “FOOTWARE” covering Classes 9, 38 and 42 was not descriptive for average consumers on the relevant date because it did not cover “digital footwear” or “digital shoes” of the kind bought and sold in the metaverse or as NFTs.<sup>255</sup> In its decision, the Fifth Board of Appeal found it equitable to exercise its discretion pursuant to the EUTMR by admitting some of PUMA’s new evidence as complimentary on appeal.<sup>256</sup> It nevertheless specifically left out the metaverse and NFTs pleas, as these were not complimentary evidence but rather new arguments which were not raised by PUMA at first instance before the Cancellation Division.<sup>257</sup>

Notwithstanding leaving out the evidence about uses of purely digital footwear in the metaverse and as NFTs, the Fifth Board of Appeal found the registration of “FOOTWARE” in breach of the non-descriptiveness ground.<sup>258</sup> It recalled that for a mark to be caught by this ground, “it must convey a sufficiently direct and concrete link to the goods or services in question to enable the public concerned immediately, and without further thought, to perceive a description of the goods or services in

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<sup>253</sup> PUMA SE v. Nike Innovate, Case R-2173/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 11 (Jan. 9, 2023).

<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

<sup>256</sup> *Id.* ¶ 22.

<sup>257</sup> *Id.* ¶ 25.

<sup>258</sup> *Id.* ¶ 94.

question or of one of their characteristics.”<sup>259</sup> The descriptive signs or designations composing the mark need not actually be in use at the time of application for registration; it is sufficient that such signs and designations *could* be used for descriptive purposes.<sup>260</sup> It too based its descriptiveness analysis by reference to the meaning and understanding of the mark by the relevant public and by reference to the recited goods or services. It disagreed with Nike’s arguments and the Cancellation Division’s conclusion that, when “FOOTWARE” is mistaken for “footwear,” the mark is distinctive because the goods and services covered are not items of footwear.<sup>261</sup> Additionally, it found that when highly sophisticated consumers break down “FOOTWARE” into its two elements, such consumers would realize that it is a creative play on the words “footwear.”<sup>262</sup>

Instead, the board found a sufficient relationship between the sign and the relevant goods and services by focusing on the interaction between footwear with embedded technology in the growing market of IoTs and the recited goods and services of the contested mark. The board was

persuaded to find that, at the relevant date, the relevant English-speaking public could perceive in the sign ‘FOOTWARE’ (read as ‘footwear’) a specific and direct reference to the kind or intended purpose of the of the contested goods and services in Classes 9, 38 and 42 namely that those goods and services are broadly adapted for use for footwear.<sup>263</sup>

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<sup>259</sup> PUMA SE v. Nike Innovate, Case R-2173/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 41 (Jan. 9, 2023).

<sup>260</sup> *Id.* ¶ 45.

<sup>261</sup> *Id.* ¶ 72.

<sup>262</sup> *Id.*

<sup>263</sup> *Id.* ¶ 90.



The “kind or intended purpose” reference is part of Article 7(1)(c)’s broad descriptiveness language.<sup>264</sup> The fact that the registration did not cover the shoe itself did not prevent “FOOTWARE” from conveying the kind or intended purpose of NIKE’s specific goods or services to consumers, namely that the electronic devices and computer software in Class 9 refer to “data processing devices intended to be used within a shoe.”<sup>265</sup>

Nike’s strategy was to avoid registering the word-combination “FOOTWARE” for footwear and shoes under a class 25 mark to prevent a descriptiveness refusal. This commercial strategy begs the tricky questions of whether a neologism mark may reasonably be considered descriptive of the recited goods or services to relevant consumers, despite no obvious connection between the goods or services and the literal meaning of the mark’s components. *Postkantoor* set out the principle that registration authorities, including the courts, cannot limit their examination to the mark as filed in the abstract but must take into account “all the relevant facts and circumstances” surrounding the mark, including any use that has been made of it.<sup>266</sup> Nike’s application to register “FOOTWARE” for the recited goods and services follows the company’s widely-publicized strategy to enter into the metaverse.<sup>267</sup> Although Puma did not raise uses of that mark in connection with virtual goods and services in the

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<sup>264</sup> Council Regulation 2017/1001, art. 7, 2017 O.J. (L 154) 1, 8 (EU).

<sup>265</sup> PUMA SE v. Nike Innovate, Case R-2173/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 91 (Jan. 9, 2023).

<sup>266</sup> *Postkantoor*, *supra* note 147, ¶ 35.

<sup>267</sup> Bernard Marr, *The Amazing Ways Nike Is Using The Metaverse, Web3 And NFTs*, FORBES (June 1, 2022). <https://www.forbes.com/sites/bernardmarr/2022/06/01/the-amazing-ways-nike-is-using-the-metaverse-web3-and-nfts/?sh=1e6c4da56e94> [<https://perma.cc/QJ6M-SQNJ>].

metaverse, it was incumbent upon the UK Officer and the court to investigate the wider context of Nike’s selected classes.<sup>268</sup> Secondly, the Officer’s finding of descriptiveness appears to follow the CJEU’s criterion of “a perceptible difference” between the neologism and the mere sum of its parts.<sup>269</sup> Yet “perceptible” must not be confused with “minimal.”<sup>270</sup> Any difference between the terms used in the mark and those which are customary in the relevant language must be more than minimal before registration is accepted.<sup>271</sup> True, a sign composed of elements, each of which is ineligible for registration, cannot be rejected on the assumption that the whole is equally ineligible. A word combination mark composed of two generic terms may still be registered provided that it creates an impression which is “sufficiently far removed” from that produced by the single combination of such terms.<sup>272</sup> The standard “far removed” from the normal lexical rules is a high standard such that it is unclear “FOOTWARE” could overcome it. There is nothing fanciful or unusual about combining “foot” and “ware” even if the latter is not perceived as a misspelling of “wear.”

#### ***D. “Departs Significantly” Criterion for Assessing Distinctiveness of Non-Traditional Marks***

It is trite that, under EU trademark law, the assessment criteria of distinctiveness are the same for all marks, regardless of their ontological status as traditional or

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<sup>268</sup> Postkantoor, *supra* note 147, ¶ 35.

<sup>269</sup> *Id.* ¶ 99.

<sup>270</sup> Case C-104/00 P, DKV Deutsche Krankenversicherung AG v. OHIM, 2002 E.C.R. I-7563, ¶ 50 (May 14, 2002) (AG Opinion); *see also* Case C-191/01 P, OHIM v. Wm Wrigley Jr. Co., 2003 E.C.R. I-12449, ¶ 74 (Apr. 10, 2003) (AG Opinion).

<sup>271</sup> Postkantoor, *supra* note 147, ¶ 99.

<sup>272</sup> *Id.*

non-traditional.<sup>273</sup> While the potential difficulties in proving distinctiveness of certain categories of marks because of their nature do not justify imposing stricter criteria than those applied to other categories of marks, the CJEU has repeatedly stated that “it is legitimate to take into account” those difficulties.<sup>274</sup> By highlighting the nature of the mark itself rather than the legal criteria, the CJEU holds that consumer perception is affected by the nature of the mark, that is,

[T]he perception of the average consumer is not necessarily the same in relation to a three-dimensional mark consisting of the appearance of the product itself as it is in relation to a word or figurative mark consisting of a sign which is independent of the appearance of the product it designates.<sup>275</sup>

It has therefore articulated the normative rule that “[a]verage consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element . . . .”<sup>276</sup> The same absence of consumer predisposition exists—which practically entails greater difficulties in overcoming non-distinctiveness objections—for colors<sup>277</sup> and advertising slogans.<sup>278</sup>

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<sup>273</sup> Case C-578/17, *Oy Hartwall Ab v. Patentti- ja rekisterihallitus*, ECLI:EU:C:2019:261, ¶ 28 (Mar. 27, 2019).

<sup>274</sup> *Id.*

<sup>275</sup> Case C-445/13 P, *Voss of Norway ASA v OHIM*, ECLI:EU:C:2015:303, ¶ 90 (May 7, 2015).

<sup>276</sup> *Id.*

<sup>277</sup> Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 36 (May 6, 2003).

<sup>278</sup> Case C-64/02 P, *OHIM v Erpo Möbelwerk GmbH*, 2004 E.C.R. I-10031, ¶ 35 (Oct. 21, 2004) (describing slogan mark “Das Prinzip Der Bequemlichkeit,” or the Principle of Comfort).

As a result of this normative absence of consumer predisposition, the CJEU unequivocally states that “it could therefore prove more difficult to establish distinctive character in relation to such a three-dimensional mark than in relation to a word or figurative mark.”<sup>279</sup> It has consistently explained that “[i]n those circumstances, the more closely the shape for which registration is sought resembles the shape most likely to be taken by the product in question, the greater the likelihood of the shape being devoid of any distinctive character . . . .”<sup>280</sup> This rule of “obvious” shape or form prevents trade mark law protecting trade dress on the basis of its novelty or striking singularity, which are criteria for patentability or design protection.<sup>281</sup>

The CJEU has consistently gone on to hold that “[o]nly a mark which departs significantly from the norm or customs of the sector and thereby fulfils its essential function of indicating origin is not devoid of any distinctive character . . . .”<sup>282</sup> It has adopted a case-by-case approach in deciding on the specific circumstance under which the requirement for a significant departure from the norm or customs of the sector is satisfied, which renders the test highly fact-sensitive.<sup>283</sup> It is this “departs significantly” criterion, including its underlying rules of consumer predisposition and obvious form, which is likely to constitute the biggest distinctiveness hurdle for metaverse

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<sup>279</sup> Case C-445/13 P, *Voss of Norway ASA v OHIM*, ECLI:EU:C:2015:303, ¶ 90 (May 7, 2015).

<sup>280</sup> *Id.* ¶ 91.

<sup>281</sup> *Ramírez-Montes*, *supra* note 194, at 298.

<sup>282</sup> *Id.* (citing Case C-136/02 P, *Mag Instrument v. OHIM*, 2004 E.C.R. I-9165, ¶ 31 (Oct. 7, 2004) and Case C-98/11 P, *Chocoladefabriken Lindt & Sprüngli v. OHIM*, ECLI:EU:C:2012:307, ¶ 42 (May 24, 2012)).

<sup>283</sup> *Id.* at 353.

companies aiming to register trade dress.<sup>284</sup> As a matter of fact, the criterion entails two fundamental questions: 1) whether a trade dress mark is significantly outside the norm or customs (which almost any new or unusual feature satisfies); and 2) whether, from the presumed expectations of the average consumer, it is capable of being a source-identifier.<sup>285</sup> I have argued elsewhere that these are two related but separate questions, the most important of which is the second normative question of predicting the reaction of average consumers having regard to concrete contextual circumstances.<sup>286</sup>

The metaverse is likely to give rise to new forms of trademarks representing new forms of immersive multimedia experiences, consumer engagements, and brand values, some of which are likely to entail non-traditional subject-matter. These new “meta brands” capturing meta consumer experiences are now prompting certain companies entering the metaverse to stake their claims by filing trademark registrations, thereby posing bigger challenges for trademark offices.<sup>287</sup> A good example of such new consumer experiences is the Gucci Garden experience on Roblox garden where “visitors can immerse themselves into [Gucci’s Creative Director] Michele’s creative vision and multifarious inspirations, and share the captivating experience of the exhibition with their

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<sup>284</sup> There is in fact evidence that EUIPO examiners are applying the same principles about consumer perception of real-world goods to equivalent virtual goods on the basis that virtual goods seek to emulate core concepts of real-world goods. *See* Burberry Ltd., Refusal of Application No. 0186447205, European Union Intellectual Property Office Examination Division [EUIPO], 3 (Feb. 8, 2023).

<sup>285</sup> Ramírez-Montes, *supra* note 194, at 345–46.

<sup>286</sup> Ramírez-Montes, *supra* note 1, at 85.

<sup>287</sup> *See, e.g., The Gucci Garden Experience Lands on Roblox*, ROBLOX (May 17, 2021), <https://blog.roblox.com/2021/05/gucci-garden-experience/> [<https://perma.cc/5HSL-TXE9>].

friends.”<sup>288</sup> Another illustration is Manchester City’s plan to create a virtual version of its Etihad Stadium in the metaverse with unlimited seating.<sup>289</sup> In partnership with Sony, the English football club seeks to offer a virtual universe that people can explore as digital avatars and allow City fans around the world “to watch matches as if they were in the stadium themselves, while actually sitting comfortably on their sofa at home.”<sup>290</sup> These new immersive experiences may be claimed as trade dress marks representing the “look and feel” of the Gucci store design or the Etihad Stadium, and there is arguably precedent in EU case law supporting these potential registrations.<sup>291</sup>

There are, moreover, ample opportunities for the look and feel of physical objects to be minted and traded as NFTs in the metaverse. Such physical objects could be claimed as product design trade dress comprising an article’s shape, size, color, color combinations, texture, and materials, which would enable brand owners to object to unauthorized NFTs similar to the ongoing dispute between the Birkin handbag-maker Hermès and Rothschild involving the latter’s sale of NFTs called “MetaBirkins.”<sup>292</sup>

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<sup>288</sup> *Id.*

<sup>289</sup> *Manchester City Builds the First Stadium in the Metaverse*, THE PLAN (Sept. 7, 2022), [https://www.theplan.it/eng/whats\\_on/manchester-city-builds-the-first-stadium-in-the-metaverse](https://www.theplan.it/eng/whats_on/manchester-city-builds-the-first-stadium-in-the-metaverse) [https://perma.cc/TW35-5WLR].

<sup>290</sup> *Id.*

<sup>291</sup> *See generally* Case C-421/13, *Apple Inc. v. DPUM*, ECLI:EU:C:2014:2070, ¶ 20 (July 10, 2014).

<sup>292</sup> *Hermès Int’l v. Rothschild*, No. 22-cv-384, 2023 U.S. Dist. LEXIS 17669 (S.D.N.Y. Feb. 2, 2023) (jury verdict in favor of Hermès); *Hermès Int’l v. Rothschild*, 603 F. Supp. 3d 98, 101 (S.D.N.Y. 2022) (denying Rothschild’s Motion to Dismiss Hermès’ lawsuit); *see also* *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 650 (S.D.N.Y. 2022) (refusing to certify Rothschild’s Motion to Certify Interlocutory Appeal).

## 1. Product Design Trade Dress

The fashion, beauty and sports industries have been the most active in seeking to protect product trade dress as trademarks, as the metaverse offers such industries new opportunities to offer digital replicas of their real-life branded products as NFTs.<sup>293</sup> These industries could potentially claim the look of their shoes,<sup>294</sup> including shoe laces<sup>295</sup> or sole patterns,<sup>296</sup> and accessories such as handbags<sup>297</sup> and lipsticks.<sup>298</sup> They could also seek to protect product features that are added to their branded products to attract consumer attention and thereby distinguish source, namely position marks which are

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<sup>293</sup> *Hermès Int'l*, 603 F. Supp. 3d at 101 (“Fashion brands are beginning to create and offer digital replicas of their real-life products to put in digital fashion shows or otherwise use in the metaverse.”).

<sup>294</sup> See generally Case T-483/20, *Tecnica Group SpA v. EUIPO*, ECLI:EU:T:2022:11 (Jan. 19, 2022) (invalidating the registration of the shape of a boot, “Moon Boots,” as an EUTM); Case C-461/19 P, *All Star CV v. EUIPO*, ECLI:EU:C:2019:797 (Sept. 30, 2019) (declining to allow appeal of Case T-611/17, *All Star CV v. EUIPO*, ECLI:EU:T:2019:210 (Mar. 29, 2019) in which the mark consisted of the shape of the sole of a shoe).

<sup>295</sup> See generally Case T-573/18, *Hickies, Inc. v. EUIPO*, ECLI:EU:T:2020:32 (Feb. 5, 2020) (attempting, unsuccessfully, to register the shape of shoe laces).

<sup>296</sup> See generally Case C-26/17 P, *Birkenstock Sales GmbH v. EUIPO*, ECLI:EU:C:2018:714 (Sept. 13, 2018) (attempting, unsuccessfully, to register surface mark consisting of a wavy pattern with crisscrossing lines as applied to the sole of a shoe).

<sup>297</sup> See generally Case T-410/10, *Bottega Veneta Int'l v. OHIM*, ECLI:EU:T:2013:149 (Mar. 22, 2013); Case T-409/10, *Bottega Veneta Int'l v. OHIM*, ECLI:EU:T:2013:148 (Mar. 22, 2013); Case T-73/06, *Jean Cassegrain SAS v. OHIM*, ECLI:EU:T:2008:454 (Oct. 21, 2008) (unsuccessful application for the shape of a handbag).

<sup>298</sup> See generally Case T-488/20, *Guerlain v. EUIPO*, ECLI:EU:T:2021:443 (July 12, 2021) (permitting registration of the shape of an oblong, tapered, and cylindrical lipstick).

applied to a specific part of the goods such as color<sup>299</sup> or stripes.<sup>300</sup> Although the wording of Article 4 of the EUTMR does not mention “trade dress” as a category of registrable signs capable of constituting an EU trademark, the CJEU has interpreted this provision expansively enough to include non-traditional marks merely on account of the fact that they are not expressly excluded.<sup>301</sup> Thus, non-visual marks such as scents and sounds were earlier on recognized as potentially constituting registrable signs under EU law, though they would struggle to meet the (then-graphic) representation requirement.<sup>302</sup> Non-traditional marks such as colors and color combinations were also considered registrable signs though they too might struggle with their description being clear and precise.<sup>303</sup> Composite marks comprising a combination of features such as size, form and color are treated as registrable product “get-up” marks (similar to packaging

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<sup>299</sup> Case C-163/16, *Louboutin v. Van Haren Schoenen BV*, ECLI:EU:C:2018:423, ¶ 24 (June 12, 2018) (regarding a position mark consisting of the color red applied to the sole of shoes).

<sup>300</sup> Case C-396/15 P, *Shoe Branding Europe BVBA v. Adidas*, ECLI:EU:C:2016:95, ¶ 11 (Feb. 11, 2016) (opposing an application to register two stripes on the side of shoes). For the sequel to this dispute, see Case T-629/19, *Shoe Branding Europe BVBA v. EUIPO*, ECLI:EU:T:2018:108 (Mar. 1 2018).

<sup>301</sup> Case C-273/00, *Sieckmann v. Deutsches Patent- und Markenamt*, 2002 E.C.R. I-11737, ¶ 44 (Dec. 12, 2002); Case C-283/01, *Shield Mark BV v. Joost Kist h.o.d.n. Memex*, 2003 E.C.R. I-14313, ¶ 35 (Nov. 27, 2003).

<sup>302</sup> See *Sieckmann*, 2002 E.C.R. I-11737, ¶ 59; *Shield Mark*, 2003 E.C.R. I-14313, ¶¶ 29–30.

<sup>303</sup> See Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 28–29 (May 6, 2003); Case C-49/02, *Heidelberger Bauchmie GmbH*, 2004 E.C.R. I-6129, ¶ 25 (June 24, 2004).



marks) even though the term “get-up” does not feature in Article 4.<sup>304</sup>

In a similar vein, “designs” as a category of registrable signs in the wording of Article 4 are interpreted as supporting an EU trademark depicting “the layout of a retail store by means of an integral collection of lines, curves, and shapes.”<sup>305</sup> A retail store design mark may thus be registrable without additional requirements about “the size and proportions of the retail store that it depicts” and without being treated as a form of “packaging” mark,<sup>306</sup> as restaurant trade dress is generally treated under U.S. trademark law.<sup>307</sup> Post-2017, colors and sounds are now explicitly mentioned in the new wording of Article 4 of the EUTMR as registrable signs.<sup>308</sup> There is, however, nothing to suggest that scent, taste, and store design marks are *a priori* excluded, even if they are not expressly mentioned in the wording of that provision.<sup>309</sup> There is precedential case law supporting their registrability as EU trademarks, all of

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<sup>304</sup> Joined Cases C-473/01 P & C-474/01 P, *Proctor & Gamble Co v. OHIM*, 2004 E.C.R. I-5173, ¶ 29 (Apr. 29, 2004) (describing a “three-dimensional shape of a square or rectangular tablet for washing machines or dishwashers, with chamfered edges, beveled or slightly rounded corners, speckles and an inlay on the upper surface.”); Case C-144/06 P, *Henkel KGaA v. OHIM*, 2007 E.C.R. I-8109, ¶ 42 (Oct. 4, 2007) (regarding a figurative mark consisting of a rectangular shape with two colored layers and its oval blue center situated in the middle of the upper red face of the tablet.); Case C-286/04 P, *Eurocermex SA v. OHIM*, 2005 E.C.R. I-5797, ¶ 4 (June 30, 2005) (regarding a get-up mark consisting of three-dimensional shape and colors of a transparent bottle, filled with a yellow liquid, having a long neck in which a slice of lemon with a green skin has been plugged.).

<sup>305</sup> Case C-421/13, *Apple Inc. v. DPUM*, ECLI:EU:C:2014:2070, ¶ 19 (July 10, 2014).

<sup>306</sup> *Id.*

<sup>307</sup> *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767 (1992).

<sup>308</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU).

<sup>309</sup> *Id.*

which could be strategically claimed for use in the metaverse—at least, retail store design marks are more likely to meet the representation requirement.<sup>310</sup> Nevertheless, the fact that scent, taste, store design, or any other subject matter might constitute registrable signs does not mean that their eventual registration is completely hiccup-free; the EU distinctiveness grounds are likely to constitute a major stumbling block.<sup>311</sup> Whether it is trade dress for product design, product packaging, or store design, these marks are likely to be subject to the rules underpinning the “departs significant” criterion whenever the Office or the EU tribunals find them “indissociable” or “indistinguishable” from the appearance or shape of the branded goods or services.<sup>312</sup> Conversely, non-traditional marks which are “independent” or “unrelated to” the appearance of the recited products or services do not have to meet the “departs significantly” criterion to demonstrate inherent distinctiveness.<sup>313</sup>

In general, the “departs significantly” criterion constitutes an uphill struggle for trade dress to meet the EU distinctiveness standard. The fashion and beauty industries

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<sup>310</sup> See generally Ramírez-Montes, *supra* note 1.

<sup>311</sup> Joined Cases C-473/01 P & C-474/01 P, *Proctor & Gamble Co v. OHIM*, 2004 E.C.R. I-5173, ¶ 30 (Apr. 29, 2004) (“The fact that a sign is, in general, capable of constituting a trademark within the meaning of Article 4 . . . does not mean that the sign necessarily has distinctive character for the purposes of Article 7(1)(b) . . . in relation to a specific product or service.”); see also Joined Cases C-456/01 P & C-457/01 P, *Henkel KGaA v. OHIM*, 2004 E.C.R. I-5089, ¶¶ 30–31 (Apr. 29, 2004).

<sup>312</sup> Case C-456/19, *Aktiebolaget Östgötatrafiken*, ECLI:EU:C:2020:813, ¶¶ 22, 43 (Oct. 8, 2020); Case C-546/10 P, *Hans-Peter Wilfer v. OHIM*, ECLI:EU:C:2011:574, ¶ 58 (Sept. 13, 2011) (demonstrating that the case-law on the “departs significantly” criterion concerning three-dimensional shape-of-product marks applies equally to figurative marks representing a two-dimensional part of a product).

<sup>313</sup> *Aktiebolaget*, ECLI:EU:C:2020:813, ¶ 40.

have largely failed in their attempts to register the shape or design of their products as source identifiers for EU consumers. For instance, Bottega Veneta’s applications to register the shape of two of its iconic handbags were rejected for representing mere variants of a typical shape of a handbag, which fell short of meeting the *significant* departure test.<sup>314</sup> EU tribunals remain unpersuaded by applicants’ arguments that fashion consumers pay a higher than normal degree of attention and, for that reason alone, can appreciate the unique style, exclusive design, high quality, or significantly high prices of the goods.<sup>315</sup> Marketing concepts and strategic pricing are considered external circumstances unrelated to the rights conferred by EU trade marks.<sup>316</sup> Bottega Veneta’s argument that the characteristics of one of its handbags, such as the absence of fastening devices and the original look of a shopping bag to enable the shape to depart significantly from the norm, was rejected.<sup>317</sup> The EUGC found that other existing handbags displayed similar features.<sup>318</sup> Similarly, Bottega Veneta’s argument that its other handbag departed significantly from the norm because consumers would appreciate that the body and handle were made in one piece was also rejected.<sup>319</sup> These characteristics were mere

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<sup>314</sup> Case T-410/10, *Bottega Veneta Int’l v. OHIM*, ECLI:EU:T:2013:149, ¶ 50 (Mar. 22, 2013); Case T-409/10, *Bottega Veneta Int’l v. OHIM*, ECLI:EU:T:2013:148, ¶ 50 (Mar. 22, 2013).

<sup>315</sup> *Bottega Veneta*, ECLI:EU:T:2013:149, ¶¶ 54–55; *Bottega Veneta*, ECLI:EU:T:2013:148, ¶¶ 54–55; see also *Wilfer*, ECLI:EU:C:2011:574, ¶ 55 (rejecting the applicant’s argument that the case-law on the “departs significantly” criterion applies only to mass products and, for special expensive products such guitars, a more generous distinctiveness standard applies).

<sup>316</sup> *Wilfer*, ECLI:EU:C:2011:574, ¶ 38.

<sup>317</sup> *Bottega Veneta*, ECLI:EU:T:2013:149, ¶ 64.

