Reports of Cases

JUDGMENT OF THE COURT (First Chamber)

10 November 2016*

(Appeal — European Union trade mark — Three-dimensional mark in the shape of a cube with surfaces having a grid structure — Application for a declaration of invalidity — Rejection of the application for a declaration of invalidity)

In Case C-30/15 P,

APPEAL under Article 56 of the Statute of the Court of Justice of the European Union, brought on 26 January 2015,

Simba Toys GmbH & Co. KG, established in Fürth (Germany), represented by O. Ruhl, Rechtsanwalt,

appellant,

the other parties to the proceedings being:

European Union Intellectual Property Office (EUIPO), represented by D. Botis and A. Folliard-Monguiral, acting as Agents,

defendant at first instance,

Seven Towns Ltd, established in London (United Kingdom), represented by K. Szamosi and M. Borbás, ügyvédek,

intervener at first instance,

THE COURT (First Chamber),

composed of R. Silva de Lapuerta, President of the Chamber, E. Regan, J.-C. Bonichot, A. Arabadjiev and S. Rodin (Rapporteur), Judges,

Advocate General: M. Szpunar,

Registrar: V. Giacobbo-Peyronnel, Administrator,

having regard to the written procedure and further to the hearing on 2 March 2016,

after hearing the Opinion of the Advocate General at the sitting on 25 May 2016,

gives the following

* Language of the case: English.

Judgment

1 By its appeal, Simba Toys GmbH & Co. KG seeks to have set aside the judgment of the General Court of the European Union of 25 November 2014, *Simba Toys* v *OHIM — Seven Towns (Shape of a cube with surfaces having a grid structure)* (T-450/09, EU:T:2014:983, 'the judgment under appeal'), by which the General Court dismissed its action for annulment of the decision of the Second Board of Appeal of the European Union Intellectual Property Office (EUIPO) ('the Board of Appeal') of 1 September 2009 (Case R 1526/2008-2), relating to cancellation proceedings between the appellant and Seven Towns Ltd ('the decision at issue').

Legal context

2 Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1) was repealed and replaced by Council Regulation (EC) No 207/2009 of 26 February 2009 on the European Union trade mark (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009.

3 However, given the timeframe of the facts, the present dispute remains governed by Regulation No 40/94, at least with regard to those provisions which are not strictly procedural.

4 Article 7 of Regulation No 40/94, entitled 'Absolute grounds for refusal', provides:

'1. The following shall not be registered:

…

(b) trade marks which are devoid of any distinctive character;

(c) trade marks 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;

…

(e) signs which consist exclusively of:

(i) the shape which results from the nature of the goods themselves; or

(ii) the shape of goods which is necessary to obtain a technical result; or

(iii) the shape which gives substantial value to the goods;

…'

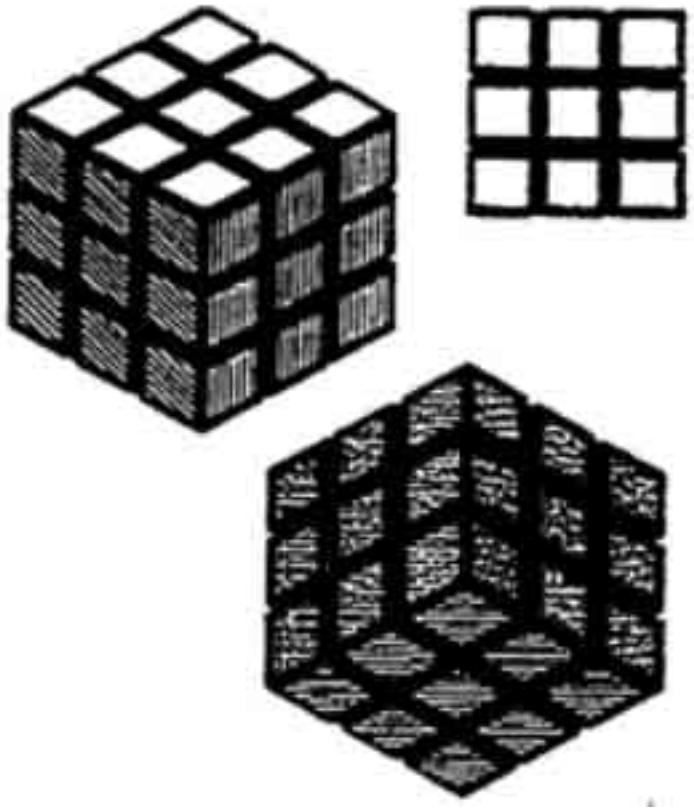
5 Under Article 74(1) of Regulation No 40/94:

'In proceedings before it the Office shall examine the facts of its own motion; however, in proceedings relating to relative grounds for refusal of registration, the Office shall be restricted in this examination to the facts, evidence and arguments provided by the parties and the relief sought.'

Background to the dispute

6 The background to the dispute, as set out in paragraphs 1 to 12 of the judgment under appeal, may be summarised as follows.

7 On 1 April 1