<sup>318</sup> *Id.*

<sup>319</sup> Case T-409/10, *Bottega Veneta Int’l v. OHIM*, ECLI:EU:T:2013:148, ¶ 63 (Mar. 22, 2013).

variants of typical handbags.<sup>320</sup> Moreover, the claim that Bottega Venetta's handbags had acquired distinctiveness across the whole of the EU was rejected for being unsupported by evidence.<sup>321</sup>

A more recent example is Dior's failed attempt to register the shape of its iconic handbag representing a riding saddle as a EUTM.<sup>322</sup> Perhaps emboldened by Guerlin's successful registration of the shape of its Rogue G lipstick case,<sup>323</sup> Dior cited this EUGC's decision to argue that its Dior saddle handbag did not fall under the fashion sector and its overall impression was therefore sufficiently striking and memorable to depart significantly from the ordinary handbags made by other competitors.<sup>324</sup> The Examiner took the view that relevant consumers would regard the shape of the handbag, which consisted of a scalene triangle with a prominent flap on the front towards the upper left-hand side resembling a riding saddle, as typical of the recited goods.<sup>325</sup> The Examiner noted that there are an extensive range of handbags in this sector with a multitude designs, namely rectangular, oval, round, square, large, small with or without locks, straps or buttons.<sup>326</sup> Given this wide range of available designs, consumers would perceive Dior's shape as one like any other, namely a functional and practical design suitable for keeping objects inside rather than as a distinctive mark.<sup>327</sup>

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<sup>320</sup> *Id.*

<sup>321</sup> *Id.* ¶ 100.

<sup>322</sup> See generally *Christian Dior Couture*, Case R-32/2022-2, European Union Intellectual Property Office Second Board of Appeal [EUIPO], ¶ 7 (Oct. 5, 2022).

<sup>323</sup> Case T-488/20, *Guerlain v. EUIPO*, ECLI:EU:T:2021:443, ¶ 49 (July 14, 2021) (successfully applying to register the shape of an oblong, tapered and cylindrical case for lipstick).

<sup>324</sup> *Christian Dior Couture*, Case R-32/2022-2, ¶ 7.

<sup>325</sup> *Id.* ¶ 3.

<sup>326</sup> *Id.*

<sup>327</sup> *Id.*

The Appeal Board partly agreed with the Examiner but confirmed the refusal relating to handbags. It noted that the market for fashion accessories is characterized by a multitude of designs to which consumers are constantly exposed.<sup>328</sup> As regards Class 18 goods concerning handbags, it produced a couple of internet examples featuring similar designs with similar prominent flaps on the front pointing downwards, all of which suggested that Dior’s design is merely a variant of a typical shape of handbags that does not depart significantly from the norm.<sup>329</sup> It recalled that the Appeal Board is not required to produce evidence of an identical shape existing on the market to find an absence of distinctiveness.<sup>330</sup> The burden of proving the EU’s inherent distinctiveness is squarely on applicants, not the Office.<sup>331</sup> It also recalled that not every divergence from the usual manner of presenting competing products suffices alone to establish source distinctiveness, ruling that “it is necessary for the divergence to be ‘significant’ and thus immediately apparent to consumers as an indicator of commercial origin . . . .”<sup>332</sup> This interpretation accords with that adopted by English courts which also subscribe to the view that applicants must go beyond merely arguing that differences will be readily apparent to consumers and instead demonstrate that such consumers will treat those differences as indicative of commercial sources.<sup>333</sup> This rigorous application of EU

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<sup>328</sup> Christian Dior Couture, Case R-32/2022-2, European Union Intellectual Property Office Second Board of Appeal [EUIPO], ¶ 19 (Oct. 5, 2022).

<sup>329</sup> *Id.* ¶ 21.

<sup>330</sup> *Id.* ¶ 26.

<sup>331</sup> Case C-238/06 P, *Develey v. OHIM*, 2007 E.C.R. I-9375, ¶ 50 (Oct. 25, 2007).

<sup>332</sup> *Christian Dior Couture*, Case R-32/2022-2, ¶ 24.

<sup>333</sup> *Betafence Ltd v. The Registrar of Trade Marks* [2005] EWHC (Ch) 1353 [25]; *see also* Case T-171/12, *Peri GmbH*, ECLI:EU:T:2014:817, ¶ 44 (Sept. 25, 2014).

distinctiveness sets a very high bar for non-traditional marks.

## 2. Product Packaging Trade Dress

In general, the “departs significantly” criterion makes it as difficult to secure registration of packaging trade dress as EU trademarks as it is for product design trade dress.<sup>334</sup> However, applying the criterion is not always as consistent as one might hope. There are certainly questionable decisions showing a lax application of the criterion’s rules, particularly in the context of trade dress marks for product packaging. One recent example is *Guerlain*, where the EUGC was persuaded by the CJEU’s ruling in *Wajos* in finding that the shape of a lipstick departed significantly from the norm due to its “aesthetic effect,” which was recognizable to consumers and held their attention.<sup>335</sup> In *Wajos*, the CJEU affirmed the EUGC’s questionable decision that the shape of an amphora-like container for a large number of foodstuffs, including liquids in classes 29, 30, 32, and 33, also met the “departs significantly” criterion.<sup>336</sup> The application

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<sup>334</sup> Case C-417/16 P, *August Stork KG v. EUIPO*, ECLI:EU:C:2017:340, ¶¶ 37–38 (May 4, 2017) (unsuccessfully applying to register a figurative mark representing a white and blue square-shaped packaging for chocolate bars); Case C-445/13 P, *Voss of Norway ASA v. OHIM*, ECLI:EU:C:2015:303, ¶¶ 93–94 (May 7, 2015); Case C-531/14 P, *Giorgio Giorgis v. EUIPO*, ECLI:EU:C:2015:547, ¶¶ 27–28 (Sept. 2, 2015) (unsuccessfully applying to register the shape of two packaged goblets for ice cream). One notable exception is *Freixenet*’s application to register the specific method of presenting sparkling wines. *See* Joined Cases C-344/10 P & C-345/10 P, *Freixenet v. OHIM*, ECLI:EU:C:2011:680, ¶¶ 51–52 (Oct. 20, 2011) (successfully registering packaging trade dress mark).

<sup>335</sup> Case T-488/20, *Guerlain v. EUIPO*, ECLI:EU:T:2021:443, ¶¶ 43–44 (July 14, 2021).

<sup>336</sup> Case C-783/18 P, *EUIPO v. Wajos GmbH*, ECLI:EU:C:2019:1073, ¶ 30 (Dec. 12, 2019) [hereinafter *Wajos III*].

concerned a three-dimensional shape of a transparent amphora-like container made from glass.<sup>337</sup> The lower part of the packaging mark was narrower in comparison to the upper part and tapered off towards the bottom into a rounded point, with the upper part separated from the lower narrower part by a slight ridge and the upper part also tapering upwards in the shape of a bottle neck.<sup>338</sup> It was this ridge or bulge in the middle of the container which persuaded the examiner to conclude that the public would regard the overall design as a merely functional (possibly decorative) detail in the sense of enabling the bottle to be fitted into a holder from above and thereby facilitate the storage of its content.<sup>339</sup> According to the Examiner, it is customary for shops selling the recited foodstuffs to be presented and offered to the public in containers of this kind.<sup>340</sup>

The Appeal Board agreed with the Examiner's view, finding that the only striking feature of the amphora-like container which could endow the mark with distinctiveness was the ridge, but this had a technical and functional effect, namely, it was "a supporting ring which makes it easier for amphora-like receptacles to be stood upright and to be stored."<sup>341</sup> For the Board, relevant consumers would appreciate this functional bulge without actually attributing any source significance.<sup>342</sup> Given these salient findings, one struggles to understand why the Board chose to base its refusal on non-distinctiveness rather than technical functionality under Article 7(1)(e)(ii).

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<sup>337</sup> Wajos GmbH, Case R-1526/2016-1, European Union Intellectual Property Office First Board of Appeal [EUIPO], ¶ 11 (Feb 15, 2017).

<sup>338</sup> *Id.*

<sup>339</sup> *Id.* ¶ 3.

<sup>340</sup> *Id.*

<sup>341</sup> *Id.* ¶ 18.

<sup>342</sup> *Id.*

Nonetheless, the applicant's appeal to the EUGC succeeded,<sup>343</sup> which prompted the EUIPO to bring a final appeal against the reversal. The CJEU eventually dismissed the EUIPO's appeal.<sup>344</sup> *Wajos* remains largely ignored in the scholarship despite being a controversial ruling. For instance, the CJEU gave short shrift to the EUIPO's argument that, instead of assessing the alleged significant departure of the packaging mark against the norm or customs of the food sector, the EUGC wrongly based its decision on *another* criterion, namely on whether the packaging mark presented "characteristics which are sufficient" to attract the average consumer's attention.<sup>345</sup> One such characteristic was the bulge in the middle, which according to the EUGC, enabled the container to be "truly specific" and "easy to [memorize]," thereby departing significantly from common bottles in the relevant market.<sup>346</sup> The CJEU accepted that it was questionable for the EUGC to state that "the average consumer [of foodstuffs] is quite capable of perceiving the shape of the packaging of the goods concerned as an indication of their commercial origin, insofar as the shape presents characteristics which are sufficient to hold his attention."<sup>347</sup> Nevertheless, the court noted that the EUGC had gone on to apply the right criterion by stating that "it was necessary to ascertain whether the mark departed significantly from the norms of the sector according to the [case law]."<sup>348</sup>

The EUIPO was also critical of the EUGC's conclusion that the shape of the mark was of "exceptional character" because it departs also from the image of classic

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<sup>343</sup> Case T-313/17, *Wajos GmbH v. EUIPO*, ECLI:EU:T:2018:638, ¶ 42 (Oct. 3, 2018) [hereinafter *Wajos II*].

<sup>344</sup> *Wajos III*, *supra* note 336, ¶ 42.

<sup>345</sup> *Id.* ¶ 12.

<sup>346</sup> *Id.* ¶ 13.

<sup>347</sup> *Id.* ¶ 26.

<sup>348</sup> *Id.*



amphorae, especially owing to the presence of an unusual bulge, which gives it aesthetic value as well.<sup>349</sup> The EUIPO questioned the reliance upon aesthetic value. It also pointed out that a functional feature such as the bulge is not normally indicative of source to consumers.<sup>350</sup> Similarly, failure to define the norm or customs of the sector meant that the EUGC overlooked the fact that amphora-like containers have been used since Antiquity, and the presence or otherwise of “aesthetic value” is irrelevant to distinctiveness assessments.<sup>351</sup> The CJEU disagreed.<sup>352</sup> It found that the EUGC had not applied the wrong criterion but had given detailed reasons for its assessment that the container in question was significantly different from common bottles and amphorae, as they are usually presented on the market concerned.<sup>353</sup> It also found that the EUGC had “implicitly but necessarily” fixed the norm and customs of the sector in the sense that “it is customary not to use a bottle with a significantly curved shaped in the middle or an amphora made from glass.”<sup>354</sup> The EUGC was not required to indicate, in a general and abstract manner, all the standards and customs of the sector concerned; it could lawfully confine itself to the customs of the sector in relation to which the trademark is supposed to depart significantly.<sup>355</sup> Nor could EUIPO’s criticism about the reference to “aesthetic result” and “aesthetic merit” invalidate the EUGC’s conclusion.<sup>356</sup> On the contrary, the CJEU found that the aesthetic aspect of a packaging mark could be taken into account, among other elements, to

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<sup>349</sup> *Id.* ¶ 13.

<sup>350</sup> Wajos III, *supra* note 336, ¶ 20.

<sup>351</sup> *Id.* ¶¶ 16, 20.

<sup>352</sup> *Id.* ¶ 29.

<sup>353</sup> *Id.*

<sup>354</sup> *Id.* ¶ 31.

<sup>355</sup> *Id.*

<sup>356</sup> Wajos III, *supra* note 336, ¶ 32.

establish the divergence with regard to the norm or standards of a sector, “provided that such aesthetic aspect is understood as reflecting the objective and unusual visual effect produced by the specific design of that mark.”<sup>357</sup>

*Wajos* is not without criticism and is likely to remain an isolated decision rather than become a general example about gauging the distinctiveness of product trade dress brands. Firstly, the “exceptional character” finding that enabled the *Wajos* bottle to be considered sufficiently distinctive for registration is difficult to reconcile with the “one of a kind” finding which the CJEU had previously rejected as sufficient to render the *Voss* bottle distinctive for trademark registration.<sup>358</sup> Indeed, the source of this “exceptional character” criterion is the infamous *Vittel* bottle decision in which, contrary to the CJEU’s previous rulings in *Libertel* and *Linde* that owing to the perception of average consumers it might be more difficult in practice to establish distinctiveness for product trade dress marks, the EUGC focused exclusively upon the overall impression of abstract characteristics to conclude that the “truly specific” shape and overall “aesthetic result” was capable of holding consumers’ attention and to enable consumers to distinguish the *Vittel* bottle from those of a different origin.<sup>359</sup> The EUGC made the (wrong) analytical assumption that, because of producer desire in the food and drinks markets to seek in their packaging the means to differentiate their goods from those of competitors and to attract consumer attention, “the average consumer is quite

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<sup>357</sup> *Id.*

<sup>358</sup> See generally *Voss of Norway ASA v. OHIM*, ECLI:EU:C:2015:303 (May 7, 2015).

<sup>359</sup> Case C-104/01, *Libertel Groep BV v. Benelux-Merkenbureau*, 2003 E.C.R. I-3793, ¶ 65 (May 6, 2003); Joined Cases C-53/01 & C-55/01, *Linde AG, Winward Industries Inc. and Rado Uhren AG*, 2003 E.C.R. I-3161, ¶ 48 (Apr. 8, 2003); Case T-305/02, *Nestlé Waters France v. OHIM*, 2003 E.C.R. II-5207, ¶ 41 (Dec. 3, 2003) (regarding the “*Vittel* Bottle”).

capable of perceiving the shape of the packaging of the goods concerned as an indication of their commercial origin, in so far as that shape presents characteristics which are sufficient to hold his attention.”<sup>360</sup>

The same questionable assumption is the basis for the EUGC’s decision in *Wajos* and other older cases involving product shapes and car features.<sup>361</sup> It is wrong because the EUGC’s assumption was subsequently overruled by the CJEU in *Henkel*, where the court established the normative rule that “average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging.”<sup>362</sup> Unless there is concrete evidence of a different practice in the sector for which consumers assume origin on the basis of the appearance of goods, the rule of non-origin-related consumer predisposition applies as the EUGC itself has ruled before.<sup>363</sup> The Vittel bottle decision is also no longer good law insofar as it was arguably overtaken by subsequent EUGC decisions adopting a contrary view of packaging. For instance, in *Deutsche SiSi-Werke* (trade dress for shape of a stand-up pouches) and *Develey* (trade dress for shape of a bottle with lateral hollows), the EUGC rejected the applicants’ claim that

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<sup>360</sup> *Nestlé*, 2003 E.C.R. II-5207, ¶ 34.

<sup>361</sup> *Wajos II*, *supra* note 343, ¶ 26; Case T-393/02, *Henkel KGaA v. OHIH*, 2004 E.C.R. II-4115, ¶ 34 (Nov. 24, 2004) (successfully registering a transparent bottle, the shape of which resembles an upturned pear, for several products including washing-up products.); Case T-128/01, *DaimlerChrysler v. OHIM*, 2003 E.C.R. II-701, ¶ 42 (Mar. 6, 2003) (successfully registering the design of a grille for cars.).

<sup>362</sup> *Henkel*, 2004 E.C.R. II-4115, ¶ 38.

<sup>363</sup> Case T-25/11, *Germans Boada, S.A v. OHIM*, ECLI:EU:T:2013:40, ¶ 39 (Jan. 29, 2013) (regarding the shape of a manual tile-cutting machine); Case T-3271/0, *V. Fraas GmbH v. OHIM*, ECLI:EU:T:2012:437, ¶¶ 62–63 (Sept. 19, 2012) (representing a tartan pattern in black, dark grey, light grey and dark red).

consumers make their choices on the basis of the shape of the packaging rather than labels by holding that “the average consumer will perceive the packaging first and foremost simply as a means of packaging the product for sale.”<sup>364</sup> It even raised the bar by imposing an “immediacy test” in the sense that average consumers will treat the form of packaging as an indication of the product’s commercial origin “only if that form may be perceived immediately as such an indication.”<sup>365</sup> In both cases, the CJEU rejected appeals against this principle.<sup>366</sup>

*Wajos* simply overlooks CJEU’s precedent without justification. In fact, in *Develey*, the applicant before the CJEU specifically cited the Vittel bottle and Henkel’s successful registration of the bottle of an upturned pear as precedent for the existence of consumer predisposition towards packaging—but to no avail.<sup>367</sup> The decisive factor is therefore the perception and presumed expectations of average consumers, not an abstract assessment of characteristics which differ from the standards of the sector.<sup>368</sup>

Secondly, to the extent that the EUGC in the Vittel Bottle case interpreted the terms of Article 7(1)(b) as merely requiring “a minimum degree of distinctive

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<sup>364</sup> Joined Cases T-146/02 & T-153/02, *Deutsche SiSi-Werke v. OHIM*, 2004 E.C.R. II-447, ¶ 38 (Jan. 28, 2004); Case T-129/04, *Develey v. OHIM*, 2006 E.C.R. II-811, ¶ 47 (Mar. 15, 2006).

<sup>365</sup> *Deutsche SiSi-Werke*, 2004 E.C.R. II-447, ¶ 38.

<sup>366</sup> Case C-173/04 P, *Deutsche SiSi-Werke v. OHIM*, 2006 E.C.R. I-551, ¶ 30 (Jan. 12, 2006); Case C-238/06 P, *Develey v OHIM*, 2007 E.C.R. I-9375, ¶¶ 92–93 (Oct. 25, 2007).

<sup>367</sup> *Develey*, 2006 E.C.R. II-811, ¶ 46.

<sup>368</sup> Case T-393/02, *Henkel KGaA v. OHIM*, 2004 E.C.R. II-4115, ¶ 51 (Nov. 24, 2004); *see also* Case C-107/03, *Procter & Gamble Co. v OHIM*, ECLI:EU:C:2004:554, ¶¶ 29–30 (Sept. 23, 2004), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=49528&pageIndex=0&doclang=FR&mode=lst&dir=&occ=first&part=1&cid=7694792> [<https://perma.cc/GPN6-V4UR>] (regarding the shape of a bar of soap).

character,”<sup>369</sup> it is no longer good law. The wording of that provision might suggest that any sign with minimal or a small degree of distinctiveness should be eligible for registration but, as the AG Opinion stated in 2006, “subsequent developments in the [case law] on three-dimensional marks have laid that debate to rest . . . .”<sup>370</sup> The Vittel bottle case does not even apply the “departs significantly” criterion which the CJEU established a year later in its 2004 *Henkel* ruling. Ever since *Henkel* uncovered the “departs significantly” criterion according to which a “simple departure” from the norm is insufficient, the CJEU has systematically rejected attempts to register signs representing mere variants of basic or commonplace shapes, or even truly novel features of signs that do not yet exist on the market.<sup>371</sup> It requires that a non-traditional mark be not only significantly unusual, but also, enable consumers to distinguish product concerned from those of other traders “without conducting an analytical or comparative examination and without paying particular attention.”<sup>372</sup> This is a rigorous requirement that *Wajos* simply overlooked.

Thirdly, the CJEU’s argument that the bulge in the middle of the *Wajos* container is the striking feature that renders the overall impression distinctive, even if it is a functional feature, is hard to reconcile with settled case law. For instance, the EUGC itself refused P&G’s attempt to register the shape of a bar of soap as a trademark because the presence of concave profiles was clearly insufficient

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<sup>369</sup> Case T-305/02, *Nestlé Waters France v. OHIM*, 2003 E.C.R. II-5207, ¶ 42 (Dec. 3, 2003) (regarding the “Vittel Bottle”).

<sup>370</sup> Case C-24/05 P, *August Stork KG v. OHIM*, E.C.R. I-5680, ¶ 47 (Mar. 23, 2006) (AG Opinion).

<sup>371</sup> See generally *Joined Cases C-473/01 P & C-474/01 P, Procter & Gamble Co. v. OHIM*, 2004 E.C.R. I-5173 (Apr. 29, 2004) (regarding novel dish-washing tablets).

<sup>372</sup> *Henkel*, 2004 E.C.R. II-4115, ¶ 53.

insofar as it “represents only one detail in the whole picture as perceived by the consumer, and one which is not capable of changing his overall impression.”<sup>373</sup> It also held that, even assuming that such profiles could hold the consumers’ attention, “convex or concave profiles are features which will be primarily interpreted as a functional feature making the soap easier to grip or as an aesthetic finish.”<sup>374</sup> Consumers do not attribute technical features source significance in order to distinguish soaps of that shape from other soaps. The CJEU agreed, dismissing P&G’s appeal.<sup>375</sup> The CJEU’s *P&G* decision is consistent with previous decisions in which it had endorsed the EUGC’s principle that certain non-traditional signs may serve multiple functions such as technical, decorative, or indication of origin.<sup>376</sup> However, “if the target market perceives the sign as an indication of the trade origin of the goods or services, the fact that it serves several purposes at once has no bearing on its distinctiveness.”<sup>377</sup> Conversely, signs perceived primarily as embodying “a technical means” cannot serve as source-identifiers.<sup>378</sup>

The Vittel bottle case and its progeny are yet to be expressly overruled. In the meantime, *Wajos* represents a Pyrrhic victory for the applicant. On return to the EUIPO,

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<sup>373</sup> Case T-63/01, *Procter & Gamble Co. v. OHIM*, 2002 E.C.R. II-5255, ¶ 44 (Dec. 12, 2002).

<sup>374</sup> *Id.* ¶ 46.

<sup>375</sup> Case C-107/03 P, *Procter & Gamble Co. v. OHIM*, ECLI:EU:C:2004:554, ¶¶ 47–56 (Sept. 23, 2004), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=49528&pageIndex=0&doclang=FR&mode=lst&dir=&occ=first&part=1&cid=7694792> [https://perma.cc/7JJB-VY4K].

<sup>376</sup> Case T-36/01, *Graverbel v. OHIM*, 2002 E.C.R. II-3887, ¶ 24 (Oct. 9, 2002), *aff’d*, Case C-445/02 P, 2004 E.C.R. I-6267 (June 28, 2004).

<sup>377</sup> *Id.*

<sup>378</sup> *Id.* ¶ 26 (representing a design applied to the surface of the goods).

the Second Board of Appeal decided to apply the European functionality objections in Article 7(1)(e) EUTMR, declaring the bottle to comprise a shape which results from the nature of the goods, necessary to achieve a technical result and adds substantial value for nearly all the recited goods.<sup>379</sup> The Board found all the essential characteristics of the bottle necessary to achieve a technical result, namely the long-curved neck facilitates the pouring of the desired quantity, the bulge in the middle enables the content to be conveniently dispensed, and the lower narrower part facilitates stocking the bottle from a holder or a hole on the wall.<sup>380</sup> It also found the shape to contain generic functional characteristics suitable for the sale of goods in bulk, all of which resulted from the nature of the goods themselves and affected consumers' decision to purchase the recited goods in bulk to such an extent that it added substantial value.<sup>381</sup> The Board therefore identified a risk that exclusive registration of the *Wajos* bottle would enable the proprietor "to prevent competitors using similar shapes, in the case of the sale of the recited goods, which would make it difficult for them to pursue a specific business model of retail in bulk."<sup>382</sup>

Functionality, rather than distinctiveness, should have been the ground applicable to the *Wajos* bottle which, according to settled CJEU case law, constitutes "a preliminary obstacle liable to prevent a sign consisting exclusively of the shape of a product from being registrable."<sup>383</sup> However, as I have argued elsewhere, the

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<sup>379</sup> *Wajos GmbH*, Case R-2958/2019-2, European Union Intellectual Property Office Second Board of Appeal [EUIPO], ¶¶ 46–53 (Oct. 21, 2021).

<sup>380</sup> *Id.* ¶¶ 34–39. An appeal is pending before the EUGC. *See* Case T-10/22, *Wajos v EUIPO* (Jan. 7, 2022).

<sup>381</sup> *Id.* ¶ 46–53.

<sup>382</sup> *Id.* ¶ 50.

<sup>383</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 76 (June 18, 2002); Joined Cases C-

EUIPO's excessive reliance upon distinctiveness to the detriment of functionality evaluations constitutes "legacy issues" which "have (wrongly) entrenched the role of distinctiveness as the main safeguard against monopolisation of utilitarian shapes, relegating the more appropriate role of other doctrinal tools such as descriptiveness, customariness, and functionality."<sup>384</sup> These legacy issues still persist, arising from the EUIPO's discretion about which of all the absolute grounds it applies to a proposed mark and from the perceived harshness of a functionality refusal which bars a functional sign from ever being registered.<sup>385</sup> The EU legislator, however, made a clear policy choice that treats functionality as the *ab initio* barrier for non-traditional signs to overcome.

### 3. Store Design Trade Dress

As a matter of principle, it is possible for brand owners to submit an image representing the layout of a retail environment as an EU trademark for retail services. Such applications are treated as "designs," which are expressly listed as a category of registrable signs in EU law.<sup>386</sup> By extension, it should be possible for meta brands operating a retail environment to seek registration for the look and feel of their outlets in the metaverse. In *Apple*, the

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53/01 & C-55/01, Linde AG, Winward Industries Inc. and Rado Uhren AG, 2003 E.C.R. I-3161, ¶ 44 (Apr. 8, 2003).; *see also* Case C-215/14, Société des Produits Nestlé SA v. Cadbury UK, ECLI:EU:C:2015:604, ¶¶ 38–40 (Sept. 16, 2015) ("In the context of an application for registration of a sign consisting exclusively of the shape of goods, it must first be ascertained that there is no obstacle under Article 3(1)(e) of Directive 2008/95 [an equivalent provision to Article 7(1)(e) EUTMR] which may preclude registration, before going on to analyse, as appropriate, whether the sign at issue might have acquired a distinctive character . . .").

<sup>384</sup> Ramírez-Montes, *supra* note 194, at 287.

<sup>385</sup> *Id.* at 311–12.

<sup>386</sup> Case C-421/13, *Apple Inc v. DPUM*, ECLI:EU:C:2014:2070, ¶ 18 (July 10, 2014).



CJEU ruled that EU law did not require the applicant of a design mark representing the layout of a retail outlet to specify the size or proportions of the depicted store.<sup>387</sup> The mark at issue was a figurative representation of Apple’s iconic flagship store.<sup>388</sup> According to the CJEU, such a representation which depicts the layout of a retail store “by means of an integral collection of lines, curves and shapes, may constitute a [trademark] provided that it is capable of distinguishing the products or services of one undertaking from those of other undertakings.”<sup>389</sup> Store designs are thus a type of “collective” sign (or “composite” signs, as case law suggests) arguably comprising a combination of several separate objects. Moreover, the court held that it could not be excluded that store design might be inherently capable of distinguishing the recited services and agreed that this *could*—not necessarily that it *must*—be the case “when the depicted layout departs significantly from the norm or customs of the sector.”<sup>390</sup> It recalled that the distinctiveness assessment for store design marks are the same as with other marks, which requires an examination *in concreto* considering the nature of the recited goods/services and the perception of the average consumers.<sup>391</sup>

In *Apple*, the CJEU specifically mentioned the possibility of a store design mark being non-distinctive, for example, because it is descriptive of the characteristics of the recited goods or services.<sup>392</sup> It also advised the competent authority to check whether such a mark may give rise to any other obstacle listed as an absolute ground

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<sup>387</sup> *Id.* ¶ 19.

<sup>388</sup> *Id.* ¶¶ 8–10.

<sup>389</sup> *Id.*

<sup>390</sup> *Id.* ¶ 20.

<sup>391</sup> *Id.* ¶¶ 22–23.

<sup>392</sup> Case C-421/13, *Apple Inc v. DPUM*, ECLI:EU:C:2014:2070, ¶ 23 (July 10, 2014).

for refusal.<sup>393</sup> The court, however, expressly excluded refusing registration of a store design mark on functionality grounds based upon former Article 3(1)(e), which became Article 4(1)(e) in the recast Directive and is equivalent to Article 7(1)(e) of the EUTMR, which covers only signs consisting of the shape of “goods,” not services.<sup>394</sup> It therefore adopted a literal, under-inclusive interpretation of the EU functionality doctrine. This is at odds with the CJEU’s own definition of a store design mark as an integral collection of “shapes,” some of which may concern artefacts associated with the provision of the services for which registration is sought.<sup>395</sup> This is not, however, the only problematic aspect of *Apple*. Although the ruling expressly referenced the “departs significantly” criterion citing also by analogy the case law on shape-of-product marks, the court failed to reference the second normative element of that criterion, namely “and thereby [a significantly unusual sign] is capable of fulfilling the essential source-distinguishing function” of a trademark.<sup>396</sup>

Recall that, in the case of product trade dress marks, the nature of the sign affects the perception of average consumers to such an extent that the law assumes they are not in the habit of choosing products on the basis of their appearance alone.<sup>397</sup> By analogy, such consumers have no predisposition to choosing “services” on the basis of the visual look of the sales outlet supplying them. This interpretation militates against applicants’ pleas for a more favorable and generous distinctiveness assessment of colors as applied to service marks insofar as “services,” which are by their nature colorless, would be perceived by average

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<sup>393</sup> *Id.*

<sup>394</sup> *Id.* ¶ 24.

<sup>395</sup> *Id.* ¶ 19.

<sup>396</sup> *Id.* ¶ 20.

<sup>397</sup> Case C-445/13 P, *Voss of Norway ASA v. OHIM*, ECLI:EU:C:2015:303, ¶ 90 (May 7, 2015).

consumers differently from the way they perceive colors for goods.<sup>398</sup> The CJEU has already rejected such preferential treatment of services, finding no basis in EU law for a distinction between marks for goods and marks for services.<sup>399</sup> Therefore, the EU normative rule about non origin-related consumer predisposition to the shape or design of a store means that EU courts should be exceedingly slow in finding the décor of a sales outlet inherently distinctive and eligible for registration without prior market use.

As I have argued elsewhere, just as product trade dress marks comprise a number of presentational features such as their shape or packaging, services *also* possess presentational features which must be considered when assessing their inherent capacity to indicate commercial source.<sup>400</sup> *Apple* defined store designs as “an integral collection of shapes,” which suggests a combination of material artefacts associated with the rendering of the service in question that forms part of the depicted mark. AG Szpunar in his Opinion in *Hauck* advocated, in passing, the application of EU functionality in the case of “signs which are perceived by consumers merely as a collection of different shapes.”<sup>401</sup> He called them “collective” signs and described them as “signs which are a combination of several separate objects,” for instance signs depicting a petrol station or the décor of a retail outlet.<sup>402</sup> According to AG Szpunar, collective signs depicting décor of retail environments “do not therefore represent the shape of the goods but rather a physical reflection of the circumstances

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<sup>398</sup> Case C-45/11 P, *Deutsche Bahn v. OHIM*, ECLI:EU:C:2011:808, ¶ 31 (Dec. 7, 2011).

<sup>399</sup> *Id.* ¶ 43.

<sup>400</sup> Ramírez-Montes, *supra* note 1, at 108.

<sup>401</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 107 (May 14, 2014) (AG Opinion).

<sup>402</sup> *Id.*

in which a service is provided.”<sup>403</sup> The AG’s view appears persuasive and correct. It suggests that presentational features of a service constitute “a physical reflection of the circumstances in which a service is provided.” In that case, the collective sign must be treated as “indistinguishable” from the appearance of the designated services “as required by the *Henkel* line of reasoning which means that, under the empirical rule, tribunals cannot assume the perception of the average consumer remains the same as with word/figurative marks.”<sup>404</sup>

Moreover, the AG’s view is consistent with the CJEU’s own case law regarding color combination marks for services in which the court has held that “services are immaterial and their provision as well as their [commercialization] entails the use of material means which necessarily have a [color].”<sup>405</sup> In *Deutsch Bahn*, the CJEU supported the EUGC’s focus on the material means employed in the provision of the designated railway services and the specific circumstances in which average consumers would encounter the color combination concerned in order to find that the trade dress mark, consisting of a horizontal red stripe within a color grey background, was non-inherently distinctive.<sup>406</sup> Individually, grey is generally used for train coaches while red is used to warn rail users about danger.<sup>407</sup> It is also commonplace for a red horizontal stripe on the lower side of train coaches to serve the technical function of warning passengers about the gap between a moving train and the platform. In combination, both colors are also traditionally used in rail traffic equipment such as warning signs and

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<sup>403</sup> *Id.*

<sup>404</sup> Ramírez-Montes, *supra* note 1, at 116–122.

<sup>405</sup> Case C-45/11 P, *Deutsche Bahn v. OHIM*, ECLI:EU:C:2011:808, ¶ 40 (Dec. 7, 2011).

<sup>406</sup> *Id.* ¶ 49.

<sup>407</sup> *Id.*

level crossing barriers.<sup>408</sup> Average consumers encountering the proposed color combination on platforms and railway stations would thus perceive it as performing a utilitarian or decorative function, not as a source-identifier.<sup>409</sup> In the case of store design marks, it therefore accords with case law to focus on both the physical means associated with providing the designated services *and* the specific circumstances in which they are provided for consumers. In the wake of *Apple*, the Boards of Appeal at the EUIPO adopted this methodology in their distinctiveness assessments of store design marks, all which resulted in refusals for non-inherently distinctiveness.<sup>410</sup>

For all the buzz among commentators about *Apple* reflecting new consumer experiences promoted by modern franchising,<sup>411</sup> the CJEU in that ruling did not articulate the specific conditions under which the requirement for a significant departure from the norm must be applied in respect of a mark designating a service.<sup>412</sup> The central question in the case of store design marks is whether average consumers will perceive the mark alone, as opposed to any other mark which may be present, as identifying exclusively the origin of the designated services from a particular company, immediately and without undertaking a detailed examination or a comparative study

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<sup>408</sup> *See id.*

<sup>409</sup> *Id.*

<sup>410</sup> For a detailed examination of all these applications, see Ramírez-Montes, *supra* note 1, at 116–121.

<sup>411</sup> Nina Dorenbosch, *Protecting Your Shop Interior: What are the Options?*, 12 EUR. INTEL. PROP. REV. 828, 828 (2020); Cheuk Fai James Kwong, *Should The Registration of Trade Marks for Store Layouts Be Welcomed in the European Union?*, 3 J. INTEL. PROP. L. & PRAC. 212, 212 (2018).

<sup>412</sup> Case C-456/19, *Aktiebolaget Östgötatrafiken v. Patent- och registreringsverket*, ECLI:EU:C:2020:813, ¶ 24 (Oct. 8, 2020).

of the market.<sup>413</sup> Several problems quickly arise for marks depicting the layout of a sales outlet. Firstly, market reality shows that such marks are seldom used as the sole means of identifying the origin of a particular shop.<sup>414</sup> Consumers encounter shops and retail environments bearing traditional logos, graphics or verbal signs mounted on the main entrance. Although in principle a sign which is used in association with or as part of another mark may still be protected independently, it is important that consumers perceive the goods or services, designated exclusively by the mark applied-for, as originating from a given undertaking.<sup>415</sup>

Another difficulty is that, on first impression, average consumers are more likely to assume that the objects and circumstances in which a service like that of Apple's retail outlet is provided are primarily chosen for functional or aesthetic considerations, or both.<sup>416</sup> However, consumers may not necessarily assume that they are chosen for the purpose of designating a particular commercial origin.<sup>417</sup> Primarily functional spaces of retail outlets are unlikely to be considered source distinctive to support trademark registration.<sup>418</sup> Business get-up marks are also

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<sup>413</sup> Case C-215/14, *Société de Produits Nestlé SA v. Cadbury UK Ltd*, ECLI:EU:C:2015:395, ¶ 66 (Sept. 16, 2015).

<sup>414</sup> *See* Ramírez-Montes, *supra* note 1, at 111.

<sup>415</sup> *Nestlé*, ECLI:EU:C:2015:395, ¶ 64.

<sup>416</sup> Ramírez-Montes, *supra* note 1, at 108.

<sup>417</sup> *Id.*

<sup>418</sup> Just as primarily functional color combinations cannot guarantee the origin of the designated services, the same goes for functional product design. *See* Case C-45/11 P, *Deutsche Bahn v. OHIM*, ECLI:EU:C:2011:808, ¶ 60 (Dec. 7, 2011); Case C-107/03 P, *Procter & Gamble Co. v. OHIM*, ECLI:EU:C:2004:554, ¶¶ 47–56 (Sept. 23, 2004), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=49528&pageIndex=0&doclang=FR&mode=lst&dir=&occ=first&part=1&cid=7694792> [<https://perma.cc/7JJB-VY4K>]; Case T-36/01, *Graverbel v. OHIM*, 2002 E.C.R. II-3887, ¶ 24 (Oct. 9, 2002), *aff'd*, Case C-445/02 P, 2004 E.C.R. I-6267 (June 28, 2004).

capable of “displaying obvious spatial layout characteristics or characteristics associated with the arrangement for promoting particular goods or services.”<sup>419</sup> They can be descriptive of the nature or intended purpose of the designated services or goods. The sleek layout of a retail outlet which is painted green may have, in the eyes of average consumers, a strong relationship with the nature of the goods or services offered, namely it may primarily convey freshness or environmentally-friendly messages for environmentally conscious consumers.<sup>420</sup> Under EU law, such a descriptiveness finding militates against reservation for one trader in the light of the general public aim about preserving the present or future need of descriptive business get-up to be free for all competitors.<sup>421</sup> In the case of a descriptiveness objection, the Office must consider the interests of competitors by ascertaining whether a collective sign representing the décor of a sales outlet is “capable of being used by other economic operators to designate a characteristic of their goods and services.”<sup>422</sup> These consumer assumptions of the real world are likely to be transferrable to the virtual stores and business environments in the metaverse, which will make it significantly difficult for applicants.

Nearly a decade after the CJEU’s novel expansion of EU law into protection of store design and business décor as trademarks, applicants have had little success in persuading the EUIPO about the inherent capacity of such non-conventional signs to serve as reliable

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<sup>419</sup> Ramírez-Montes, *supra* note 1, at 123.

<sup>420</sup> Rewe Markt GmbH, Case R-2224/2015-1, European Union Intellectual Property Office First Board of Appeal [EUIPO], ¶ 24 (Feb. 26, 2016) [hereinafter Rewe I]; Rewe Markt GmbH, Case R-2225/2015-1, European Union Intellectual Property Office First Board of Appeal [EUIPO], ¶ 24 (Sept. 15, 2016) [hereinafter Rewe II].

<sup>421</sup> Case C-191/01 P, OHIM v. Wm Wrigley Jr. Co., 2003 E.C.R. I-12447, ¶ 31 (Oct. 23, 2003) (regarding Doublemint gum).

<sup>422</sup> *Id.* ¶ 35.

source-identifiers in consumer purchasing decisions.<sup>423</sup> Two recent cases involving the visual appearance of petrol stations are cases in point. In the most recent decision of the long running saga between Orlen and the EUIPO,<sup>424</sup> the Board of Appeal confirmed the refusal to register a figurative mark consisting of the visual appearance of a petrol station (featuring two fuel dispensers and two poles on each side bearing a roof with grey corners and the rest of the side painted red) for a wide range of services in classes 35, 37 and 43.<sup>425</sup> The representation was simple and uncluttered, depicting a customary design of a petrol station. The Board observed that the layout and décor of sales outlet “are not *prima facie* perceived as [trademarks], unless that arrangement is significantly at odds with the norm or customs of the economic sector concerned.”<sup>426</sup> Reasoning by analogy to case law on product design, it recalled that “average consumers do not normally distinguish between goods and services on the basis of their place where they are offered or on the basis of the

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<sup>423</sup> EU applicants have, however, persuaded some European courts to grant other form of IP protection such as copyright for their store layout and design. See Paola Stefanelli, *Copyright’s Revenge on Designs: Italian Supreme Court Applies CJEU Cofemel Ruling*, TRADEMARK WORLD (Sept. 23, 2020), <https://www.worldtrademarkreview.com/article/copyrights-revenge-designs-italian-supreme-court-applies-cjeu-cofemel-ruling> [<https://perma.cc/F75P-BC33>].

<sup>424</sup> The application has thus far given rise to three refusals by the EUIPO and a decision by the EUGC. See generally Orlen SA, Case R-2249/2014-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 29 (Apr. 2, 2015) [hereinafter Orlen I]; Joint Cases T-339/15 and T-343/15, Orlen SA v. EUIPO, ECLI:EU:T:2018:192 (Apr. 16, 2018) [hereinafter Orlen II]; Orlen SA, Case R-1755/2018-1, European Union Intellectual Property Office First Board of Appeal [EUIPO] (July 25, 2019) [hereinafter Orlen III].

<sup>425</sup> Polski Concern Naftowy Orlen SA, Case R-2409/2020-2, European Union Intellectual Property Office Second Board of Appeal [EUIPO], ¶ 32 (Sept. 22, 2021) [hereinafter Orlen IV].

<sup>426</sup> *Id.* ¶ 34.



circumstances of the sale.”<sup>427</sup> This interpretation accords with the settled normative presumption of non origin-related consumer predisposition. It analyzed separately the geometrical elements, the combination of colors used, and the overall shape of the layout mark.<sup>428</sup> Agreeing with the Examiner, the Board found that Orlen’s design mark “corresponds to the typical appearance of a petrol station” and fails to depart significantly from the norm.<sup>429</sup>

Crucially, the Board in *Orlen* found that most of the spatial elements of the mark and their specific spatial distribution appeared to be dictated by technical and functional considerations, to which passengers and drivers will attribute no source significance.<sup>430</sup> The same reasoning led the Fifth Board of Appeal to refuse another registration for figurative sign depicting a petrol station canopy and the columns under the canopy, bearing the color combination grey and yellow.<sup>431</sup> The layout mark was claimed for services in Classes 35 and 37.<sup>432</sup> Applicant Philips 66 claimed that the color combination gave the canopy and its shape the impression of a “levitating roof” at night.<sup>433</sup> Applying the “departs significantly” criterion including the normative presumption of non origin-related consumer predisposition, the Fifth Board agreed with the examiner that average consumer would perceive the color combination as a mere variant of color combinations that can be used for petrol stations and the shape of the canopy as a variant of

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<sup>427</sup> *Id.* ¶ 59.

<sup>428</sup> *Id.* ¶ 46.

<sup>429</sup> *Id.* ¶ 83.

<sup>430</sup> *Id.* ¶ 79.

<sup>431</sup> Philips 66 Co., Case R-865/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 27 (Oct. 21, 2021).

<sup>432</sup> *Id.* ¶ 1.

<sup>433</sup> *Id.* ¶ 40.

representations commonly used in this sector.<sup>434</sup> It accordingly found that the layout mark failed to depart significantly from the norms. Insofar as the mark was clearly associated with a petrol station,<sup>435</sup> its representation could also be descriptive of the services. Crucially, the Board also found that the spatial elements of the design would appear to consumers as utilitarian in the sense that “the first benefit and main purpose of a petrol station’s canopy is to protect costumers from the weather and create a feeling of security.”<sup>436</sup> Functionality therefore plays a significant role in distinctiveness assessments, even if the *Apple* decision formally excluded the application of Article 7(1)(e).<sup>437</sup>

### III. EU FUNCTIONALITY DOCTRINE

#### A. *EU Functionality-based Exclusions*

Meta brands in the form of trade dress, which include such product features as color, color combinations, sounds, multimedia, holograms, and product design, are likely to face broad functionality-based objections under EU law. As noted above, in the wake of the 2017 trade mark law reform, the scope of the so-called EU functionality doctrine is no longer limited to functional shapes; it expanded significantly to cover also any other “characteristic” of the goods which is purely natural, technical or value-adding.<sup>438</sup> Given the enlargement of the concept of an EU trademark in 2017, the EU legislator

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<sup>434</sup> *Id.* ¶¶ 44, 67.

<sup>435</sup> *Id.* ¶ 95.

<sup>436</sup> *Id.* ¶ 64.

<sup>437</sup> Philips 66 Co., Case R-865/2021-5, European Union Intellectual Property Office Fifth Board of Appeal [EUIPO], ¶ 67 (Oct. 21, 2021).

<sup>438</sup> Council Regulation 2017/1001, art. 7(1)(e), 2017 O.J. (L 154) 1, 8 (EU).

rightly considered it appropriate to expand also the competition-enhancing role of functionality by prohibiting the registration of any functional subject-matter, even relating to non-shape product features.<sup>439</sup> “Functional features [confer] utilitarian advantages that consumers are likely to seek in the products of competitors.”<sup>440</sup> Reserving functional signs to a single trader results in an undue advantage, unconnected with source-related reputation, which unduly reduces rather than enhances product market competition.<sup>441</sup> EU law bars permanently the registration of any sign that is found to be purely functional even in the presence of acquired distinctiveness or likelihood of consumer confusion.<sup>442</sup> EU functionality thus assumes that “certain shapes or product features are so important for the absolute freedom of all traders to compete that they must remain in the public domain and unencumbered by exclusive rights.”<sup>443</sup>

Article 7(1)(e) of the EUTMR envisages three cases in which subject-matter cannot be registered for being purely functional, namely signs which consists exclusively of the shape or another characteristic that (i) results from the nature of the goods (natural signs), (ii) is necessary to achieve a technical result (technical signs), or (iii) adds

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<sup>439</sup> *Id.*

<sup>440</sup> César J. Ramírez-Montes, *Louboutin Heels and the Competition Goals of EU Trade Mark Law*, 19 UIC REV. INTELL. PROP. L. 38, 42 (2019).

<sup>441</sup> *Id.*

<sup>442</sup> See Case C-48/09, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403, ¶ 47 (Sept. 14, 2010) (standing for the proposition that Article 7(3) of the EUTMR allows for the registration of non-distinctive, descriptive, or customary signs upon evidence of acquired distinctiveness following market use. This exception does not include functional signs caught by Article 7(1)(e)).

<sup>443</sup> Ramírez-Montes, *supra* note 440, at 39.

substantial value to the goods (aesthetic signs).<sup>444</sup> These sub-grounds operate independently of each other and cannot apply in combination to the same sign unless “any one of those grounds fully applies to that sign.”<sup>445</sup> Trade dress cannot therefore be refused protection because some portions are purely aesthetic while others are purely technical.<sup>446</sup> Just as with the other refusal grounds in Article 7, the CJEU has explained the functionality-based exclusions by articulating the public interest aim pursued by sub-section (1)(e).<sup>447</sup> This public interest aim goes beyond merely separating trademark protection from subject-matter protected by other time-limited IP rights. The CJEU has explained that the common rationale of the functionality-based exclusions is “to prevent trademark protection granting its proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors.”<sup>448</sup> The ground pursues a general public interest which ensures that those essential functional characteristics “may be freely used by all.”<sup>449</sup> This is the competition rationale that percolates the whole provision.<sup>450</sup>

Scholars reviewing the case law also identify a demarcation rationale, which “seeks to strictly delineate the

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<sup>444</sup> Council Regulation 2017/1001, art. 7, 2017 O.J. (L 154) 1, 8 (EU).

<sup>445</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 41 (Sept. 18, 2014).

<sup>446</sup> See generally Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, ECLI:EU:C:2015:604 (Sept. 16, 2015).

<sup>447</sup> *Hauck*, ECLI:EU:C:2014:2233, ¶ 18.

<sup>448</sup> *Id.* (further stating that the court interpreted ex-Article 3(1)(e), which has now become Article 4(1)(e) TMD recast, and which is equivalent to Article 7(1)(e) of the EUTMR).

<sup>449</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 80 (June 18, 2002).

<sup>450</sup> Uma Suthersanen & Marc Mimler, *An Autonomous EU Functionality Doctrine for Shape Exclusions*, 6 GRUR INT’L 567, 572 (2020).

different intellectual property rights.”<sup>451</sup> Indeed, CJEU’s case law explains that the immediate aim of excluding purely technical signs is the same as that of excluding purely aesthetic signs, namely “to prevent the exclusive and permanent right which a trademark confers from serving to extend indefinitely the life of other rights which the EU legislature has sought to make subject to limited periods.”<sup>452</sup> The court therefore frames the scope of the EU functionality provision in terms of protecting competition and access for competitors as its general purpose.

While case law also confirms that non-functionality does not prohibit cumulation *per se*,<sup>453</sup> it remains a useful reminder for tribunals of trademark law’s “evergreening potential” regarding shapes protected by other time-limited IP rights.<sup>454</sup> Indeed, EU law does not prevent coexistence of different forms of IP protection.<sup>455</sup> On the contrary, a shape-of-product sign which already enjoys registered design protection or consists of an ornamental item cannot automatically be refused trademark registration for that reason.<sup>456</sup>

## 1. Natural Signs

Prior to the CJEU’s ruling in *Hauck*, the precise meaning and normative content of “signs which result

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<sup>451</sup> *Id.* at 571 (observing that cases do not always apply this demarcation rationale consistently).

<sup>452</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 19 (Sept. 18, 2014); *see also* Case C-237/19, *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v. Szellemi Tulajdon Nemzeti Hivatala*, ECLI:EU:C:2020:296, ¶ 50 (Apr. 23, 2020).

<sup>453</sup> *Gömböc*, ECLI:EU:C:2020:296, ¶ 53.

<sup>454</sup> *Suthersanen & Mimler*, *supra* note 450, at 571.

<sup>455</sup> Directive 98/71/EC, of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, 1998 O.J. (L 289) 28, 33; *see also Gömböc*, ECLI:EU:C:2020:296, ¶ 51; Case C-683/17, *Cofemel v. G-Star*, ECLI:EU:C:2019:721, ¶ 47 (Sept. 12, 2019).

<sup>456</sup> *Gömböc*, ECLI:EU:C:2020:296, ¶ 53.

exclusively from the nature of the goods” was for all intents and purposes unknown. Isolated EUIPO decisions described it as prohibiting “unavoidable shape” marks in the sense of excluding “the shape which results from the nature of the goods themselves and without which those goods would not exist.”<sup>457</sup> Unavoidable shapes meant the “the shape of natural goods or those that have now become standardized in trade and in consumer opinion.”<sup>458</sup> In other words, these are shapes created by nature or standardized by law. For commentators, the banning of natural shapes of the goods themselves was initially understood to constitute “the purest example of the principle that trademark protection shall not be used to foreclose competition on specific markets.”<sup>459</sup> It was thus interpreted as precluding protection only if there was evidence of no other shapes available for products of the same species, namely applications for an oval shape designating balls or the shape of a banana for bananas.<sup>460</sup> However, in the wake of *Hauk*, it has become clear that the normative content of this criterion is much broader.

*Hauk* concerned a registered shape mark representing a children’s high chair called the “Tripp-Trapp” chair, which from its initial marketing won several prizes and enjoyed copyright protection artistic original work.<sup>461</sup> The chair consists of sloping uprights, to which

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<sup>457</sup> Salvatore Ferragamo Italia, Case R-272/1999-3, Office for Harmonization in the Internal Market Third Board of Appeal, ¶ 24 (May 3, 2000); Salvatore Ferragamo Italia, Case R-395/1999-3, Office for Harmonization in the Internal Market Third Board of Appeal, ¶ 24 (May 3, 2000).

<sup>458</sup> *Id.*

<sup>459</sup> ANNETTE KUR & MARTIN SENFTLEBEN, EUROPEAN TRADE MARK LAW: A COMMENTARY 163 (2017).

<sup>460</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 46 (May 14, 2014) (AG Opinion).

<sup>461</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 5 (Sept. 18, 2014).

all elements of the chair are attached, and of an L-shaped frame of uprights and gliders which give it a high level of originality.<sup>462</sup> In an infringement action, defendant Hauck counterclaimed raising functionality as an invalidity ground.<sup>463</sup> During the infringement proceedings, the national court found the Tripp Trapp chair to be a blended shape in the sense that its attractive appearance embodied several characteristics, some of which represented significant aesthetic value and some of which were “determined by the very nature of the product—a safe, comfortable, reliable children’s chair.”<sup>464</sup> In its reply to several referred questions, the CJEU ruled that the natural signs criterion is not limited to shapes that are indispensable to the function of the goods but “may [also] apply to a sign which consists exclusively of the shape of a product with one or more essential characteristics which are inherent to the generic function or functions of that product and which consumers may be looking for in the products of competitors.”<sup>465</sup> The court wrote that the three functionality exclusions share the same unifying rationale, namely to keep in the public domain essential characteristics of products which are reflected in their shape and which rivals need to compete effectively.<sup>466</sup> EU functionality doctrine is therefore largely underpinned by the same competition concerns as US functionality.<sup>467</sup>

*Hauck* clarified that the natural signs exclusion covers three situations: a) “natural” products which have no

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<sup>462</sup> *Id.*

<sup>463</sup> *Id.* ¶ 9.

<sup>464</sup> *Id.* ¶ 12.

<sup>465</sup> *Id.* ¶ 27.

<sup>466</sup> *Id.* ¶ 20 (citing Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 51 (May 14, 2014) (AG Opinion)).

<sup>467</sup> *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 339 (7th Cir. 1985) (stating that the characteristic oval shape of an American football may be functional for the same reasons, i.e. it would be found in all or most brands of the product).

substitute, i.e. the shape of a banana for bananas; b) “regulated” products which are prescribed by legal standards, i.e. a rugby ball, and c) “generic” designs, that is, “shapes with essential characteristics which are inherent to the generic function or functions of such goods . . . .”<sup>468</sup> The CJEU’s reasoning follows very closely the Opinion of the AG, who took the view that the natural signs criterion cannot be limited to standard shapes or shapes which are determined by regulation.<sup>469</sup> According to the AG, such a regulated shape of the goods is likely to be non-distinctive which would fail under the non-distinctiveness ground, and it cannot have been the intention of the legislator to duplicate the same exclusionary ground.<sup>470</sup> Some commentators are critical of the court’s broad interpretation. They complain that it raises the question of how the first criterion (natural signs) relates to the second criterion (signs necessary to achieve a technical result).<sup>471</sup> This allegedly causes particular uncertainty because the generic function(s) that consumers expect the shape of the branded product to perform comes very close to the normative content of the shape whose essential functional characteristics are all linked to a technical solution that consumers may look for in the products of competitors. Their second complaint is that *Hauck* blurs the distinction between shapes that are merely non-distinctive (for which protection may be temporarily denied until a showing of secondary meaning) and those that may fall under the criterion’s scope (for which protection is denied indefinitely).<sup>472</sup> As discussed above, non-inherently distinctive signs are excluded if they fail to depart significantly from the norm or customs of the sector.

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<sup>468</sup> *Hauck*, ECLI:EU:C:2014:322, ¶ 46 (AG Opinion).

<sup>469</sup> *Id.* ¶ 51.

<sup>470</sup> *Id.*

<sup>471</sup> KUR & SENFTLEBEN, *supra* note 459.

<sup>472</sup> *Id.* at 164.



However, according to these critics, “shapes conforming to the norms and customs of the sector are exactly those that consumers will be looking for in the products of competitors.”<sup>473</sup> Consequently, the borderline between permanent and (potentially) temporary exclusions is blurred.

These criticisms are problematic for several reasons. Firstly, the absolute grounds for refusing registration share a high degree of internal overlap,<sup>474</sup> which reflects the wider function of trademark law to protect the marketplace in several ways. For instance, if a shape mark is descriptive of the artefact, not only does it infringe descriptiveness in Article 7(1)(c) but may also infringe the natural signs criterion in Article 7(1)(e)(i).<sup>475</sup> Similarly, shape-of-product marks that are necessary to achieve a technical result under 7(1)(e)(ii) may also be excluded on the basis that they indicate the purpose of the goods (descriptive), are generic (customary) and/or cannot function as source-identifiers for consumers (non-distinctive).<sup>476</sup> Secondly, the absolute grounds for refusal are broadly divided into two categories, namely those that view non-registrability from the perspective of average consumers (general distinctiveness criterion) and those that protect market competition by keeping certain signs free in

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<sup>473</sup> *Id.* (internal quotations omitted).

<sup>474</sup> Case C-51/10 P, *Agencja Wydawnicza Technopol sp. z o.o. v. OHIM*, ECLI:EU:C:2011:139, ¶ 47 (Mar. 10, 2011); Postkantoor, *supra* note 147, ¶ 67.

<sup>475</sup> Uma Suthersanen, *The European Court of Justice in Philips v Remington—Trade Marks and Market Freedom*, INTELL. PROP. Q. no. 3, 2003, at 257, 275–76 (“Art. 3(1)(e) and the distinctiveness criterion are two facets which combine to ensure the proper functioning of the marketplace by excluding shapes which, if protected, would ‘function’ physically and/or conceptually to narrow the choices available to other market traders.”).

<sup>476</sup> Case C-218/01, *Henkel KGaA v. Deutsches Patent- und Markenamt*, 2004 E.C.R. I-1737, ¶ 39 (Feb. 12, 2004).

the public domain because their permanent registration may affect the ability of others to offer competing products (functionality criteria).<sup>477</sup> The latter grounds require an objective assessment, for which consumer perception is not decisive but, at most, may be one factor amongst many others.<sup>478</sup> In contrast, the perception of the target consumers is taken as a basis for assessing the significant departure of the shape mark, and whether, by way of a prognosis decision, the shape or design claimed as a mark correlates to what consumers would expect the designated goods to take.<sup>479</sup> There are therefore different assessment criteria at play. Thirdly, whilst it is true that the broader interpretation endorsed in *Hauck* focuses upon the practical generic function(s) of the goods, this is not the same as the “technical effect” required for utilitarian shapes.<sup>480</sup> Indeed, in his “instructive” opinion, the AG stressed that certain generic characteristics of a shape may have a particularly significant effect upon the function of a product.<sup>481</sup> Thus, “[t]hey can also be characteristics of a shape which are difficult to identify as necessary to obtain a ‘technical effect’ within the meaning of the second indent” of Article 7(1)(e)(ii).<sup>482</sup> This is a central distinction often overlooked in opinions, suggesting that *Hauck*’s interpretation creates

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<sup>477</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 5 (Sept. 18, 2014) (citing Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403, ¶ 75 (Sept. 14, 2010), and Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 88 (May 14, 2014) (AG Opinion)).

<sup>478</sup> *Id.* ¶¶ 34–35.

<sup>479</sup> *Henkel*, 2004 E.C.R. I-1737, ¶ 51.

<sup>480</sup> LIONEL BENTLY ET AL., *INTELLECTUAL PROPERTY LAW* 964 (5<sup>th</sup> ed. 2018).

<sup>481</sup> *Id.*

<sup>482</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 56 (May 14, 2014) (AG Opinion).

an overlap in which the first exclusionary criterion arguably contains a much broader concept than the second.<sup>483</sup>

Generic characteristics substantially affecting the function of the product concerned are also features which consumers are likely to seek in competitors' products. Echoing an economic effects assessment, the AG opinion highlighted that "they are features of a shape for which there is no equally good substitute," and their monopolization by a single trader "would make it difficult for competing undertakings to give the goods a shape which was equally suitable for use."<sup>484</sup> The CJEU agreed, evoking the criterion's public interest aim in preventing the trademark proprietor in obtaining an undue advantage.<sup>485</sup> It is unclear why the potential for an overlap between the natural signs criterion and the non-distinctiveness ground should cause academic concerns. After all, when several of the absolute grounds for refusal may apply, it is mandatory to undertake *a priori* functionality assessment of the proposed trade dress mark.<sup>486</sup> Indeed, functionality *is* a preliminary obstacle to the registration of all shapes or product features, despite its position within the legislation. Once there is a functionality finding, there is no need to further consider the potential for source-identifying

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<sup>483</sup> Anton Quaedvlieg, *Shapes With a Technical Function: An Ever-Expanding Exclusion?*, 17 ERA F. 101, 115 (2016) (arguing that the generic function criterion underpinning the CJEU's interpretation of the natural shapes exclusion could have a far broader reach than the technical necessity exclusion itself); KUR & SENFTLEBEN, *supra* note 459, at 164.

<sup>484</sup> Hauck, ECLI:EU:C:2014:322, ¶¶ 57–58 (AG Opinion).

<sup>485</sup> *Id.* ¶ 58.

<sup>486</sup> Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶ 76 (June 18, 2002).

potential since functional shapes can never be saved by demonstrating source significance.<sup>487</sup>

Notwithstanding the CJEU's decision, it is unclear if the natural signs criterion is consistently being applied post-*Hauck*. Indeed, some question whether the court's articulation has in fact resulted in "a useful guideline on which courts and offices can base their decision."<sup>488</sup> These critics refer to *Nestlé SA v. Cadbury* (shape of the Kit-Kat four-fingered chocolate bar)<sup>489</sup> and *Best-Lock (Europe) v. Lego Juris A/S* (shape of the little Lego man or "manikins")<sup>490</sup> as examples in which, had the *Hauck* criteria for excluding natural shapes been properly applied, different results might have been reached.<sup>491</sup> Indeed, it is

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<sup>487</sup> See Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, ECLI:EU:C:2015:604, ¶¶ 38–40 (Sept. 16, 2015); see also *Remington*, 2002 E.C.R. I-5475, ¶ 76.

<sup>488</sup> KUR & SENFTLEBEN, *supra* note 459, at 163.

<sup>489</sup> *Nestlé*, ECLI:EU:C:2015:604, ¶ 72 (Sept. 16, 2015) (further stating the shape of the Kit-Kat four-fingered chocolate bar was found to contain three essential features, the slab form and the V-shaped grooves separating the four fingers).

<sup>490</sup> Case T-395/14, *Best-Lock (Europe) v. OHIM*, ECLI:EU:T:2015:380, ¶¶ 35, 38 (June 16, 2015). A further appeal to the CJEU was dismissed by a [brief] reasoned order. See generally Case C-451/15 P, *Best-Lock (Europe) v. Lego Juris A/S*, ECLI:EU:C:2016:270 (Apr. 14, 2016). *Best-Lock* requested the cancellation of the registration claiming that the shape of the Lego man was determined by the nature of the goods themselves and it was also necessary to provide the technical solution of joining the toy figures to Lego toy bricks. *Best-Lock*, ECLI:EU:T:2015:380, ¶ 13. EUIPO rejected the request, largely on the ground that the applicant *Best-lock* had neither offered evidence of functionality nor developed arguments properly. *Id.* ¶¶ 14–18. The GCEU dismissed the appeal, agreeing that the essential characteristics of the Lego man trademark did not serve any technical result. *Id.* ¶¶ 28, 52.

<sup>491</sup> KUR & SENFTLEBEN, *supra* note 459, at 164. Pursuant to *Hauck*'s expansive interpretation of the natural shapes criterion, in the case of the Kit-Kat four-fingered chocolate bar, both the slab shape and the presence and number of grooves are inherent in the generic function of the product, i.e. to be eaten in portions. *Id.* In the case of the Lego

common in EU law to find cases where distinctiveness rather than functionality is called upon to refuse registration of shape marks resulting from the nature of the goods themselves.<sup>492</sup>

## 2. Technical Signs

The technical signs criterion is by far the most common obstacle for products with trade dress marks and is likely to constitute a significant hurdle for meta brands in the metaverse. It was the first criterion to offer the CJEU the initial opportunity to articulate the policies underpinning the European functionality doctrine, the assessment method, and the doctrine's relationship with the general requirement of distinctiveness.<sup>493</sup> Unsurprisingly, there is far more case law around technical functionality than on any other of the criteria in indents (i) and (iii) of Article 7(1)(e).<sup>494</sup> The court nonetheless has yet to interpret the new wording regarding functional 'characteristics' in cases involving non-shape functionality. The leading judgements on essentially functional shapes are *Remington* and *Lego*, both of which concerned

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manikins, had it been considered that the stylized shape of the Lego man shape displayed the very features that consumers expect of such toy figures, the result would most likely have been different. *Id.*

<sup>492</sup> See generally Case C-476/15, *Grupo Bimbo v. OHIM*, ECLI:EU:C:2016:165 (Mar. 15, 2016) (applying to register the shape of a Mexican tortilla for snacks.).

<sup>493</sup> See Case C-299/99, *Koninklijke Philips Elec. NV v. Remington*, 2002 E.C.R. I-5475, ¶¶ 78–79 (June 18, 2002).

<sup>494</sup> See generally *Remington*, 2002 E.C.R. I-5475; Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403 (Sept. 14, 2010); Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, ECLI:EU:C:2015:604 (Sept. 16, 2015); Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233 (Sept. 18, 2014); Case C-451/15 P, *Best-Lock (Europe) v. Lego Juris A/S*, ECLI:EU:C:2016:270 (Apr. 14, 2016); Joined Cases C-337/12 & C-340/12, *Pi-Design AG v. Yoshida Metal Indus. Co. and OHIM*, ECLI:EU:C:2014:129 (Mar. 6, 2014).

challenges to the registrations of shape marks that had previously been protected by other IP rights.<sup>495</sup> Since then, there have been more recent cases that have shed more light onto the proper application of the utilitarian functionality criteria and the doctrine's limits. According to *Remington*, a sign consists exclusively of a shape necessary to achieve a technical result "where the essential functional characteristics of the shape of a product are attributable solely to the technical result . . . even if that result can be achieved by other shapes."<sup>496</sup> *Lego* subsequently affirmed this interpretation, clarifying further that technical functionality applies "only where *all* the essential characteristics of the sign are functional."<sup>497</sup>

*Lego* also confirmed the principle first articulated in *Remington*: EU functionality is not grounded upon competitive necessity.<sup>498</sup> The policy concern of the EU functionality doctrine is not the competitive need of traders to copy functional product features for effective competition in the concerned market, but the broader principle of avoiding undue competitive advantages which are unrelated to the price and quality of competition.<sup>499</sup> This is so despite the potential for availability of alternative designs, consumer confusion, and loss of business goodwill.<sup>500</sup> This echoes the same approach adopted by the US Supreme Court in *Traffix*.<sup>501</sup> The CJEU thus rejected

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<sup>495</sup> *Remington*, 2002 E.C.R. I-5475, ¶ 52; *Lego*, 2010 E.C.R. I-8403, ¶ 63.

<sup>496</sup> *Remington*, 2002 E.C.R. I-5475, ¶ 83.

<sup>497</sup> *Lego*, 2010 E.C.R. I-8403, ¶ 52.

<sup>498</sup> *See id.* ¶ 61.

<sup>499</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 79 (May 14, 2014) (AG Opinion).

<sup>500</sup> *See id.* ¶¶ 79–93.

<sup>501</sup> Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, ECLI:EU:C:2010:41, ¶ 67 (Jan. 26, 2010), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=74742&pageIndex=0&doclang=>

Lego’s complaint that competitors need not offer slavish copies of its Lego bricks incorporating exactly the same solution.<sup>502</sup> Claims of mere slavish imitation by competitors cannot alter the “particular strictness” of the EU legislature’s policy choice.<sup>503</sup> Furthermore, *Lego* provides further guidance on the method for applying technical functionality.<sup>504</sup> The first step is to identify all the essential characteristics of the 3D mark, that is, “the most important elements of the sign” on a case-by-case basis without any hierarchy between its constituent elements.<sup>505</sup> Depending on the degree of difficulty, the essential characteristics can be identified either by a simple visual analysis or by a more detailed examination, consisting of surveys or expert reports including information about other IP rights previously granted.<sup>506</sup> However, unlike distinctiveness evaluations, for functionality assessments, the presumed perception of the average consumer “is not a decisive element...but, at most, may be a relevant criterion of assessment” for the tribunal when it identifies the sign’s essential characteristics.<sup>507</sup> The second step requires the tribunal to ascertain “whether

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<sup>502</sup> Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403, ¶ 61 (Sept. 14, 2010).

<sup>503</sup> *Id.* ¶ 47; see also Case C-421/15 P, *Yoshida Metal Indus. Co v. EUIPO*, ECLI:EU:C:2017:360, ¶ 34 (May 11, 2017).

<sup>504</sup> *Lego*, 2010 E.C.R. I-8403, ¶¶ 68–76. Lego’s two-step test has been subsequently applied and confirmed in other decisions. See Case C-421/15 P, *Yoshida Metal Industry Co v. EUIPO*, ECLI:EU:C:2017:360, ¶ 29 (May 11, 2017; Case C-30/15 P, *Simba Toys v. Seven Towns*, ECLI:EU:C:2016:849, ¶ 40 (Nov. 10, 2016); Joined Cases C-337/12 P & C-340/12 P, *Pi-Design AG v. Yoshida and OHIM*, ECLI:EU:C:2014:129, ¶¶ 47–48 (Mar. 6, 2014).

<sup>505</sup> *Lego*, 2010 E.C.R. I-8403, ¶¶ 69–70.

<sup>506</sup> *Id.* ¶ 71.

<sup>507</sup> Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403, ¶ 76 (Sept. 14, 2010).

all [the essential characteristics identified] perform the technical function of the goods at issue.”<sup>508</sup> This is where the presence of a major (non-technical) decorative or imaginative element becomes relevant, but only to the extent that it plays an important role in the intended technical result.

In *Lego*, although the color red was a non-functional element of the brick, this was a minor arbitrary element in the design’s technical result, namely the assembly of toy-bricks.<sup>509</sup> The CJEU therefore endorsed the functionality findings that the most important element of the Lego brick consisted of two rows of studs on the upper surface of the brick, and that element was necessary for the assembly result.<sup>510</sup> Similarly, in *Yoshida*, the mere fact that the pattern mark with an array of black dots for knife handles had ornamental and fanciful aspects did not preclude a functionality finding where such aspects played a minor role in the shape of the designated goods.<sup>511</sup> The CJEU endorsed the finding that those black dots were not merely coloring painted onto the handles but actual dents on the surface of the handles, which constituted an essential characteristic of the non-skid technical solution of the shape.<sup>512</sup> Moreover, *Lego* and *Yoshida* highlight the relevance of the evidence regarding patent and design protection for a functionality finding. For instance, in *Lego*, the CJEU approved the reliance upon prior patents in assessing the functionality of the characteristics of the Lego brick.<sup>513</sup> Yet, the prior Lego patents were not treated as

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<sup>508</sup> *Id.* ¶ 72.

<sup>509</sup> *Id.* ¶¶ 73–74.

<sup>510</sup> *Id.* ¶ 73.

<sup>511</sup> Case C-421/15 P, *Yoshida Metal Indus. Co. v. EUIPO*, ECLI:EU:C:2017:360, ¶ 30 (May 11, 2017).

<sup>512</sup> *See id.* ¶¶ 5, 24.

<sup>513</sup> Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, 2010 E.C.R. I-8403, ¶ 85 (Sept. 14, 2010).



irrefutable evidence of the Lego brick’s utilitarian functionality, but as “a simple, yet very powerful, presumption that the essential characteristics of the shape . . . perform a technical function . . . .”<sup>514</sup> Similarly, in *Yoshida*, all the essential characteristics identified by the Board at the EUIPO were disclosed in two American and European Patents that the proprietor had previously obtained.<sup>515</sup>

CJEU’s case law has also thwarted traders’ attempts to circumvent the fatal blow of functionality by either classifying the sign as a figurative mark representing a two-dimensional label or omitting a more detailed description of the mark as filed. This tactical behavior enables traders to assert that their marks do not constitute the “shape of goods” and cannot therefore be excluded on functionality grounds.<sup>516</sup> However, the CJEU has ruled that a correct application of the policies pursued by functionality (demarcation and freedom to compete) requires, where appropriate, consideration of information about the function of the actual goods *in addition* to the graphic representation and any descriptions filed at the time of the grant of registration.<sup>517</sup> The representation of the mark as filed cannot restrict the examiner’s evaluation of a potential

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<sup>514</sup> Case C-48/09 P, *Lego Juris A/S v. Mega Brands*, ECLI:EU:C:2010:41, ¶ 67 (Jan. 26, 2010), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=74742&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=7713486#Footref46> [https://perma.cc/L7DJ-MM4Z] (AG Opinion).

<sup>515</sup> Joined Cases T-331/10 & T-416/10, *Yoshida Metal Indus. Co. v. OHIM & Pi-Design AG*, ECLI:EU:T:2015:302, ¶ 46 (May 21, 2015).

<sup>516</sup> See Dev S. Gangjee, *Paying the Price for Admission: Non-Traditional Marks across Registration and Enforcement*, in *THE PROTECTION OF NON-TRADITIONAL TRADEMARKS: CRITICAL PERSPECTIVES* 59 (Irene Calboli & Martin Senftleben eds., 2018).

<sup>517</sup> Joined Cases C-337/12 P & C-340/12 P, *Pi-Design AG v. Yoshida Metal Indus. Co. & OHIM*, ECLI:EU:C:2014:129, ¶ 54 (Mar. 6, 2014).

functionality objection in such a way that might undermine the public interest underlying that provision.<sup>518</sup> For instance, the CJEU in *Pi-Design* rejected the interpretation that “only the shape as reproduced in the registration application may be the subject-matter of the [functionality] examination . . . .”<sup>519</sup> Instead, it endorsed the possibility that examiners may carry out a form of reverse engineering (i.e. finding out what the trademark really represents on the basis of the representations of the knives actually marketed by the proprietor).<sup>520</sup>

In a recent appeal involving cancellation proceedings against the registration of the famous Rubik’s Cube as an EU trademark, the CJEU had opportunity to clarify further the relevance of additional circumstances relating to the function of the actual goods. In reversing the non-functionality findings, the CJEU in *Simba Toys* held that the assessment of the essential characteristics identified (i.e. the grid structure on each surface of the cube) must refer to “the technical function of the actual goods concerned.”<sup>521</sup> It was therefore contrary to settled caselaw to disregard knowledge of the rotating capability of the vertical and horizontal lattices of the Rubik’s Cube, notwithstanding the fact that this invisible mechanism, internal to that cube, could not be inferred objectively from the graphical representation of the mark, as registered.<sup>522</sup> *Simba Toys*, therefore, affirmed the principle supported in *Pi-Design* that, though the shape as represented graphically should be the basis for a functionality assessment, the analysis cannot proceed in the abstract “without using

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<sup>518</sup> *Id.* ¶ 58.

<sup>519</sup> *Id.* ¶¶ 53–55, ¶ 61.

<sup>520</sup> *Id.* ¶¶ 53–55.

<sup>521</sup> Case C-30/15 P, *Simba Toys GmbH & Co. v. Seven Towns Ltd.*, ECLI:EU:C:2016:849, ¶ 46 (Nov. 10, 2016).

<sup>522</sup> *Id.* ¶¶ 43–45.

additional information on the actual goods.”<sup>523</sup> In determining the true scope of the EU functionality doctrine, it is necessary always to consider the overriding policy concerns of Article 7(1)(e).<sup>524</sup> According to the AG Opinion, in *Simba Toys*, the narrow view adopted by the lower tribunals imposed “an excessively high standard on the assessment of functional shapes which makes it possible to circumvent the prohibition on [monopolization]” under that statutory provision.<sup>525</sup>

For all its policy-orientated approach to EU functionality, the CJEU has adopted a much narrower view of what qualifies as a “technical result” in other cases. For instance, it has adopted a literal reading of Article 7(1)(e)(ii) by refusing to extend “technical result” to include the manufacturing method as reflected in the shape of the goods. In *Nestlé SA v Cadbury*, which involved the shape of the famous Kit-Kat four-finger chocolate-coated bar, the evidence indicated that the angle of the sides of the product (and of the braking grooves) was constrained by the specific method of manufacture.<sup>526</sup> That manufacturing method is the most common and efficient chocolate molding process for multiple-fingered chocolate bars.<sup>527</sup> The national referring court asked the CJEU whether the scope of the technical signs exclusion is restricted to the manner in which the relevant goods function or whether it

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<sup>523</sup> *Id.* ¶ 50.

<sup>524</sup> See Case C-30/15 P, *Simba Toys GmbH & Co. v. Seven Towns Ltd.*, ECLI:EU:C:2016:350, ¶ 66 (May 25, 2016) (AG Opinion).

<sup>525</sup> *Id.* ¶ 95.

<sup>526</sup> See Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, ECLI:EU:C:2015:395, ¶ 75 (June 11, 2015) (AG Opinion).

<sup>527</sup> Apostolos Chronopolous, *De Jure Functionality of Shapes Driven by Technical Considerations in Manufacturing Methods*, INTELL. PROP. Q. no. 3, 2017, at 286, 289–291 (explaining the efficiencies of this molding process that Nestle uses for its Kit Kat four-finger chocolate bar).

also extends to the method of manufacturing those goods.<sup>528</sup> For the court, the provision “refers expressly to the shape of goods which is necessary to obtain a ‘technical result,’ without mentioning the process for manufacturing those goods.”<sup>529</sup> Since the technical functionality’s aim is to prevent the monopolization of technical solutions which users are likely to seek in the products of competitors, “the manner in which the goods function is decisive and their method of manufacture is not important.”<sup>530</sup>

This narrow interpretation is in stark contrast with the purposive interpretation of the Opinion of the CJEU’s own Advocate General<sup>531</sup> and of scholars who persuasively argue that “technical result” may include “different types of technical results including manufacturing efficiencies.”<sup>532</sup> Indeed, scholars draw attention to the US functionality, which excludes product features if “it affects the cost or quality of the article,”<sup>533</sup> in particular where “it permits the article to be manufactured at a lower cost or constitutes an improvement in the operation of the goods.”<sup>534</sup>

### 3. Aesthetic Signs

In *Hauck*, the CJEU applied both the competition and demarcation rationales to the sub-ground, excluding signs which give substantial value to the goods when it

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<sup>528</sup> Case C-215/14, *Société des Produits Nestlé SA v. Cadbury UK*, ECLI:EU:C:2015:604, ¶ 52 (Sept. 16, 2015).

<sup>529</sup> *Id.* ¶ 53.

<sup>530</sup> *Id.* ¶ 55.

<sup>531</sup> See Case C-215/14, *Société des Produits Nestlé SA v. Cadbury*, ECLI:EU:C:2015:395, ¶¶ 76–77 (June 11, 2015) (AG Opinion).

<sup>532</sup> Chronopolous, *supra* note 527, at 297.

<sup>533</sup> *Id.* at 301 (discussing the Morton-Norwich factors for determining utilitarian functionality, one of which specifically asks whether “a particular design results from a comparatively simple or cheap method of manufacturing the article”).

<sup>534</sup> *Louboutin v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 219 (2d Cir. 2012).

ruled that its aim cannot be fully realized unless the concept is interpreted broadly as covering both aesthetic and non-aesthetic values relating to the external appearance of the goods.<sup>535</sup> It rejected a narrow interpretation whereby only products which perform primarily an ornamental function, such as works of applied art, are excluded, whereas “products which have essential functional characteristics as well as a significant aesthetic element [are] not covered.”<sup>536</sup> An example of the latter would be the shape of chairs or armchairs.<sup>537</sup> Given its broader pro-competition aim, the exclusion cannot be “limited purely to the shape of products having only artistic or ornamental value.”<sup>538</sup> The CJEU, therefore, permitted the potential application of this exclusion to an award-winning copyright-protected design representing an attractive children’s high chair known as the Tripp-Trapp chair.<sup>539</sup> The trademark proprietors had counter-argued that customers buy the chair primarily because of its functional and ergonomic characteristics and, though the attractive design was important, it is not the basic reason for consumer purchases.<sup>540</sup>

The CJEU agreed with the referring court’s findings that the chair had several characteristics, some of which represented significant aesthetic qualities and some of which reflected other essential functional values (i.e., reliability, safety, and comfort), but each of which might give that produce substantial value within the meaning of the sub-ground.<sup>541</sup> Its interpretation tacitly endorsed the

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<sup>535</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶¶ 29–32 (Sept. 18, 2014).

<sup>536</sup> *Id.* ¶ 32.

<sup>537</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 74 (May 14, 2014) (AG Opinion).

<sup>538</sup> *Hauck*, ECLI:EU:C:2014:2233, ¶ 32.

<sup>539</sup> *Id.* ¶¶ 5, 36.

<sup>540</sup> *Hauck*, ECLI:EU:C:2014:322, ¶ 68 (AG Opinion).

<sup>541</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 32 (Sept. 18, 2014).

Opinion of its AG, who argued that the provision’s scope “also extends to all other practical objects in respect of which design is one of the fundamental elements which determine their attractiveness and thus the market success of the goods concerned.”<sup>542</sup> The sub-ground targets a wider range of practical goods, from those purchased on account of their aesthetic shape (i.e. jewelry or fine cutlery) to those where aesthetics can play an essential role “in a certain limited segment of the market,” i.e. designer furniture and designer goods.<sup>543</sup> It, therefore, prevents the monopolization of their external aesthetic features, which, without performing a technical function, “substantially enhance the attractiveness of the goods and strongly influence consumer preferences.”<sup>544</sup>

Both the CJEU and its AG arrived at this broader interpretation by recognizing that practical objects may perform multiple functions beyond their technical qualities, which enable them to satisfy other consumer needs such as aesthetic consumer preferences.<sup>545</sup> Such consumer aesthetic preferences can drive product market competition to such an extent that the permanent reservation of certain aesthetic product features to a single trader may have negative economic effects on placing competing products on the relevant market.<sup>546</sup> As regards the assessment criteria for determining substantial value, the perception of the target public may serve to identify the sign’s essential characteristics but is not a decisive criterion.<sup>547</sup> Rather, public perception is only one among multiple

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<sup>542</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 81 (May 14, 2014) (AG Opinion).

<sup>543</sup> *Id.* ¶ 83.

<sup>544</sup> *Id.* ¶ 80.

<sup>545</sup> *See id.* ¶ 85; *Hauck*, ECLI:EU:C:2014:2233, ¶ 31.

<sup>546</sup> *Hauck*, ECLI:EU:C:2014:2233, ¶ 26.

<sup>547</sup> *Id.* ¶ 34; *see* Case C-237/19, *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v. Szellemi Tulajdon Nemzeti Hivatala*, ECLI:EU:C:2020:296, ¶ 45 (Apr. 23, 2020).

considerations, including: the nature of the category of goods, the artistic value of the shape, its dissimilarity from other shapes in common use on the market concerned, a substantial price difference, and the development of a promoting strategy touting the aesthetic elements.<sup>548</sup> For the AG, this assessment of fundamentally objective facts turns ultimately on “the economic effects which result from reserving the sign concerned to a single undertaking,” and in particular, whether trademark registration will “have an impact on the placing of competing goods on the market.”<sup>549</sup>

More recently, the CJEU’s *Gömböc* ruling also demonstrates that “substantial value” goes beyond artistic and economic values influencing consumer preferences for certain external features of goods. The self-righting shape in *Gömböc* is a convex monostatic object known as the “Gömböc,” the existence of which was conjectured in 1995 by a Russian mathematician but not mathematically proved until 2006 by two Hungarian mathematicians.<sup>550</sup> The two Hungarian mathematicians subsequently produced a physical example which they named Gömböc.<sup>551</sup> The CJEU agreed that the public’s perception of this fact makes the shape striking and is, therefore, an essential characteristic of the sign, which then leads to the subsequent determination of whether the shape alone gives

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<sup>548</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:2233, ¶ 35 (Sept. 18, 2014) (noting that the perception of the target public can also be used in identifying the essential characteristics of the sign).

<sup>549</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 89 (May 14, 2014) (AG Opinion).

<sup>550</sup> Verena von Bomhard, *Gömböc—Stand Upright!—CJEU on the Functionality of Shapes*, 15 J. INTELL. PROP. L. & PRAC. 580, 580 (2020).

<sup>551</sup> *Id.*

substantial value to the goods.<sup>552</sup> The fact that such a characteristic “does not, in itself, concern the aesthetic merits of the shape does not exclude” the application of the provision.<sup>553</sup> The ruling suggests that purely aesthetic signs may also include culturally valuable signs where public perception and knowledge of the shape demonstrates that “the shape which alone forms the sign is the tangible symbol of a mathematic discovery,” which addresses questions raised in the history of science.<sup>554</sup>

For the value-adding exclusion to apply, objective and reliable evidence must suggest 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.”<sup>555</sup> The CJEU is, however, careful to discount the appeal created by the proprietor’s commercial reputation as a relevant factor for assessing substantial value.<sup>556</sup> Thus, objective evidence must indicate that it is one or more characteristics of the shape itself which alone forms the sign that confers the product with substantial value, discounting factors unconnected to the shape such as “technical qualities or the reputation of the product”<sup>557</sup> or even “the story of its creation, its method of production, whether industrial or artisanal, the materials it contains...or even the identity of its designer.”<sup>558</sup> The court, therefore, ruled that ornamental goods must not automatically be excluded for adding

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<sup>552</sup> Case C-237/19, *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v. Szellemi Tulajdon Nemzeti Hivatala*, ECLI:EU:C:2020:296, ¶ 45 (Apr. 23, 2020).

<sup>553</sup> *Id.* ¶ 46.

<sup>554</sup> *Id.*

<sup>555</sup> *Id.* ¶ 41.

<sup>556</sup> *Id.* ¶ 42.

<sup>557</sup> *Id.* ¶ 42.

<sup>558</sup> Case C-237/19, *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v. Szellemi Tulajdon Nemzeti Hivatala*, ECLI:EU:C:2020:296, ¶ 60 (Apr. 23, 2020).



substantial value if the target public attributes their appeal to any of these extrinsic non-shape factors.<sup>559</sup>

Scholars are unclear about the implications of the CJEU's *Gömböc* ruling. They wonder, in particular, whether it narrows or widens the provision's scope owing to the discounting of extrinsic characteristics such as the story behind the shape's creation and the identity of its designers.<sup>560</sup> Up to a point, this may be true. Nevertheless, the CJEU in *Gömböc* does hark back to *Hauck* in that substantial value assessments may include "other relevant factors, including . . . whether the shape is dissimilar from other shapes in common use on the market concerned."<sup>561</sup> The *Gömböc* shape embodies a discovery of a mathematical principle and is the first known 3D homogenous object with only two equilibrium points.<sup>562</sup> This renders the shape markedly distinct and arguably constitutes one characteristic which determines a consumer's decision to purchase the branded goods. If so, the shape simply confers an undue non-reputation-related advantage by adding substantial value to the product. Given the CJEU's reference back to *Hauck* and its endorsement of the factors articulated in the Opinion of the AG, the public perception *and* the economic effects of

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<sup>559</sup> *Id.* ¶¶ 58–62.

<sup>560</sup> Some view it as narrowing the provision's scope on the basis of the exclusion of extrinsic characteristics such as the story behind the shape's creation and the identity of its designers as militating against the *Gömböc* shape conferring substantial value, see Annette Kur, *Aesthetic Functionality in EU law –Should It Be Deleted?*, in RESEARCH HANDBOOK ON TRADE MARK LAW REFORM 182 (Graeme Dinwoodie & Mark Janis eds., 2021); von Bomhard, *supra* note 550. However, others see it as offering a wide interpretation against the registration of shape. See generally George Moxey, *ECJ Restricts Protection for Shape Marks in Case of Mathematical Discovery*, 43 EUR. INTELL. PROP. REV. 203 (2021).

<sup>561</sup> *Gömböc*, ECLI:EU:C:2020:296, ¶ 46.

<sup>562</sup> *Id.* ¶ 11.

registration must underpin *Gömböc*'s objective assessment.<sup>563</sup> Such objective assessment means that the shape alone, on account of its intrinsic characteristics, could have such an influence on the appeal of the goods that reserving its registration to a single trader would distort competition in the market concerned.<sup>564</sup>

*Gömböc* confirms that the bar to value-adding signs may serve as a suitable tool for preventing the undesirable appropriation of non-traditional marks with cultural significance and alleviating the friction between copyright and trademark law. Commentators argue that “non-traditional marks with cultural significance can...give rise to concerns about an encroachment of trademark rights upon the public domain of cultural expressions.”<sup>565</sup> This argument sees the public domain as “a reservoir for cultural follow-on innovation.”<sup>566</sup> Recent decisions illustrate this academic concern. For instance, in 2017, the Grand Chamber at EUIPO rejected a second attempt to register a get-up mark representing a sitting bunny wrapped in gold foil for chocolate goods on the findings that the shape, being as it was a traditional Easter bunny, is “part of the folklore surrounding Easter” and “the essential element which determines the value of the chocolate goods.”<sup>567</sup> It also found that the other features of the get-up mark (the

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<sup>563</sup> Case C-205/13, *Hauck GmbH v. Stokke A/S*, ECLI:EU:C:2014:322, ¶ 89 (May 14, 2014) (AG Opinion).

<sup>564</sup> *Id.* ¶ 95.

<sup>565</sup> Martin Senftleben, *A Clash of Culture and Commerce: Non-Traditional Marks and the Impediment of Cyclic Cultural Innovation*, in *THE PROTECTION OF NON-TRADITIONAL TRADEMARKS: CRITICAL PERSPECTIVES* 309, 312 (Irene Calboli & Martin Senftleben eds., 2018).

<sup>566</sup> *Id.*

<sup>567</sup> *Chocoladefabriken Lindt & Sprüngli AG*, Case R-2450/2011-G, European Union Intellectual Property Office Grand Board of Appeal, ¶¶ 37–38 (July 7, 2017).

gold foil, the red ribbon, and the bell around the neck) also represent “Easter symbols.”<sup>568</sup>

In language that foreshadows *Gömböc*, the Grand Chamber ruled that the shape and the features of a typical Easter bunny which form the get-up mark “determine to a large extent the consumer’s [behavior] when buying the product” and, on the basis of reliable information submitted, constitute “an essential element of the applicant’s advertising strategy with regard to its chocolate goods.”<sup>569</sup> It categorically concluded that “the applicant cannot attempt to [monopolize] Easter symbols.”<sup>570</sup> Another relevant decision regards Oslo’s trademark application (*Vigeland Sculptures*),<sup>571</sup> which is often cited as addressing head-on “the problem of undesirable re-appropriation of cultural public domain material by virtue of [trademark] law.”<sup>572</sup> At issue was the Municipality of Oslo’s unsuccessful attempt to register as trademarks several images of sculptures and other artworks by sculptor Gustav Vigeland in the wake of copyright expiring.<sup>573</sup> However, the EFTA Court considered briefly the question of whether the shapes were capable of adding substantial value to the goods but it ultimately rejected the application on the grounds of public policy and accepted principles of morality.<sup>574</sup> *Vigeland* nevertheless highlights the potential

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<sup>568</sup> *Id.* ¶ 40.

<sup>569</sup> *Id.* ¶¶ 41, 43.

<sup>570</sup> *Id.* ¶ 45.

<sup>571</sup> See generally Municipality of Oslo’s Trade Mark Application, Case E-5/16, EFTA Court (Apr. 6, 2017) [hereinafter *Vigeland Sculptures*], <https://eftacourt.int/download/5-16-judgment/?wpdmdl=1649> [<https://perma.cc/K8MT-F6GE>].

<sup>572</sup> Martin Senftleben, *Vigeland and The Status of Cultural Concerns in Trade Mark Law—the EFTA Court Develops More Effective Tools for the Preservation of the Public Domain*, 48 INT’L REV. INTELL. PROP. & COMPETITION L. 683, 699 (2017).

<sup>573</sup> *Id.* at 684.

<sup>574</sup> *Vigeland Sculptures*, *supra* note 571, ¶ 81.

misuse of trademark law to re-appropriate cultural heritage material, which is part of the public domain and necessary for follow-on cultural innovations.

#### IV. SCOPE OF PROTECTION FOR EU TRADEMARKS

##### A. *Three Layers of Protection*

A registered EU trademark confers an extensive bundle of exclusive rights upon its proprietor. Article 9(2) of the EUTMR provides that “the proprietor of that EU [trademark] shall be entitled to prevent all third parties not having his consent from using the course of trade, in relation to goods or services, any sign” where:

- a) there is double identity as regards the sign and the EU [trademark] and as regards the goods or services;
- b) the sign and the EU [trademark] are identical or similar and the sign is used in relation to goods or services which are identical or similar if there is a likelihood of confusion, which includes the likelihood of association;
- c) the sign and the EU [trademark] are identical or similar irrespective of the goods or services, where the latter has a reputation in the Union and where the use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU [trademark].<sup>575</sup>

Moreover, Article 9(3) EUTMR (and its counterpart in Article 9 recast Directive, formerly Article 5) establishes a non-exhaustive list of uses which are exclusively reserved for the EU trademark proprietor. It provides him with “a legal instrument allowing him to prohibit, and thus to

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<sup>575</sup> Council Regulation 2017/1001, art. 9, 2017 O.J. (L 154) 1, 10 (EU).

prevent, any use of that [trademark] by a third party without his consent.”<sup>576</sup> Examples of such actionable uses include—but are not limited to—the following:

- a) affixing the sign to the goods/packaging of those goods;
- b) offering the goods, putting them on the market, or stocking them for those purposes under the sign, or offering or supplying services thereunder;
- c) importing or exporting the goods under the sign;
- d) using the sign as a trade or company name or part thereof;
- e) using the sign on business papers and in advertising;
- f) using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC.<sup>577</sup>

In the metaverse, all brand owners of any registered marks are entitled to protection against the traditional harm of consumer confusion on the condition that there is at least some confusing similarity between the marks or between

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<sup>576</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶ 28 (Dec. 22, 2022).

<sup>577</sup> Council Regulation 2017/1001, art. 9(3). Sub-section (d)’s use as a trade/company name and sub-section f)’s comparative advertising use were added in the 2015 changes. *Id.* In the context of the internet, the latter is highly relevant to the question of use in keyword advertising by advertisers and search engines/online markets. Indeed, the CJEU has suggested—without deciding—that use of marks in keyword advertising may constitute a form of comparative advertising. *See* Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, 2010 E.C.R. I-2417, ¶ 69 (Mar. 23, 2010).

the goods.<sup>578</sup> By contrast, registered marks with a reputation in a significant part of the territory of the EU receive a special protection against what is widely regarded as dilution by blurring (detriment to distinctiveness) and dilution by tarnishment (detriment to repute) even when there is no consumer confusion.<sup>579</sup> They are also protected against pure free-riding or parasitic behavior (unfair advantage) even where there is no diluting harm or confusion at all.<sup>580</sup>

### 1. Special Protection against Dilution and Free-Riding

Proving dilution by blurring (including tarnishment) is a tall order under EU law. Brand owners need evidence, in addition to reputation, of a risk of a change in the economic behavior of consumers or a serious future risk, which is not hypothetical.<sup>581</sup> Such a change in the economic behavior of consumers leading to blurring cannot be assumed merely because the EU trademark is unique or on the ground that consumers will notice the mere presence of a new sign similar to the mark.<sup>582</sup> Infringement actions in the metaverse are unlikely to succeed on dilution grounds. By contrast, brand owners in the metaverse may have better chances of success by claiming unfair

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<sup>578</sup> Council Regulation 2017/1001, art. 9.

<sup>579</sup> Case C-252/07, *Intel v. CPM*, 2008 E.C.R. I-8823, ¶ 29 (Nov. 27, 2008) (explaining dilution by blurring); Case C-487/07, *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 40 (June 18, 2009) (explaining dilution by tarnishment).

<sup>580</sup> *Bellure*, 2009 E.C.R. I-5185, ¶ 41.

<sup>581</sup> *Intel*, 2008 E.C.R. I-8823, ¶ 77.

<sup>582</sup> Case C-383/12 P, *Environmental Mfg. LLP v. OHIM*, ECLI:EU:C:2013:741, ¶ 37 (Nov. 14, 2013) (“The concept of ‘change in the economic [behavior] of the average consumer’ lays down an objective condition. That change cannot be deduced solely from subjective elements such as consumers’ perceptions.”).

advantage in cases where, “by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.”<sup>583</sup> Brand owners must offer evidence of defendant’s intention to create an association between the marks “with the aim of facilitating the marketing [the defendant’s products].”<sup>584</sup> Unfair advantage actions concern the protection of the proprietor’s marketing efforts and investment in creating a positive image or positive characteristics around the EU trademark.<sup>585</sup> One example of taking unfair advantage of a reputation is when the defendant presents her goods as a replica or imitation of the proprietor’s goods.<sup>586</sup> This is particularly relevant for product packaging trade dress marks with a strong reputation and aura of exclusivity among consumers. However, when a defendant’s use merely presents his product or service as an “alternative” to that of the proprietor, there may well be an advantage, but this is not necessarily “unfair” even where consumer may switch from the proprietor to the defendant.<sup>587</sup>

## 2. Double-Identity Infringement

More problematic is protection in case of double-identity infringement actions. Article 9(2)(a)’s protection offers brand owner in the metaverse greater advantages as compared to protection against consumer confusion, dilution or unfair advantage because there is no need to

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<sup>583</sup> *Id.*

<sup>584</sup> Case C-487/07, L’Oréal SA v. Bellure NV, 2009 E.C.R. I-5185, ¶ 47 (June 18, 2009).

<sup>585</sup> *Id.* ¶ 49.

<sup>586</sup> *Id.* ¶ 47–49.

<sup>587</sup> Case C-323/09, Interflora Inc v. M&S, ECLI:EU:C:2011:604, ¶ 91 (Sept. 22, 2011).

prove reputation in the EU or a risk of confusion.<sup>588</sup> EU law states that the protection afforded by an EU trademark “should be absolute in the case of identity between the mark and the sign and the goods services.”<sup>589</sup> On the face of it, once a brand owner establishes the existence of double identity, “absolute” protection against any unauthorized uses is granted without further conditions. Unauthorized uses can include uses by competitors, non-competitors or even intermediaries facilitating the technical means for third-parties to infringe, such as through search engines and online market platforms.<sup>590</sup> The CJEU has, however, decided that in double-identity cases, protection is not necessarily absolute and may indeed be subject to further conditions.<sup>591</sup> It has therefore qualified Article 9(2)(a)’s broad scope by focusing closely upon the wording of the statutory provision, namely by undertaking a case-by-case analysis of the general requirements of “use in the course of trade,” and “use in relation to goods or services.”

Moreover, the CJEU’s case law has added a further condition by establishing that the “use” must have—or be likely to have—an adverse effect on one of the functions of the trademark, even where such use is unlikely to jeopardize the essential origin-indicating function of the mark.<sup>592</sup> The court has identified, embedded in Article 9(1)(a) itself, an inherent limitation on the rights of trademark owner if the defendant’s use does not negatively

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<sup>588</sup> Council Regulation 2017/1001, art. 9, 2017 O.J. (L 154) 1, 10 (EU).

<sup>589</sup> Council Regulation 2017/1001, recital 11, 2017 O.J. (L 154) 1, 2 (EU).

<sup>590</sup> See Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, 2010 E.C.R. I-2417 (Mar. 23, 2010); Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, ECLI:EU:C:2011:474, (July 12, 2011).

<sup>591</sup> *Bentley Motors Ltd v. Bentley 1962 Ltd* [2020] EWCA (Civ) 1726, [425]; Case C-487/07, *L’Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 65 (June 18, 2009).

<sup>592</sup> *Id.*



affect his property interests as reflected in the functions of the mark.<sup>593</sup> From this, it consistently deduces that “the exercise of that right must be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trademark.”<sup>594</sup> These functions include not only the essential function of the mark but also its other non-origin functions, “in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.”<sup>595</sup> This is the CJEU’s “functions doctrine” around Article 9(2)(a) of the EUTMR. The functions doctrine has generated extensive debate about whether it unjustifiably broadens (or in fact restricts) double-identity uses of the mark that proprietors may control.<sup>596</sup>

Double-identity infringement actions cannot succeed unless the proprietor proves *all* the cumulative conditions of use, including evidence of an adverse effect on one of the origin or non-origin functions the mark.<sup>597</sup> Brand owners complaining about the use of an identical

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<sup>593</sup> *Bellure*, 2009 E.C.R. I-5185, ¶ 58; *see also* Norma Dawson, *Non-Trade Mark Use*, INTELL. PROP. Q no. 4, 2012, at 204, 224.

<sup>594</sup> *Bellure*, 2009 E.C.R. I-5185, ¶ 58.

<sup>595</sup> *Id.*

<sup>596</sup> This functions doctrine has spawned extensive debates highlighting the unwarranted and problematic expansion of EU trademark law as a result of the CJEU’s interpretations. *See, e.g.*, Annette Kur, *Trade Marks Function, Don’t They? CJEU Jurisprudence and Unfair Competition Practices*, 45 INT’L REV. INTELL. PROP. & COMPETITION L. 434, 442 (2014) (“[C]ontrary to what may first have been feared (or hoped), including other functions in the assessment of double identity cases does not automatically lead to enhanced protection); Dawson, *supra* note 593, at 220–21; Helen Norman, *Time to Blow the Whistle on Trade Mark Use*, INTELL. PROP. Q. no. 1, 2004, at 1, 32–33.

<sup>597</sup> Case C-17/06, *Céline SARL v. Céline SA*, 2007 E.C.R. I-7041, ¶ 16 (Sept. 11, 2007); *see also* Bentley Motors Ltd v. Bentley 1962 Ltd [2020] EWCA (Civ) 1726, [423].

sign in relation to the same goods or services in the metaverse need to prove that the defendant's use is likely to harm their specific interests, having regard to the economic functions of their marks.<sup>598</sup> Case law demonstrates this is far from easy. The CJEU has adopted a case-by-case approach to the categories of actionable use by highlighting the specific circumstances where harm to the functions is likely or unlikely to arise. For instance, in several internet cases, the court has refrained from declaring keyword advertising unlawful *per se*, adopting instead highly fact-specific approach to infringement actions.<sup>599</sup>

*a. Online Uses by Individual Advertisers*

In *Google France*, trademark infringement claims were brought against Google as the operator of a paid referencing service (Adwords) and against its advertiser-clients of a referencing service which enabled them to use, without authorization, trademarks as keywords to trigger online adverts every time internet users keyed in search words corresponding to the reserved keywords.<sup>600</sup> Most, but not all of these uses fell within the double-identity provision. In principle, and in the absence of a defense, that would have been enough for the owners to prohibit the use. Rather than lumping these uses together, the CJEU distinguished between uses by third-party advertisers and uses by Google relating to allowing advertisers to select trademarks as keywords and displaying sponsored ads

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<sup>598</sup> Case C-323/09, *Interflora Inc v. M&S*, ECLI:EU:C:2011:604, ¶ 38 (Sept. 22, 2011); *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 63 (June 18, 2009).

<sup>599</sup> Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, 2010 E.C.R. I-2417, ¶ 98 (Mar. 23, 2010); *Interflora*, ECLI:EU:C:2011:604, ¶ 38; *Bellure*, 2009 E.C.R. I-5185, ¶ 64.

<sup>600</sup> *Google France*, 2010 E.C.R. I-2417, ¶¶ 22–27.

alongside natural results.<sup>601</sup> *Google France* noted that advertisers purchasing keywords identical or similar to the trademarks were using the marks “in the course of trade,” that is, as a commercial rather than private matter.<sup>602</sup> Those advertisers were also using the marks “in relation to goods or services,” which refers to use of the mark for distinguishing the goods or services of the third party which also covers use of a competitor’s mark for the purpose of identifying the latter’s goods or services.<sup>603</sup> When those advertisers intentionally selected the trademark of a competitor as a keyword, their intention was to offer internet users an alternative to the goods or services of the proprietor, which constitutes “use in relation to.”<sup>604</sup> Even without such an intention or without the trademark appearing in the advert itself, there is “use in relation to” also “where the third party uses the sign identical with the [trademark] in such a way that a link is established between that sign and the goods marketed or the services provided by the third party.”<sup>605</sup> The CJEU then affirmed its functions doctrine for off-line uses, recalling that the proprietor “cannot oppose the use of a sign identical with the mark if that use is not liable to cause detriment to any of the functions of that mark.”<sup>606</sup>

The CJEU in *Google France* discounted any harm to advertising function but it did highlight a potential

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<sup>601</sup> *Id.* ¶ 53. The CJEU was urged to distinguish between these uses. Joined Cases C-236/08, C-237/08, & C-238/08, *Google France SARL v. LVM*, ECLI:EU:C:2009:569, ¶¶ 55–58 (Sept. 22, 2009), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=73281&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=7747652> [https://perma.cc/RG8N-VTVC] (AG Opinion).

<sup>602</sup> *Google France*, 2010 E.C.R. I-2417, ¶ 52.

<sup>603</sup> *Id.* ¶¶ 60–61.

<sup>604</sup> *Id.* ¶ 69.

<sup>605</sup> Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, 2010 E.C.R. I-2417, ¶ 72 (Mar. 23, 2010).

<sup>606</sup> *Id.* ¶ 76.

adverse effect on the essential origin-indicating function depending in particular “on the manner in which that ad is presented.”<sup>607</sup> It identified at least three scenarios of a potential risk to the origin function, including:

[I]f the ad does not enable normally informed and reasonably attentive internet users, or enables them only with difficulty, to ascertain whether the goods or services referred to by the ad originate from the proprietor of the [trademark] or an undertaking economically connected to it or, on the contrary, originate from a third party.<sup>608</sup>

Another case is “where a third party’s ad suggests that there is an economic link between that third party and the proprietor of the [trademark].”<sup>609</sup> A further actionable case is where the ad, while not suggesting the existence of an economic link, is so vague that internet users are “unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party vis-à-vis the proprietor of the [trademark] or, on the contrary, economically linked to that proprietor.”<sup>610</sup> *Google France* is, however, controversial for introducing operative confusion through the back door, which is contrary to the statutory language and the CJEU’s own interpretations.<sup>611</sup>

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<sup>607</sup> *Id.* ¶ 83.

<sup>608</sup> *Id.* ¶ 84.

<sup>609</sup> *Id.* ¶ 89.

<sup>610</sup> *Id.* ¶ 90.

<sup>611</sup> Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, 2010 E.C.R. I-2417, ¶ 78 (Mar. 23, 2010) (observing that the double-identity provision is not depending upon confusion); *see also* *L’Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 59 (June 18, 2009); *Case C-278/08, Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH v. Günther Guni*, 2010 E.C.R. I-2517, ¶ 22 (Mar. 25, 2010).

Indeed, those actionable uses strongly resemble subtle forms of indirect consumer confusion, such as initial interest confusion, even if formally confusion is not required.<sup>612</sup> In subsequent keyword disputes, the CJEU kept a tight grip on this origin-function approach to double-identity infringement, highlighting consumer knowledge of the market concerned as a relevant factor, while also discounting any adverse effect upon the “investment” function arising from keyword advertising.<sup>613</sup> Meta brand owners asserting trademark infringement claims relating to use by another in the metaverse should therefore raise a claim of harm to the origin-indicating function by focusing on contextual factors surrounding the manner in which internet consumers encounter the sign.

*b. Online Uses by Intermediaries*

In stark contrast to uses by online advertisers, the CJEU has taken a more lenient view of search engines (Google) and online marketplaces (eBay) in the sense that their uses are not regarded as making “use in the course of trade.”<sup>614</sup> This therefore places their commercial behavior outside trademark law’s regulatory role and into the framework of liability for intermediary service providers.<sup>615</sup> Starting in *Google France*, the court has consistently rejected direct trademark infringement claims against

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<sup>612</sup> *Google France*, 2010 E.C.R. I-2417, ¶ 78 (Mar. 23, 2010) (stating that double-identity protection is “more extensive” than subsection (1)(b) of former Article 5 of the TMD, the content of which is equivalent to Article 9(2)(b) EUTMR, which requires consumer confusion).

<sup>613</sup> Case C-323/09, *Interflora Inc. v. Marks & Spencer plc*, ECLI:EU:C:2011:604, ¶ 51 (Sept. 22, 2011); *see id.* ¶ 60 (describing the “investment” function as concerning the proprietor’s use of the mark “to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”).

<sup>614</sup> *Google France*, 2010 E.C.R. I-2417, ¶ 57.

<sup>615</sup> *Id.*

service providers by interpreting “use in the course of trade” as requiring use of the sign in the operator’s “own commercial communication.”<sup>616</sup> A service provider may therefore “allow[] its clients to use signs which are identical with, or similar to, [trademarks], without itself using those signs.”<sup>617</sup> The CJEU also applied this “commercial communication” criterion to conclude that a marketplace operator, such as eBay, which enables its customer-sellers to display offers on its website, does not “use” signs identical or similar to trademarks which appear in those offers.<sup>618</sup> To the extent that eBay publishes its customer-sellers’ offers on its website and without eBay itself publishing its own offers, it is not the operator but its sellers who engage in “use.”<sup>619</sup> Providing a marketplace or a paid referencing service *per se* does not amount to trademark “use” by the operator unless the latter uses the signs in its own commercial communication.<sup>620</sup>

In *Google France*, the CJEU identified the policy basis for a different treatment of “trademark use” by platform operators, namely “[t]he fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign.”<sup>621</sup> The CJEU applied the same logic to a warehouse operator who on

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<sup>616</sup> *Id.* ¶ 56.

<sup>617</sup> *Id.*

<sup>618</sup> Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, ECLI:EU:C:2011:474, ¶ 105 (July 12, 2011).

<sup>619</sup> *Id.* ¶¶ 102–03. However, when eBay purchased keywords identical with or similar to trademarks to advertise not only certain offers for sale on its marketplace but also that marketplace as such, eBay is acting as an advertiser and thus engaging in relevant “use in commerce,” which may be prohibited provided there is an adverse effect on one of the functions of the mark. *Id.* ¶ 85.

<sup>620</sup> *Id.* ¶ 102.

<sup>621</sup> Joined Cases C-236/08 & C-238/08, *Google France SARL v. LVM*, ECLI:EU:C:2010:159, ¶ 57 (Mar. 23, 2010).

behalf of a third-party stores infringing goods, without knowing of the good’s infringing nature and without intending to market them, in order to exclude “use” amounting to “stocking” those goods for the purposes of “offering or supplying services thereunder.”<sup>622</sup> More recently, however, the CJEU in *Louboutin v. Amazon* was asked to revisit its case law on “use” by service providers and thus revise its generous approach towards service provider’s accountability and role in facilitating trademark infringement online.<sup>623</sup> The outcome of this ruling is highly relevant for platform operators in the metaverse such as Roblox, Fortnite, Sandbox, Decentraland, and Metahero, as discussed below.

### 3. Actionable Trademark “Use”

The enforcement of exclusive rights is subject to the requirement of trademark “use”. Traditionally, unless the defendant’s use of the mark indicates trade origin to consumers in relation to his own branded goods or services, the use cannot infringe.<sup>624</sup> However, starting in *Arsenal*,<sup>625</sup> the CJEU has interpreted the issue of infringement not as depending upon whether the defendant’s use constitutes trademark use in the sense of indicating the origin of the goods, but on whether the use is likely to affect the property interests of the proprietor, in regard to the

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<sup>622</sup> Case C-567/18, *Coty Germany GmbH v. Amazon Services Europe Sàrl*, ECLI:EU:C:2020:267, ¶ 47 (Apr. 2, 2020); Council Regulation 2017/1001, art. 9, 2017 O.J. (L 154) 1, 10 (EU).

<sup>623</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶ 12 (Dec. 22, 2022).

<sup>624</sup> See generally *Arsenal Football Club plc v. Reed* [2001] E.T.M.R. 77, [58]; *Regina v. Johnstone* [2003] UKHL 28, [17] (holding that non-trademark use cannot amount to trademark infringement).

<sup>625</sup> Case C-206/01, *Arsenal Football Club plc v. Reed*, 2002 E.C.R. I-10273, ¶ 51 (Nov. 12, 2002).

functions of the mark.<sup>626</sup> *Bellure* and *Google France* confirmed that non-trademark use is actionable under some circumstances, where it harms even non-origins of the mark. Unfortunately, what amounts to actionable “use” under EU law is not a straightforward determination—even after more than two decades of the CJEU’s case law.

In its case law, the CJEU views EUTMR’s Article 9(3) list of actionable uses as referring “exclusively to active [behavior] on the part of the third party.”<sup>627</sup> According to this view, when articulating the meaning of the undefined concept of “use”, the CJEU explained that “using” “involves active behavior and direct or indirect control of the act constituting the use.”<sup>628</sup> It thus qualifies the proprietor’s legal instrument in the sense that, for infringement claims to fall within the prohibition, only third-parties with “direct or indirect control of the act constituting the use is effectively able to stop that use . . . .”<sup>629</sup> Unsurprisingly, trademark proprietors increasingly bring claims against operators who facilitate the technical means for others to infringe, such as search engines,<sup>630</sup> online marketplace operators,<sup>631</sup> warehouse-keepers,<sup>632</sup> or operators of highly integrated marketplaces.<sup>633</sup> The conditions of active behavior and

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<sup>626</sup> *Arsenal Football Club plc v. Reed* [2003] EWCA (Civ) 696, [33].

<sup>627</sup> *Joined Cases C-148/21 & C-184/21, Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶ 27 (Dec. 22, 2022).

<sup>628</sup> *Id.*

<sup>629</sup> *Id.* ¶ 28.

<sup>630</sup> *Joined Cases C-236/08 & C-238/08, Google France SARL v. LVM*, 2010 E.C.R. I-2417, ¶¶ 29–30 (Mar. 23, 2010).

<sup>631</sup> *Case C-324/09, L’Oréal SA v. eBay Int’l AG*, ECLI:EU:C:2011:474, ¶ 2 (July 12, 2011).

<sup>632</sup> *Case C-567/18, Coty Germany GmbH v. Amazon Services Europe Sàrl*, ECLI:EU:C:2020:267, ¶ 19 (Apr. 2, 2020).

<sup>633</sup> *Joined Cases C-148/21 & C-184/21, Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶ 14 (Dec. 22, 2022).



direct or indirect control enable the court to decide incrementally on a case-by-case basis the specific circumstances in which the proprietor can legitimately exercise his legal instrument against intermediaries who perform acts exclusively reserved for the proprietor.

*a. Louboutin v Amazon: Revisiting  
“Trademark Use” by Platform  
Operators*

Upon seeing that Amazon frequently displayed adverts for counterfeit red-soled heels, designer Louboutin brought trademark infringement actions against Amazon companies before two different national courts in Belgium and in Luxembourg, seeking a declaration before the latter court that Amazon is liable for direct trademark infringement and requesting an injunction before the former court.<sup>634</sup> On the basis of its registered position mark representing the color red applied to the outer sole of high-heels, Louboutin advanced nearly identical arguments before those national courts. It argued that, by making offers of counterfeit Louboutin shoes on the Amazon platform, Amazon has used without Louboutin’s consent a sign that is identical to the registered Louboutin trademark in relation to goods or services which are identical to those for which that mark is registered, and which infringes the “infamous” double-identity provision in Article 9(2)(a) of the EUTMR.<sup>635</sup> According to Louboutin, such infringing

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<sup>634</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:422, ¶¶ 26–44 (June 2, 2022) (AG Opinion).

<sup>635</sup> Case C-533/06, *O2 Holdings Ltd. v. Hutchison 3G UK Ltd.*, ECLI:EU:C:2008:63, ¶¶ 27–28 (Jan. 31, 2008), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=70459&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=7747652> [<https://perma.cc/N8FJ-FLTK>] (AG Opinion) (describing the examination of the double-identity provision in former Article 5(1)(a)

use of its marks is attributable to Amazon insofar as it plays an active role in the commission of the acts constituting that use.<sup>636</sup> By way of defense, Amazon relied on *eBay* to claim that, as an online marketplace operator, it cannot be liable for the use of the Louboutin trademarks by sellers who use its platform.<sup>637</sup> It defended its business practices by tacitly invoking the CJEU's central reasoning in *Google France* regarding the mere provision of technical conditions.<sup>638</sup>

Broadly speaking, both national courts wished to ascertain whether offers of counterfeit Louboutin shoes posted by third-party sellers on the Amazon platform could be attributed to Amazon itself and, if so, whether to regard Amazon as “using” the Louboutin trademarks, thereby rendering Amazon also directly liable for trademark infringement. Both courts also wondered whether the manner in which the platforms operated by Amazon function may result in the use by Amazon of signs identical to the Louboutin marks in circumstances where:

- 1) Amazon –the online sales platform– publishes both its own commercial offerings and those of third-party sellers uniformly (without distinction about their origin when they are displayed) and displays its own logo in those adverts on its website and in the advertising categories of third-party websites; and
- 2) Amazon provides third-party sellers additional assistance in preparing the adverts, as well as stocking, shipping, and delivery of goods, by

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of the TMD, now Article 10(2)(a) of the TMD recast—which is equivalent to Article 9(2)(a) of the EUTMR—as “bristling with difficulties”); Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶¶ 10–11, 18 (Dec. 22, 2022).

<sup>636</sup> *Louboutin*, ECLI:EU:C:2022:1016, ¶ 27.

<sup>637</sup> *Id.* ¶ 28.

<sup>638</sup> *Id.*

informing consumers that Amazon will be responsible for those services.<sup>639</sup>

The national courts also raised the question of whether consumer perception plays a role in the determination of whether Amazon uses the infringing signs in its “own commercial communication.”<sup>640</sup> Those courts, however, entertained some doubts. For instance, the Luxemburg court doubted whether *eBay*’s reasoning—in which *eBay* acted strictly as an intermediary publishing its users’ advertisement rather than as a seller and distributor—is transposable *ipso facto* to a platform with different business practices such as Amazon.<sup>641</sup> It also submitted that the CJEU has yet to rule on whether an online distributor of goods, which operates an online marketplace at same time, may be regarded as “incorporating third-party commercial offerings in its own commercial communication.”<sup>642</sup> Nor did Luxemburg court find much assistance in the CJEU’s ruling in *Coty*. That case is limited to the question of stocking goods without a broader analysis of Amazon’s business model.<sup>643</sup> Moreover, the Luxemburg court wished to know whether Amazon might be regarded as using the mark by shipping goods bearing the signs insofar as *Coty* did not decide this question, since the shipping in that case was carried out by an external service provider.<sup>644</sup> For its part, the Belgium court also found it necessary to rule on whether the use of an infringing sign in an advertisement can be attributed to a platform operator who wears several hats—one as the

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<sup>639</sup> *Id.* ¶ 46.

<sup>640</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶¶ 17, 21 (Dec. 22, 2022).

<sup>641</sup> *Id.* ¶ 30.

<sup>642</sup> *Id.* ¶ 32.

<sup>643</sup> *Id.* ¶ 33.

<sup>644</sup> *Id.* ¶ 36.

operator of the online platform and another as a distributor.<sup>645</sup> It similarly pondered whether and in what circumstances public perception may be relevant to the attribution of that use.<sup>646</sup>

In its much-awaited *Louboutin v. Amazon* ruling, the CJEU paved the way for a finding that not only third-party sellers, but also Amazon's activities as a platform operator, may result in "use" of the Louboutin trademark and therefore Amazon may be potentially directly liable for trademark infringement. The court broadly agreed with the AG's interpretation of the "commercial communication" criterion and his proposed analytical framework that "use" of the mark in the intermediary operator's own commercial communication—as implicitly envisaged in the general requirement of "use in the course of trade"—must be assessed from the perspective of consumer perception in order to determine whether reasonably well-informed and reasonably attentive consumers are likely to make a connection between the operator's service and the sign bearing the goods.<sup>647</sup> The court therefore flatly rejected Amazon's argument—which was also strongly defended in some academic quarters<sup>648</sup>—finding that the mere fact that consumer perception was not featured in the CJEU's settled case law on allegedly infringing "use" by intermediary operators, was not a compelling argument for leaving out such perception from the assessment of the commercial

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<sup>645</sup> *Id.* ¶ 42.

<sup>646</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶ 42 (Dec. 22, 2022).

<sup>647</sup> *Id.* ¶ 43.

<sup>648</sup> Eleonora Rosati, *The Louboutin/Amazon Cases (C-148/21 and C-184/21) and Primary Liability Under EU Trade Mark Law*, 7 EUR. INTEL. PROP. REV. 434, 434 (2022); Ansgar Ohly, *Red Soles, A Marketplace and The Categories of Trade Mark Liability: Louboutin v Amazon Before the CJEU*, 17 J. INTEL. PROP. L. & PRAC. 575, 575 (2022).

communication criterion.<sup>649</sup> This makes complete sense. The view in favor of Amazon’s position that “use in the course of trade” is an objective determination without consumer understanding is a non-starter as a descriptive account of the law.<sup>650</sup> Trademark use has always been about consumer perception, and it cannot be separated from consumer understanding.<sup>651</sup> *Louboutin v. Amazon* therefore rightly affirms the long-standing view that consumer perception is central to all questions of European trademark law.<sup>652</sup>

The CJEU nevertheless wholly disagreed with the most salient part of the Opinion of its AG, namely the actual application of the test to the facts at issue. Whereas the AG Opinion concluded that the factual findings recited by the referring national courts were insufficient for a finding of actionable “use in the course of trade” in the sense of relevant consumers making a connection between Amazon and the infringing signs,<sup>653</sup> the CJEU could not have adopted a more contrasting view of the same facts. Indeed, the court treated the same factual circumstances as highly pertinent for a finding that Amazon *does* engage in actionable “use” of the Louboutin marks potentially

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<sup>649</sup> *Louboutin*, ECLI:EU:C:2022:1016, ¶¶ 43–44.

<sup>650</sup> Rosati, *supra* note 648, at 438; Ohly, *supra* note 648, at 582.

<sup>651</sup> Mark McKenna, *Trademark Use and the Problem of Source*, U. ILL. L. REV. 773, 776 (2009); Dawson, *supra* note 601, at 204, 212, 224.

<sup>652</sup> Council Regulation 2017/1001, art. 4, 2017 O.J. (L 154) 1, 8 (EU) (reinforcing this consumer-centric view in the new definition of an EU trademark by making registration conditional upon any sign being represented in a manner that enables “the public to determine the clear and precise subject matter of the protection”).

<sup>653</sup> Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:422, ¶¶ 84–95 (June 2, 2022) (AG Opinion).

resulting in trademark infringement.<sup>654</sup> It supported a “global appreciation” test of *all* the relevant circumstances, placing special emphasis on “the method of presenting the advertisement, both individually and as a whole, on the website in question as and the nature and scope of the services provided by the operator of the website . . . .”<sup>655</sup> Its ruling therefore arguably signals a judicial desire for greater accountability of intermediary operators vis-à-vis the interests of trademark owners and a far greater oversight role of EU trademark law in encouraging and regulating desirable commercial behavior.<sup>656</sup>

However, there is one significant caveat. The joint references were not about holding Amazon indirectly or even jointly liable for trademark infringement alongside third-party sellers.<sup>657</sup> Unlike US trademark law, contributory trademark infringement is *outside* the harmonized framework of EU trademark law and within the province of national legislations.<sup>658</sup> This means that across the EU there is a lack of uniformity regarding the rules on secondary trademark infringement and, perhaps strategically, Louboutin sought a CJEU’s ruling in its favor

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<sup>654</sup> Joint Cases C-148/21 and C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:1016, ¶¶ 49–53 (Dec. 22, 2022).

<sup>655</sup> *Id.* ¶ 49.

<sup>656</sup> The CJEU’s *Google France* ruling had been criticized precisely on this point. See Case Comment, *Trademark Law—Infringement Liability—European Court of Justice Holds that Search Engines Do Not Infringe Trademarks—Joined Cases C-236/08, C-237/08 & C 238/08, Google France SARL v. Louis Vuitton Malletier SA*, 124 HARV. L. REV. 648, 654 (2010) [hereinafter Case Comment].

<sup>657</sup> Joint Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe Core Sàrl*, ECLI:EU:C:2022:422, ¶¶ 76–77 (June 2, 2022) (AG Opinion).

<sup>658</sup> Case C-324/09, *L’Oréal SA v. eBay Int’l AG*, ECLI:EU:C:2010:757, ¶ 55 (Dec. 9, 2010) (AG Opinion), <https://curia.europa.eu/juris/document/document.jsf?text=&docid=83750&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=1390771> [<https://perma.cc/6TJ2-9YUT>].

so that the enforcement of Louboutin trademarks could be far more effective. In other respects, this author finds *Amazon v. Louboutin* disappointing and a missed opportunity. By affirming *Google France*'s focus on the specific manner in which the ads are presented and their effect on consumer understanding, the CJEU merely cements the view that the EU double-identity provision is intended to capture more subtle forms of consumer associations, particularly initial interest or post-sale confusion. It thus reads confusion into Article 9(2)(a) without explaining how this relates to (2)(b), which expressly targets consumer confusion, including a risk of association.<sup>659</sup> While the court for the first time articulated the meaning of the “commercial communication” criterion, it failed to explicate the criterion’s policy considerations which allowed the court to extricate Google from direct liability in 2010 even when this conflicted with the court’s own case law.<sup>660</sup> Indeed, scholarship criticizes “the somewhat selective re-use of this [criterion] by the CJEU in subsequent cases.”<sup>661</sup>

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<sup>659</sup> In the context of former Article 5(1)(b) of the TMD, which corresponds to new Article 9(2)(b) of the EUTMR, the CJEU has discussed the concept of association and its role in capturing subtle forms of indirect confusion. *See generally* Case C-425/98, *Marca Mode CV v. Adidas AG*, 2000 E.C.R. I-4861 (June 22, 2000); Case C-39/97, *Canon Kabushiki Kaisha v. Metro-Goldwyn-Mayer*, 1998 E.C.R. I-5507 (Sept. 29, 1998).

<sup>660</sup> Jane Cornwell, *Keywords, Case-Law and the Court of Justice: The Need for Legislative Intervention in Modernising European Trade Mark Law*, 27 INT’L REV. LAW, COMPUTS. & TECH. 85, 88–89 (2013) (discussing how *Google France* is hard to reconcile with previous CJEU’s case law which extended infringing “use” not only in relation to the defendant’s own goods but also those of third parties); Case Comment, *supra* note 656, at 653–654.

<sup>661</sup> Cornwell, *supra* note 660, at 88–89 (discussing cases where the CJEU’s reasoning is hard to reconcile with the criterion); *see* Joined Cases C-148/21 & C-184/21, *Louboutin v. Amazon Europe*

For platform operators in the metaverse, *Louboutin v. Amazon* arguably represents a significant qualification to *Google France/eBay*'s complete immunity from direct trademark infringement and opens the door for brand owners to hold platform operators, in addition to individual advertisers, directly liable. Such platform operators may be direct trademark infringers where the design of their business models is such that the operators themselves appear heavily involved in the offers for sale of third parties and, in the eyes of consumers, incorporate those offers in the operator's own commercial communications. The design of the operator's business model is crucial. Similarly, the nature and scope of the services offered by that platform operator are particularly important in the sense that a more comprehensive package of services without adequate distinctions may give the impression, to platform users, of a more active role in the publication of offers that leads to the (incorrect) belief that the operator itself markets the goods in its own name.

## V. EU LIMITATIONS ON TRADEMARK RIGHTS

### A. *Statutory Defenses*

The other side of the trademark coin to broad exclusive rights is the limitations or defenses which exclude from the proprietor's control of socially valuable uses of registered marks by exempting defendants from liability. Broadly speaking, there are two ways to limit the reach of exclusive rights that a registered mark confers. One way is to create limits around the scope of protection by excluding certain categories of trademark use that advance the law's aims of improving truthful market

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Core Sàrl, ECLI:EU:C:2022:422, ¶ 53 (June 2, 2022) (AG Opinion) (highlighting several criticisms against the vagueness of the criterion).



information. For instance, certain uses of marks for purely descriptive purposes are excluded from the exclusive zone of protection because they do not affect any of the specific interests of proprietors.<sup>662</sup> So too are certain uses that are merely informational,<sup>663</sup> expressive, or promote the law’s pro-competition goals,<sup>664</sup> particularly online uses for presenting internet users with alternative or competing offers. Another way is to recast the question of trademark use as limitations on the exercise of the exclusive rights so that simply using the mark in the course of trade is not sufficient.<sup>665</sup> This is arguably the intended aim of the CJEU’s functions theory, explained above. Indeed, in rationalizing the EU legislator’s description of the double-identity protection as “absolute,” the CJEU has acknowledged that it has put that description into perspective by limiting “the exercise of the exclusive right conferred by the [trademark] . . . to cases in which a third party’s use of the sign adversely affects, or is liable adversely to affect, the functions of the [trademark].”<sup>666</sup>

By virtue of this functions-based doctrine, which recognizes that modern brands perform multiple market functions, the court uses this pro-brand owners theory as a metric for introducing flexibility into an otherwise rigid

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<sup>662</sup> Case C-2/00, *Michael Hölderhoff v. Ulrich Freiesleben*, ECLI:EU:C:2002:287, ¶¶ 16–17 (May 14, 2002); *see also* *Supreme Petfoods Ltd v. Henry Bell & Co.* [2015] EWHC (Ch) 256, [165]–[166].

<sup>663</sup> Case C-533/06, *O2 Holdings Ltd v. Hutchison*, 2008 E.C.R. I-4231, ¶ 6 (June 12, 2008); Case C-48/05, *Adam Opel AG v. Autec AG*, 2007 E.C.R. I-1017, ¶ 23 (Jan. 25, 2007).

<sup>664</sup> Case C-323/09, *Interflora Inc. & Interflora British Unit v. Marks & Spencer & Flowers Direct Online Ltd.*, ECLI:EU:C:2011:604, ¶¶ 64–65 (Sept. 22, 2011).

<sup>665</sup> Norman, *supra* note 596, at 21.

<sup>666</sup> *Interflora*, ECLI:EU:C:2011:604, ¶ 37; *see also* Case C-65/12, *Leidseplein Beheer BV v. Red Bull GmbH*, ECLI:EU:C:2014:49, ¶ 32 (Feb. 6, 2014).

infringement test (at least in double identity claims) and thereby keeping extensive rights in check.<sup>667</sup> As explained above, this means that owners cannot, in principle, prevent *any* use. They can only prevent those uses that harm their specific interests as proprietors regarding the mark's functions, which also allows for territorial scope of the injunctive relief to be accordingly restricted.<sup>668</sup> Though not without criticism,<sup>669</sup> this judicially-crafted, functions-based limitation illustrates how problematic it is to draft trademark legislation in absolutist terms. This functions-based doctrine is also likely to be applied, *mutatis mutandis*, to virtual uses of trademarks in the metaverse, so not every metaverse-based use of a mark will necessarily result in infringement.

Another way to limit exclusive trademark rights is for the law to provide for a statutory list of defenses permitting third parties to use registered marks even where such third party uses implicate the law's concern for preventing consumer confusion and thus support a proprietor's *prima facie* cause of action. The potential harm to the proprietary interests of the mark owner is sometimes outweighed by the broader public interest in competition and the avoidance of undue restrictions on

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<sup>667</sup> *Interflora*, ECLI:EU:C:2011:60437, ¶ 37.

<sup>668</sup> Case C-235/09, *DHL Express France SAS v. Chronopost*, ECLI:EU:C:2011:238, ¶¶ 46–47 (Apr. 12, 2011) (“[T]he exclusive right of a [EUTM] proprietor and, hence, the territorial scope of that right, may not extend beyond what that right allows its proprietor to do in order to protect his [trademark], that is, to prohibit only uses which are liable to affect the functions of the [trademark].”).

<sup>669</sup> *Supreme Petfoods Ltd v. Henry Bell & Co.* [2015] EWHC (Ch) 256, [86] (outlining five reasons why this adverse effect on one of the functions conditions gives rise to “considerable difficulty in understanding and applying the law”); *L’Oréal SA v. Bellure NV* [2010] EWCA (Civ) 535, [30] (“I have real difficulty with these functions when divorced from the origin function. There is nothing in the legislation about them. Conceptually they are vague and ill-defined.”).

competitor's freedoms. The 2015 EU trademark law reforms added new limitations in tandem with the enlarged concept of an EU trademark.<sup>670</sup> Article 14(1) of the EUTMR (the wording of which corresponds to the Article 14 of the TMD recast, formerly Art. 6) outlines the circumstances under which limitations on trademark rights arise.<sup>671</sup> It provides that an EU trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade:

- (a) the name or address of the third party, where that third party is a natural person;
- (b) signs or indications which are not distinctive, or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of the goods or services.
- (c) the EU [trademark] for the purpose of identifying or referring to goods or services as those of the proprietor of that [trademark], in particular, where the use of that [trademark] is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.<sup>672</sup>

Article 14(2) also makes an EU defense conditional upon defendants proving that the use of the mark is “in accordance with honest practices in industrial or commercial matters.”<sup>673</sup> According to case law, this condition constitutes “the expression of a duty to act fairly in relation to the legitimate interests of the trademark

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<sup>670</sup> Council Regulation 2017/1001, art. 14, 2017 O.J. (L 154) 1, 12 (EU).

<sup>671</sup> *Id.*

<sup>672</sup> *Id.*

<sup>673</sup> *Id.*

owner.”<sup>674</sup> However, the way the CJEU interprets this “duty” is problematic for defendants. For instance, there are no “honest practices” when the defendant’s use is understood by the public as establishing a link between his goods or services and those of the trademark proprietor, including the extent to which the defendant should have been aware of that.<sup>675</sup> That link might give the incorrect impression that there is a commercial connection between the parties.<sup>676</sup> Nor can the accused use comply with “honest practices” if it affects the value of the mark by taking unfair advantage or by discrediting the mark.<sup>677</sup> Where defendants present their product as an imitation or replica of the owner’s branded product, that use fails “honest practices.”<sup>678</sup> These are almost the same infringement criteria for a claimant to succeed in infringement actions, and the CJEU openly acknowledges that once there is a finding of infringing use, this forecloses the possibility of defendant relying on any defense.<sup>679</sup> Scholarship rightly criticizes the CJEU’s circularity, noting that “this circular line of reasoning may render defense arguments, such as referential, non-distinctive, and descriptive use, moot in practice.”<sup>680</sup>

Notwithstanding these well-founded criticisms, the CJEU explains the statutory limitations in terms of a balance between different legitimate interests beyond those

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<sup>674</sup> Case C-63/97, *BMW v. Ronald Karel Deenik*, 1999 E.C.R. I-905, ¶ 61 (Feb. 23, 1999).

<sup>675</sup> Case C-558/08, *Portakabin Ltd v. Primakabin BV*, 2010 E.C.R. I-6963, ¶ 67 (July 8, 2010).

<sup>676</sup> Case C-228/03, *The Gillette Company v. LA-Laboratories Ltd Oy*, 2005 E.C.R. I-2337, ¶ 42 (Mar. 17, 2005).

<sup>677</sup> *Id.* ¶¶ 43–44.

<sup>678</sup> *Id.* ¶ 45.

<sup>679</sup> *Portakabin*, 2010 E.C.R. I-6963, ¶ 69.

<sup>680</sup> Martin Senftleben, *Robustness Check: Evaluating and Strengthening Artistic Use Defences in EU Trade Mark Law*, 53 INT’L REV. INTELL. PROP. & COMPETITION L. 567, 589 (2022).

of the proprietor. According to settled case law, by limiting the effects of the proprietor's rights, the EU limitations seek

to reconcile the fundamental interests of trade-mark protection with those of free movement of goods and freedom to provide services in the common market in such a way that trade mark rights are able to fulfil their essential role in the system of undistorted competition which the Treaty seeks to establish and maintain.<sup>681</sup>

It follows that the EU protection of registered trademark rights is neither absolute nor unconditional.<sup>682</sup> Indeed, the CJEU has ruled that the whole purpose of EU trademark law is “generally to strike a balance between the interest which the proprietor of a trade mark has in safeguarding its essential function, on the one hand, and the interests of other economic operators in having signs capable of denoting their products and services, on the other.”<sup>683</sup> Consonant with this view, Article 14(1)(b) of the EUTMR exempts not only fair descriptive uses of signs or indications from infringement but also allows third parties to use, in the course of trade, “signs or indications which are not distinctive.”<sup>684</sup> A related limitation covers referential use of the trade mark “for the purpose of

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<sup>681</sup> Case C-63/97, *BMW v. Ronald Karel Deenik*, 1999 E.C.R. I-905, ¶ 62 (Feb. 23, 1999).

<sup>682</sup> Case C-145/05, *Levi Strauss & Co v. Casucci SpA*, 2006 E.C.R. I-3703, ¶ 30 (Apr. 27, 2006); *see also* Case C-228/03, *The Gillette Company v. LA-Laboratories Ltd Oy*, 2005 E.C.R. I-2337, ¶ 27 (Mar. 17, 2005).

<sup>683</sup> Case C-65/12, *Leidseplein Beheer BV v. Red Bull GmbH*, ECLI:EU:C:2014:49, ¶ 41 (Feb. 6, 2014).

<sup>684</sup> Council Regulation 2017/1001, art. 14, 2017 O.J. (L 154) 1, 12 (EU).

identifying or referring to goods or services as those of the proprietor of that trade mark . . . .”<sup>685</sup>

In the wake of the 2015 changes, the Preamble to the EUTMR identifies three further important limitations: use in comparative advertising, use for reselling of genuine branded goods, and use for artistic expression.<sup>686</sup> With regard to artistic uses, it specifically provides that “[u]se of a [trademark] by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters.”<sup>687</sup> It therefore subjects artistic uses of marks to an obligation to act fairly in relation to the legitimate interests of the trademark owner which is controversial as discussed above. Particularly, the question is, should the CJEU apply its pre-2015 interpretation without changes? More significantly however, the Preamble also articulates an overriding interpretative principle underpinning the whole of EU trademark law by stating that “[t]his Directive should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.”<sup>688</sup> This Recital may force the CJEU to re-visit its settled interpretation of “honest practices.”<sup>689</sup> Regardless, brand owners seeking to rely on EU limitations

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<sup>685</sup> Directive (EU) 2015/2436 of the European Parliament and of the Council of Dec. 16, 2015, to approximate the law of the Member States relating to trade marks, O.J. (L 336) 12.

<sup>686</sup> Regulation 2015/2424 of the European Parliament and of the Council of Dec. 16, 2015, amending Council Regulation (EC) No 2868/95, implementing Council Regulation (EC) No 40/94 on the Community Trade Mark, and Repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs), O.J. (L 341) 23.

<sup>687</sup> *Id.*

<sup>688</sup> Council Directive (EU) 2015/2436, O.J. (L 336) 4.

<sup>689</sup> *Id.*

for metaverse-based uses of marks have, therefore, a relatively wide range of options.

### 1. Non-Distinctive Fair Use

For some scholars, the newly enacted non-distinctive limitation serves as “a means of protecting a domain of signs that other traders might wish to use[.]”<sup>690</sup> and may operate in several scenarios directly relevant to non-traditional marks.<sup>691</sup> For example, signs which are non-distinctive or barely reach the requisite level of acquired distinctiveness—such non-traditional marks as product shapes registered after a word mark or color *per se*—are registered as a EUTM but only sparsely used in Member States.<sup>692</sup> In these examples, where the shape or the color may not be perceived by the domestic public as a source-identifying mark, such non-distinctive use by another should be permitted.

Arguably, absence or partial loss of distinctiveness are not the only situations where the limitation may be invoked.<sup>693</sup> Even if the mark never loses its distinctive character, the sign used by the alleged infringer may appear non-distinctive for the relevant public depending upon the factual circumstances of the case. These potential limitations would appear highly relevant to the use of non-traditional marks such as scent, sound, and store design, which possess little inherent distinctiveness as they are

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<sup>690</sup> Jennifer Davis, *Limitations to Trade Mark Protection as Defences to Infringement*, in THE CAMBRIDGE HANDBOOK OF INTERNATIONAL AND COMPARATIVE TRADEMARK LAW 558, 562 (Irene Calboli & Jane Ginsburg eds., 2020).

<sup>691</sup> See KUR & SENFTLEBEN, *supra* note 459, at 416–17; Ilanah Fhima, *Technical Functionality in European Trade Mark Law*, 137 L. Q. REV. 113, 113 (2021).

<sup>692</sup> KUR & SENFTLEBEN, *supra* note 459.

<sup>693</sup> See Fhima, *supra* note 659, at 133 (discussing EU Member State decisions where owners of 3D marks have attempted to enforce their marks against third-party users of the non-distinctive component).

generally perceived as mere ornamental product features without intrinsic source significance.

## 2. Descriptive Fair Use

Descriptive fair use has proved a central limitation in allowing third parties to exercise their fundamental freedom of speech and to the public's fundamental right to receive information. For instance, the CJEU has ruled that a mere likelihood of confusion is not an automatic bar to a defendant's legitimate defense of fair descriptive use.<sup>694</sup> At issue was an infringement action by a trademark proprietor against a third party's use of a confusingly similar indication regarding the geographical origin of the place where its bottled water originated.<sup>695</sup> The CJEU construed EU fair descriptive use as tolerating a degree of confusion for the greater public benefit in safeguarding the fundamental speech interests of traders and consumers, namely, to enable traders to be truthful about the origin of their branded goods and to enable the public receipt of that information when making an informed choice.<sup>696</sup> It is also a pragmatic decision given the linguistic diversity of the EU.<sup>697</sup> In the U.S., the Supreme Court took a similar view when interpreting the classic fair use defense under section 33(b)(4) of the Lanham Act.<sup>698</sup> They ruled that "some possibility of consumer confusion must be compatible with fair use, and so it is."<sup>699</sup> The U.S. Supreme Court interpreted the Lanham Act as tolerating a certain degree of consumer confusion, stating that

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<sup>694</sup> Case C-100/02, Gerolsteiner Brunnen GmbH & Co. v. Putsch GmbH, 2004 E.C.R. I-691, ¶ 25 (Jan. 07, 2004).

<sup>695</sup> *Id.* ¶¶ 7–8.

<sup>696</sup> *Id.* ¶ 25.

<sup>697</sup> *Id.* ¶ 26.

<sup>698</sup> KP Permanent Make-Up v. Lasting Impression I, 543 U.S. 111, 121–22 (2004).

<sup>699</sup> *Id.*



The common law's tolerance of a certain degree of confusion on the part of consumers followed from the very fact that in cases like this one an originally descriptive term as a [trademark] was selected to be used as a mark, not to mention the undesirability of allowing anyone to obtain a complete monopoly on use of a descriptive term simply by grabbing it first.<sup>700</sup>

### 3. Artistic Expressive Uses

As the universe of registrable signs expands, the risk of trademark law conflicting with fundamental freedoms increases significantly. Such fundamental freedoms may entail freedom of expression broadly understood as covering not only the right to express an opinion but also to hear that opinion.<sup>701</sup> The enlargement of the subject matter is further compounded by the almost universal acceptance that a source-identifying mark “also acts as a means of conveying other messages concerning, inter alia, the qualities or particular characteristics of the goods or services . . . or the images and feelings which it conveys, such as, for example, luxury, lifestyle, exclusivity, adventure, youth.”<sup>702</sup> Since these additional corporate messages enable the mark to acquire “an inherent economic value which is independent of and separate from that of the goods and services[.]” they are worth protecting on account of the proprietor's considerable effort and investment.<sup>703</sup> Well-known marks or marks with a strong reputation thus deserve special protection even against uses of identical or similar marks which might create non-confusing risks of

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<sup>700</sup> *Id.* at 122.

<sup>701</sup> Case C-487/07, *L'Oréal SA v. Bellure NV*, 2009 E.C.R. I-5185, ¶ 10 (June 18, 2009).

<sup>702</sup> Case T-341/13 *RENV*, *Groupe Léa Nature SA v. EUIPO*, ECLI:EU:T:2017:381, ¶ 90 (Jun. 08, 2017), *aff'd*, Case C-505/17 P, ECLI:EU:C:2019:157 (Feb. 28, 2019).

<sup>703</sup> *Id.*

dilution or unfair advantage notwithstanding the dissimilarity of the markets.<sup>704</sup> However, problems arise when trademarks transcend their identifying purpose. Some “enter our public discourse and become an integral part of our vocabulary.”<sup>705</sup> All too often trademarks perform a gap-filling role in our vocabulary and expressions. “Once imbued with such expressive value, the trademark becomes a word in our language and assumes a role outside the bounds of trademark law.”<sup>706</sup>

These concerns about trademarks carrying so much “communicative freight”<sup>707</sup> and becoming the “emerging lingua franca”<sup>708</sup> in social, cultural, and political discourses may engage free-speech interests that have long been recognized in the U.S. In contrast, in the EU, the relationship between trademark law and freedom of expression, including the law’s aim of promoting free-speech interests, remains poorly underdeveloped.<sup>709</sup> More

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<sup>704</sup> *Id.*

<sup>705</sup> *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir. 2002).

<sup>706</sup> *Id.*

<sup>707</sup> Alex Kozinski, *Trademarks Unplugged*, 84 TRADEMARK REP. 441, 446–47, 454 (1994).

<sup>708</sup> Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 397–98 (1990).

<sup>709</sup> *See, e.g.*, Case 240/18 P, *Constantin Film Produktion v. EUIPO*, ECLI:EU:C:2019:553, ¶ 52 (Jul. 2, 2019) (“[F]reedom of expression clearly applies in the field of [trademark] law. That statement, however, throws up more questions than it answers.”); Case C-487/07, *L’Oréal SA v. Bellure NV* [2010] EWCA Civ 535, [11] (stating that the CJEU’s ruling in this case paid insufficient attention to freedom of expression, particularly the right of traders to tell the truth about the origin of their lawful products and the rights of consumers to hear that information and make informed choices); *Ate My Heart v. Mind Candy* [2011] EWHC (Ch) 2741, [45]–[47], [93] (granting an injunction to prevent defendant’s use of Lady Goo Goo as a parody because the animated character had morphed into a character in its own right to enhance the commercial sales of defendant’s business.); *Miss*

recently however, those advising the CJEU have persuasively argued that whatever protection for innovation and commercial investment trademark law may grant, “it is never absolute. It must always be balanced against other interests, in the same way that [trademark] protection itself is balanced against them.”<sup>710</sup> Those interests may cover freedom of expression and freedom of commerce insofar as innovation and investment “also requires competition and open access to ideas, words and signs.”<sup>711</sup> This explains why brand owners may prevent only certain uses while many others must be accepted.<sup>712</sup>

Supporting this call for balance, others also remark that, in the context of enhanced protection of reputation marks as brands, “it becomes more and more important to ensure that freedom of expression relating to parody, artistic expression and critique of consumerism and mockery of [lifestyles] relating to it is not unduly hampered.”<sup>713</sup> This reasoning has arisen in the context of claims involving novel online uses of trademarks.

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World Ltd v. Channel Four Television [2007] EWHC (Pat) 982, [2], [47], [53]–[54] (Apr. 16, 2007) (granting an injunction to prevent broadcaster using “Mr. Miss World” for a beauty contest for transvestites and transsexuals and remarking that “absent a sign which is really telling a political story, making a political point or identifying some matter of public importance, I find the idea that use of a trade mark can of itself generally engage [freedom of expression] difficult.”).

<sup>710</sup> Joined Cases C-236/08, C-237/08, & C-238/08, *Google France SARL v. LVM*, ECLI:EU:C:2009:569, ¶ 102 (Sept. 22, 2009), <https://curia.europa.eu/juris/document/document.jsf?mode=LST&pageIndex=0&docid=73281&part=1&doclang=EN&text=&occ=first&cid=1408284> [<https://perma.cc/RC2Y-CLTL>] (AG Opinion).

<sup>711</sup> *Id.* ¶¶ 103, 106.

<sup>712</sup> *Id.* ¶103.

<sup>713</sup> Case C-324/09, *L’Oreal SA v. eBay Int’l AG*, ECLI:EU:C:2010:757, ¶ 48 n.23 (Dec. 9, 2010), <https://curia.europa.eu/juris/document/document.jsf?mode=LST&pageIndex=0&docid=83750&part=1&doclang=EN&text=&occ=first&cid=1408284> [<https://perma.cc/MM6L-D3HZ>] (AG Opinion).

However, this reasoning calls for balancing interests other than those of proprietors have also emerged in delineating specific circumstances under which the subjective interests of third parties using a sign may constitute “due cause” or valid justifications that require proprietors to tolerate a certain degree of dilution or free riding on their reputation.<sup>714</sup> In that scenario, the balancing exercise weighs the potential harm to the proprietor against other legal rights such as freedom of competition.<sup>715</sup>

In 2015, the EU legislator arguably took notice of these doctrinal developments. The EU trademark reforms added a new recital in the Preamble to the EUTMR which states that “[u]se of a [trademark] by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters.”<sup>716</sup> There is no definition of “artistic expression” or indication about what activities are considered artistic uses of marks. The last paragraph of the same recital provides that “[f]urthermore, this Regulation should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.”<sup>717</sup> Unlike artistic uses which are subject to the ‘honest practice’ requirement, the application of fundamental rights and freedoms is not conditional upon the same requirement or any other conditions. The wording “furthermore” and

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<sup>714</sup> Case C-65/12, *Leidseplein Beheer BV v. Hendrikus de Vries*, ECLI:EU:C:2013:196, ¶ 36 (Mar. 21, 2013) (AG Opinion).

<sup>715</sup> Case C-65/12, *Leidseplein Beheer BV v. Hendrikus de Vries*, ECLI:EU:C:2014:49, ¶ 53 (Feb. 6, 2014) (accepting that the undefined concept of “due cause” may not only include objective overriding concepts but may also relate to subjective interests of third parties using a sign identical or similar to a mark with a reputation).

<sup>716</sup> Council Regulation 2015/2424, O.J. (L 341) 23; Council Directive (EU) 2015/2436, O.J. (L 336) 4.

<sup>717</sup> Council Regulation 2015/2424, O.J. (L 341) 23; Council Directive (EU) 2015/2436, O.J. (L 336) 4.

“full respect” for fundamental rights leads scholars to believe that this is a “free-standing test.”<sup>718</sup> This suggests that fundamental freedoms must guide the application of “any rule or principle of trademark law including the definition of which uses are ‘fair’ and in conformity with ‘honest practices.’”<sup>719</sup> There is, however, little guidance in the legislative history that resulted in the new EUTMR and the recast of the TMD.

The 2011 Study by the Max Planck Institute, which served as a basis for the EU Commission’s proposal for reforms, makes no reference to fundamental rights at all. Under the proposal for a new “honest referential use” defense, the Study recommends listing as examples uses for purposes of “commentary and criticism,” which should mention “parodies” as a form of criticism or comment falling within the provision.<sup>720</sup> Intriguingly enough, it also points out that “use of the mark for communication purposes characterized as free speech, or in artistic works” would not frequently fall within the scope of the exclusive rights which are conditional upon uses for the purpose of distinguishing goods.<sup>721</sup> The Study envisaged such expressive or artistic uses of marks as falling within a new proposed provision regulating “use for purposes other than distinguishing goods or services,” which would replicate substantially former Article 5(5) of the Trade Mark Directive that made such non-trademark uses optional for

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<sup>718</sup> Jens Schovsbo, *Mark My Words—Trademarks and Fundamental Rights in the EU*, 8 U.C. IRVINE L. REV. 555, 568 (2018); see also Łukasz Żelechowski, *Invoking Freedom of Expression and Freedom of Competition in Trade Mark Infringement Disputes: Legal Mechanisms for Striking a Balance*, 19 ERA F. 115, 117 (2018).

<sup>719</sup> Schovsbo, *supra* note 718 (internal citation omitted); see also Żelechowski, *supra* note 718.

<sup>720</sup> MAX PLANCK STUDY, *supra* note 156, at 122. The Study also recommended listing uses for indicating replacement parts or services—which was already listed in the pre-2015 law. *Id.*

<sup>721</sup> *Id.*

Member States.<sup>722</sup> Although the EU Commission's proposals for reforms broadly accepted the Study's recommendations, those proposals did not foresee any reference to fundamental rights.<sup>723</sup> In the run-up to the legislative debates, European scholars were critical that the legislative debates were paying little attention to the trademark limitations. Largely relying on the Study's (undeveloped) proposal for a general "fair use" clause, they recommended adding to the statutory list of limitations "an open-ended clause . . . offering room for the courts to develop appropriate new defenses on a case-by-case basis."<sup>724</sup> Alas, this call went unheeded.

It appears Recital 21's fundamental rights principle was the result of a legislative compromise. While the Committee on Legal Affairs suggested adding fundamental rights and freedoms, in its first reading, the EU Parliament proposed addressing fundamental rights concerns through an express limitation of parody, artistic expression, criticism, or comment.<sup>725</sup> Subsequent deliberations abandoned this proposal, and agreed instead that the recitals should be amended inserting the wording that became Recital 21.<sup>726</sup> A recital, however, is not a legally binding norm. It "cannot be relied on as a ground for derogating from the actual provisions of the act in question."<sup>727</sup> Rather, recitals are interpretative tools in the

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<sup>722</sup> *Id.*

<sup>723</sup> Proposal for a Regulation of the European Parliament and of the Council Amending Council Regulation (EC) No 207/2009 on the Community Trade Mark, COM (2013) 161 final (Mar. 27, 2013).

<sup>724</sup> Martin Senftleben et al., *Recommendation on Measures to Safeguard Freedom of Expression and Undistorted Competition: Guiding Principles for the Further Development of EU Trade Mark Law*, 37 *EURO. INTELL. PROP. REV.* 337, 340 (2015).

<sup>725</sup> Schovsbo, *supra* note 718, at 569.

<sup>726</sup> *Id.*

<sup>727</sup> Case C-162/97, Nilsson et al., 1998 E.C.R. I-7477, ¶ 54 (Nov. 19, 1998).

EU legal order that the CJEU may take into account to shed light on the interpretation of operative provisions.<sup>728</sup> For instance, in a recent decision involving the meaning of marks contrary to accepted principles of morality as envisaged in Article 7(1)(f), the CJEU cited Recital 21 as a rebuke to the lower court’s comment that free-speech concerns do not exist in trademark law.<sup>729</sup> It was, however, more of an afterthought, in the sense that in defining the prohibition against immoral marks, the court’s focus was not on the normative content of Recital 21.<sup>730</sup> In many respects, Recital 21’s reference to fundamental rights merely confirms that “trademark law is part of the broader trend of constitutionalization.”<sup>731</sup> It was initiated by the 2007 Lisbon Treaty through the adoption of the fundamental rights and freedoms of the EU Charter of Fundamental Rights of 2000 (CFRs).<sup>732</sup> Obligations to respect the fundamental rights guaranteed by CFRs cover “any activity or omission of EU institutions and bodies,” including in the field of trademarks.<sup>733</sup> Thus, Article 17(2)

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<sup>728</sup> See Case C-323/09, *Interflora Inc. v. Marks & Spencer plc*, ECLI:EU:C:2011:604, ¶ 36 (Sep. 20, 2011); Case C-246/06, *Armin Häupl v. Lidl Stiftung & Co.*, 2008 E.C.R. I-105, ¶ 27 (Jun. 14, 2007) (using the Recitals in the Preamble to the former TMD to establish the start of the period for non-use of a trademark).

<sup>729</sup> Case 240/18 P, *Constantin Film Produktion GmbH v. EUIPO*, ECLI:EU:C:2020:118, ¶ 56 (Feb. 27, 2020) (concerning an application to register the film title ‘Fack Ju Göhte’ as an EU trademark).

<sup>730</sup> *Id.* ¶ 39 (taking as a starting point the “usual meaning and the context in which it is generally used”).

<sup>731</sup> Schovsbo, *supra* note 718, at 574.

<sup>732</sup> Treaty of Lisbon amending the Treaty on European Union and the Treaty Establishing the European Community art. 6, Dec. 13, 2007, 2007 O.J. (C 306) 1; Charter of Fundamental Rights of the European Union, Dec. 18, 2000, 2000 O.J. (C 364) 1 [hereinafter EU CFR].

<sup>733</sup> Case 240/18 P, *Constantin Film Produktion GmbH v. EUIPO*, ECLI:EU:C:2019:553, ¶ 48 (Jul. 2, 2019) (AG Opinion).

of the CFRs guarantees the right to property and categorically declares that “intellectual property shall be protected,” but elsewhere also guarantees Article 11’s fundamental right to freedom of expression and information, Article 13’s freedom of the arts and sciences, and Article 16’s freedom to conduct a business.

The CFRs also envisage limitations on the exercise of fundamental rights, so long as such limitations are “provided for by law and respect the essence of those rights and freedoms.”<sup>734</sup> In particular, Article 52 of the CFRs applies to any restrictions on the principle of proportionality, in the sense that “limitations may be made only if they are necessary and genuinely meet objectives of general interest recognized by the Union or the need to protect the rights and freedoms of others.”<sup>735</sup> For all its humanistic basis, the CFR makes no mention of how conflicts or clashes between the various rights and freedoms guaranteed therein are to be resolved. Starting around 2008 however, the CJEU began to rule that, where different fundamental rights are at issue, Member States must adopt an interpretation of EU directives that “allows a fair balance to be struck between the various fundamental rights protected by the Community legal order.”<sup>736</sup> The requirement for a fair balance extends to national authorities and courts who, in context of national protection measures, must also “strike a fair balance” between

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<sup>734</sup> EU CFR, *supra* note 732, art. 52(1). See Case C-401/19, Poland v. EU Parliament, ECLI:EU:C:2022:297 (Apr. 26, 2022), for a recent application of the proportionality test relating to a restriction on the freedom of expression of users of content-sharing service providers.

<sup>735</sup> EU CFR *supra* note 732, art. 52(1).

<sup>736</sup> Case C-275/06, *Promusicae v. Telefónica de España SAU*, 2008 E.C.R. I-271, ¶¶ 62–68 (Jan. 29, 2008). The need for a fair balance between different categories of rightsholders and users is established in Recital 31 of the InfoSoc Directive, though the CJEU did not explicitly cite it. See Council Directive 2001/29, recital 31, 2001 O.J. (L 167) 10, 11 (EC).



copyright protection and the protection of the fundamental rights of individuals who are affected by such measures.<sup>737</sup> Subsequently, the CJEU also applied the requirement for a fair balance to a national injunction upon a service provider whose services were used to infringe copyright.<sup>738</sup> However, the court did not find a fair balance in the context of an injunction requiring an ISP to install a filtering system which monitors indiscriminately all electronic communications between users, for an unlimited period and exclusively at the expense of the ISP.<sup>739</sup> Such a measure was incompatible with EU law, insofar as it failed to strike a balance “between the right to intellectual property, on the one hand, and the freedom to conduct business, the right to protection of personal data and the freedom to receive or impart information, on the other.”<sup>740</sup> More fundamentally, while recognizing Article 17(2)’s mandate to protect IP, the CJEU has categorically declared that “there is . . . nothing whatsoever in the wording of that provision or in the court’s [case law] to suggest that that right is inviolable and must for that reason be absolutely protected.”<sup>741</sup>

In the light of these doctrinal developments in the CJEU’s case law, scholars view Recital 21’s purpose as EU trademark law simply catching-up with EU copyright, and a small step to conclude that the new EU limitations confer “user rights upon artists.”<sup>742</sup> However, there is comparably less academic agreement about the effectiveness of Recital 21’s exemption in safeguarding artistic uses and obligation for full respect of freedom of expression. Some remark

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<sup>737</sup> *Promusicae*, 2008 E.C.R. I-271, ¶ 68.

<sup>738</sup> Case C-314/12, *UPC Telekabel Wien GmbH v. Constantin Film Verleih GmbH*, ECLI:EU:C:2014:192, ¶ 47 (Mar. 27, 2014).

<sup>739</sup> Case C-70/10, *Scarlet Extended v. SABAM*, ECLI:EU:C:2011:771, ¶ 29 (Nov. 24, 2011).

<sup>740</sup> *Id.* ¶ 53.

<sup>741</sup> *Id.* ¶ 43.

<sup>742</sup> Senftleben, *supra* note 680, at 591; *see also* Schovsbo, *supra* note 718, at 574.

that trademark law's general requirement for "use in the course of trade" may serve to exclude non-commercial uses of marks, such as purely artistic, political, or satirical speech. But the law's requirement for "use in relation to goods or services" (use for distinguishing as such), cannot act as a protective barrier for mixed speech involving humorous use for commercial purposes.<sup>743</sup> There are reported national courts of the latter,<sup>744</sup> and the former.<sup>745</sup> However, according to this scholarship, Recital 21's reference to artistic uses, coupled with a broad referential use defense, as being fair as long as it is in accordance with honest practices improves the treatment of mixed speech as non-infringing use.<sup>746</sup> This is particularly backed up by Recital 21's unqualified obligation to freedom of expression.<sup>747</sup>

Other scholars also agree that "the more pronounced role of constitutional norms in trademark law proper is most likely going to serve as a *catalyst* for

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<sup>743</sup> Żelechowski, *supra* note 718, at 1, 18–19.

<sup>744</sup> Cour de cassation [Cass.] [supreme court for judicial matters] com., Apr. 8, 2008, Bull. civ. IV, No. 79 (Fr.), *translated in* 40 INT'L REV. INTELL. PROP. & COMPETITION L. 241, 242 (2009) (finding Greenpeace's campaign using the marks "Stop Esso," "E\$\$O," and "Stop E\$\$O" not an act of defamation in order to denounce Esso Mobil's environmental policies as "purely polemical use" without infringing); Cour de cassation [Cass.] [supreme court for judicial matters] 2e civ., Oct. 19, 2006, Bull. civ. II, No. 282 (Fr.), *translated in* 38 INT'L REV. INTELL. PROP. & COMPETITION L. 357, 358 (2007).

<sup>745</sup> Case C-487/07, L'Oréal SA v. Bellure NV, 2009 E.C.R. I-5185, ¶ 76 (June 18, 2009) (selling smell-alike copies was designed to give a wink of an eye to claimant's branded products); Bundesgerichtshof [BGH] [Federal Court of Justice], Feb. 3, 2005, I ZR 159/02, *juris*. (Ger.) <https://juris.bundesgerichtshof.de/cgi-bin/rechtsprechung/document.py?Gericht=bgh&Art=en&sid=15104eb0a0da03c6db5a5407ea5d56b4&nr=32899&pos=11&anz=12> [https://perma.cc/9KTQ-J5RT], *translated in* 38 INT'L REV. INTELL. PROP. & COMPETITION L. 119 (2007).

<sup>746</sup> Żelechowski, *supra* note 718, at 127–28.

<sup>747</sup> *Id.*

trademark analysis simply by opening the normative space and forcing courts to hear new types of arguments in trademark cases.”<sup>748</sup> Unfazed by artistic uses having to comply with the condition of honest practices, this scholarship highlights Recital 21’s assumption that artistic use of trademark may meet that condition even if there is a commercial gain.<sup>749</sup> The unqualified obligation for full respect of fundamental rights should also “make it easier for courts to draw the lines,” arguably reaching results where the defendant’s speech-interests should prevail.<sup>750</sup> These interpretations of Recital 21 are consistent with long-standing opinions supporting external constitutional limitations as the most effective way to curb expansive trademark rights.<sup>751</sup>

By contrast, other scholars find it deeply problematic to subject Recital 21’s artistic uses to an “honest practices” requirement.<sup>752</sup> According to this critique, it makes no sense for the EU legislator to adopt effective measures to safeguard commercial speech by declaring comparative advertising lawful.<sup>753</sup> That is, unless it is contrary to rules established in the Misleading and Comparative Advertising Directive, and it adopts less effective measures for safeguarding artistic freedom by requiring artists to demonstrate that their artistic uses of

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<sup>748</sup> Schovsbo, *supra* note 718, at 574.

<sup>749</sup> *Id.* at 579.

<sup>750</sup> *Id.*

<sup>751</sup> Christophe Geiger, *Trade Marks and Freedom of Expression—The Proportionality of Criticism*, 38 INT’L REV. INTELL. PROP. & COMPETITION L. 317, 324 (2007); *but cf.* Michal Bohaczewski, *Conflicts Between Trade Mark Rights and Freedom of Expression Under EU Trade Mark Law: Reality or Illusion?*, 51 INT’L REV. INTELL. PROP. & COMPETITION L. 856, 858 (2020) (“Arguably, the conflict between [trademark] rights and the freedom of expression is often illusory”).

<sup>752</sup> Senftleben, *supra* note 680, at 593.

<sup>753</sup> *Id.*

marks are in accordance with honest practices.<sup>754</sup> Faced with an infringement action, a court will dismiss a comparative advertising claim if the trade mark owner cannot demonstrate *prima facie* infringement without the advertiser having to raise any defenses.<sup>755</sup> Artists do not however, enjoy as strong a shield as advertisers.<sup>756</sup> On the contrary, Recital 21 “seems to reflect the opposite approach: the artist is forced into a defensive position and obliged to prove compliance with standards of honesty in industrial and commercial matters.”<sup>757</sup> Moreover, general infringement criteria such as “use in the course trade,” broadly defined as use “in the context of commercial activity with a view to economic advantage and not as a private matter,” constitute a low threshold.<sup>758</sup> New developments in artistic expression, “such as the use of fashion items enjoying trademark protection in non-fungible token (NFT) artworks,” are an example.<sup>759</sup> The ongoing dispute between Hermès and artist Rothschild is a case in point,<sup>760</sup> and it is likely that in the EU the artist would face an uphill struggle proving “honest practice.” Nevertheless, cultural activities require not only freedom to draw upon pre-existing works to create new ones, but also “freedom to bring these new works to the attention of the public and create a market for them.”<sup>761</sup>

This academic critique rightly identifies practical, theoretical, and normative concerns in Recital 21’s

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<sup>754</sup> *Id.* at 569.

<sup>755</sup> *Id.*

<sup>756</sup> *Id.*

<sup>757</sup> *Id.* at 570.

<sup>758</sup> Senftleben, *supra* note 680, at 572.

<sup>759</sup> *Id.* at 572 n.23 (citing “Baby Birkin” by Mason Rothschild as an example).

<sup>760</sup> See generally *Hermès Int’l v. Mason Rothschild*, 603 F. Supp. 3d 98 (S.D.N.Y. 2022).

<sup>761</sup> Senftleben, *supra* note 680, at 572.

formulation of “honest practices” for artistic uses.<sup>762</sup> As discussed above, a worrying example is the circularity in the CJEU’s definition of “honest practices,” since it reproduces almost verbatim the general criteria for actionable trademark infringement when scrutinizing the defenses.<sup>763</sup> A finding of *prima facie* infringement supports also a finding of “dishonest practices.”<sup>764</sup> This scholarship argues that the only way to re-balance the scales is to create a normative presumption in favor of artistic expression in Recital 21’s “honest practices” condition such that “use of trademarks should be deemed fair in artistic contexts unless the . . . proprietor manages to overcome the legal presumption by presenting individualized facts that provide proof of unusually grave trademark harm.”<sup>765</sup> Following closely the *Rogers* test, this proposal for a much higher threshold for “dishonest practices” means that proprietors should demonstrate that, despite the artistic context, the artistic use is “*explicitly* misleading or *deliberately* diluting . . .”<sup>766</sup> In addition to the *Rogers* test, the proposal finds further support in a recent decision by the Benelux Court of Justice (BCJ) involving artistic use of a mark in paintings which, according to the artist, is a “contemporary style, playing with pointillism and pop-art.”<sup>767</sup>

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<sup>762</sup> *Id.* at 586–90.

<sup>763</sup> *Id.* at 589.

<sup>764</sup> Case C-558/08, *Portakabin v. Primakabin*, 2010 E.C.R. I-6963, ¶ 69 (July 8, 2010).

<sup>765</sup> Senftleben, *supra* note 680, at 592.

<sup>766</sup> *Id.* at 592–93 (proposing the claimant should demonstrate that “the use *explicitly* misleads consumers as to the commercial origin of the artwork [and] in the case of [dilution protection], the trademark owner should be obliged to show that the use *deliberately* blurs, tarnishes or exploits in an unfair manner the distinctiveness or repute of such a trademark.”).

<sup>767</sup> See *Moët Hennessey Champagne Servs. v. Cedric Art*, A2018/1/8, Decision, Benelux Court of Justice, ¶ 2 (Oct. 14, 2019),

In a trademark infringement action brought by Moët Hennessy Champagne (producer and holder of several trademarks for “Dom Pérignon Champagne”) against Belgian artist Cedric Peers, the clamant objected to the artist’s creation of artworks featuring naked or scantily dressed women holding Dom Pérignon champagne bottles and, in some cases, mere outlines of such bottles and their iconic label.<sup>768</sup> Peers advertised the paintings as “the ‘Damn Pérignon’ series.”<sup>769</sup> Peers also started selling clothing displaying the Dom Pérignon outline.<sup>770</sup> At issue was a Benelux provision—the content of which reproduces former Article 5(5) of the TMD, now Article 10(6)—that enables proprietors to bring an action against another’s “use of a sign other than for the purposes of distinguishing goods or services,” where such use is detrimental to or takes unfair advantage of the trademark.<sup>771</sup> When asked whether freedom of expression—particularly, artistic freedom—can constitute “due cause,” the BCJ replied affirmatively by ruling that artistic freedom may be due cause when “there is artistic expression that is the original result of a creative production process.”<sup>772</sup> The BCJ acknowledged that artistic freedom as “due cause” may be limited in certain cases.<sup>773</sup> That limitation may be imposed

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[https://courbeneluxhof.int/arresten/FR/A/A\\_18\\_1\\_1528.pdf](https://courbeneluxhof.int/arresten/FR/A/A_18_1_1528.pdf) [<https://perma.cc/TM2T-VZEH>].

<sup>768</sup> *Id.*

<sup>769</sup> *Id.* ¶ 2.

<sup>770</sup> *Id.*

<sup>771</sup> *Id.* ¶ 5.

<sup>772</sup> *Id.* ¶ 6 (citing Case C-65/12, *Leidseplein Beheer BV v. Red Bull GmbH*, ECLI:EU:C:2014:49 (Feb. 6, 2014)).

<sup>773</sup> See *Moët Hennessey Champagne Servs. v. Cedric Art*, A2018/1/8, Decision, Benelux Court of Justice, ¶ 6 (Oct. 14, 2019), [https://courbeneluxhof.int/arresten/FR/A/A\\_18\\_1\\_1528.pdf](https://courbeneluxhof.int/arresten/FR/A/A_18_1_1528.pdf) [<https://perma.cc/TM2T-VZEH>] (citing EU CFR, *supra* note 732, art. 11).

when “artistic expression [is] intended to harm the mark or its owner.”<sup>774</sup>

Scholarship advocating a higher standard of deliberate harm welcomes the BCJ’s focus on whether the artist intended to cause damage.<sup>775</sup> However, wholesale importation of the *Rogers* test into EU law merely on the condition that “the trademark is artistically relevant to the cultural production at issue” can create more problems than it solves.<sup>776</sup> Where the allegedly infringing use is part of an expressive work, the *Rogers* test “balances artistic free expression and trademark rights to determine whether the Lanham Act applies.”<sup>777</sup> In the context of an arguably misleading film title using a celebrity’s name, the U.S. Second Circuit Court of Appeals held that the balance will not normally support application of the Act “unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.”<sup>778</sup> Although the Second Circuit expressly emphasized the “low threshold of minimal artistic relevance . . .”<sup>779</sup> courts insist that “[n]either of these prongs is easy to meet.”<sup>780</sup> The speech-protective framework underlying *Rogers* was quickly adopted beyond film titles to cover all uses involving expressive works, including parody.<sup>781</sup>

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<sup>774</sup> *Id.*

<sup>775</sup> Senftleben, *supra* note 680, at 599.

<sup>776</sup> *Id.*

<sup>777</sup> *Dr. Seuss Enters., L.P. v. ComicMix, L.L.C.*, 983 F.3d 443, 461 (9th Cir. 2020).

<sup>778</sup> *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d. Cir. 1989).

<sup>779</sup> *Id.*

<sup>780</sup> *See, e.g., ComicMix*, 983 F.3d at 462.

<sup>781</sup> *See, e.g., Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 260–61 (9th Cir. 2018) (adopting the *Rogers* framework to cover greeting cards); *Twentieth Century Fox Television v. Empire Distrib., Inc.*, 875 F.3d 1192, 1196–97 (9th Cir. 2017) (adopting *Rogers*

Nevertheless, there are examples of “courts struggling to assimilate . . . factual patterns that raise legitimate concerns about whether *Rogers* tilts too far in favor of the junior user’s First Amendment interests.”<sup>782</sup> Some courts refuse to apply *Rogers*, without modification, to allegedly expressive works to sell the same goods for which the trademark is protected for fear of “destroying the value of trademarks in the name of First Amendment . . . .”<sup>783</sup> In begrudgingly dismissing Jack

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framework to cover television series and related music and merchandise such as promotional shirts and champagne glasses); *Radiance Found., Inc. v. NAACP*, 786 F.3d 316, 329 (4th Cir. 2015) (adopting *Rogers* framework to cover political speech); *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1241–42 (9th Cir. 2013) (adopting *Rogers* framework to cover video games); *Univ. of Ala. Bd. Of Trs. v. New Life Art, Inc.*, 683 F.3d 1266, 1278–79 (11th Cir. 2012) (adopting *Rogers* framework to cover flags and t-shirts); *Mattel Inc. v. Walking Mountain Prod.*, 353 F.3d 792, 807 (9th Cir. 2003) (adopting *Rogers* framework to cover photographs of Barbie Dolls); *Parks v. LaFace Recs.*, 329 F.3d 437, 448–49 (6th Cir. 2003) (adopting *Rogers* framework to cover music); *Mattel, Inc. v. MCA Recs.*, 296 F.3d 894, 902 (9th Cir. 2002) (adopting *Rogers* framework to cover songs); *Yankee Publ’g Inc. v. News Am. Publ’g Inc.*, 809 F. Supp 267, 278 (S.D.N.Y. 1993) (adopting *Rogers* framework to cover magazine covers); *Cliffs Notes v. Bantam Double Day Publ’g Grp.*, 886 F.2d 490, 495 (2d Cir. 1989) (adopting *Rogers* framework to cover parody).

<sup>782</sup> See, e.g., *Stouffer v Nat’l Geographic Partners*, 460 F. Supp. 3d 1133, 1140 (D. Colo. 2020).

<sup>783</sup> See *id.* at 1142 (modifying *Rogers* by proposing six non-exclusive factors to answer the ultimate question whether a junior user had a “genuine artistic motive”) (“The *Rogers* test . . . opens the door to free use of trademarks for ‘artistic’ goods or services, even on precisely the same goods and services for which the mark was granted.”); see also *Vans, Inc. v. MSCHF Product Studio, Inc.*, 602 F. Supp. 3d 358, 371 (E.D.N.Y. 2022) (rejecting defendant’s reliance on Jack Daniel’s case to argue that its “Wavy Baby” shoes—which imitate claimant Vans’ shoes—constitute expressive works protected under *Rogers*) (“Unlike in the case at bar, the dog toy does not occupy the same market as Jack Daniels whiskey, and where the infringement claim involves a competing product, ‘parodic use is sharply limited.’”).



Daniel’s action against defendant’s “Bad Spaniels” humorous dog toy in the shape of a Jack Daniel’s whiskey bottle, the district court bemoaned that, where artistic relevance need be merely “above zero,” it is “difficult to imagine what creative junior use would not pass the *Rogers* test.”<sup>784</sup> It also lamented that *Rogers*’s “explicitly misleading” standard “excuses nearly any use less than slapping another’s trademark on your own work and calling it your own.”<sup>785</sup>

The U.S. Supreme Court is currently considering Jack Daniel’s appeal against the application of *Rogers* to non-artistic commercial products in which the appellant whiskey producers argues that the Nine Circuit’s application of *Rogers* “unjustifiably transforms humor into a get-out-of-the-Lanham-Act-free-card.”<sup>786</sup> It specifically attacks the very existence of the *Rogers*’ “artistic relevance and explicitly misleading” prongs by claiming that “[n]o language in the [Lanham] statute permits a court to require that showing in every case of humorous infringement.”<sup>787</sup> While Jack Daniel’s argues that the conventional likelihood of confusion test should determine the lawfulness of defendant’s parody dog toy, its amici urge the Supreme Court to define more restrictively the types of products that qualify as “expressive works” for heightened free speech protection under *Rogers*.<sup>788</sup> Artist Rothschild’s reliance on

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<sup>784</sup> Jack Daniel’s Props., Inc. v VIP Products, L.L.C., No. CV-14-023057-PHX-SMM, 2021 WL 5710730, at \*6 (D. Ariz. Oct. 8, 2021).

<sup>785</sup> *Id.*

<sup>786</sup> Petition for Writ of Certiorari, Jack Daniel’s Props., Inc. v VIP Products, L.L.C., No. 22-148 (petition for cert. filed Aug. 5, 2022), 2022 WL 3561781, at \*6, *cert granted*, 143 S. Ct. 476 (2022).

<sup>787</sup> *Id.* at \*33.

<sup>788</sup> Brief for Intentional Trademark Association as Amici Curiae in Opposition to Petition for Certiorari, Jack Daniel’s Props., Inc. v VIP Products, L.L.C., No. 22-148, 2020 WL 6259537, at \*23–24 (No. 20-365), *cert granted*, 143 S. Ct. 476 (2022) (supporting the

*Rogers* is at the heart of his alleged artistic expression in creating the “Metabirkin” NFT, which serves as a defense against the infringement claims.<sup>789</sup> However, the validity and expansive scope of *Rogers* is uncertain, and we should resist calls for its European adoption at least until the Supreme Court’s publishes its decision. There is in any case no consensus in U.S. commentary about the need for *Rogers* as an external constitutional limitation on trademark rights.<sup>790</sup>

## CONCLUSION

A growing commercial interest in the metaverse is sparking metaverse-related EU trademark filings. Meta brands relating to virtual goods and services in the metaverse are poised to become the next frontier for new markets dominated by NFTs and virtual 3D environments. Applications to register metaverse-based signs as EU trademarks are rising significantly, posing new challenges for EU tribunals when applying legal norms and doctrinal interpretation which were largely developed for real world interactions between producers, consumers, and intermediaries. The current EU legal landscape makes it difficult to secure trade dress marks for real-world representations of store designs and retail environments,

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continued application of *Rogers* and arguing that the Court’s First Amendment cases distinguish between commercial and non-commercial speech, not between commercial and non-commercial goods).

<sup>789</sup> See generally *Hermès Int’l v. Rothschild*, No. 22-cv-384, 2023 U.S. Dist. LEXIS 17669 (S.D.N.Y. Feb. 2, 2023); *Hermès Int’l v. Rothschild*, 603 F. Supp. 3d 98 (S.D.N.Y. 2022); *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647 (S.D.N.Y. 2022).

<sup>790</sup> See William McGeeveran, *Four Speech Goals of Trademark Law*, 18 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 1205, 1212 (2008); see also Pierre Leval, *Trademark: Champion of Free Speech*, 27 *COLUM. J.L. & ARTS* 187, 202–03 (2004).

and these difficulties are likely to be transferred to applications to register metaverse environments as EU trademarks. In terms of infringement, the EU double-identity protection will play a key role in disputes involving NFTs and replicas of registered marks as skins. The recent *Louboutin v. Amazon* ruling marks a significant change in the CJEU's approach towards the exclusion of all trademark liability to platform operators and metaverse platforms may be held primarily liable alongside infringing users unless they take steps to clearly distinguish the publications of any offers. Finally, while the inclusion of referential use and non-distinctive fair use defenses are a welcome development in EU law, the role that fundamental rights will play in the application of the whole of EU trademark law remains to be seen.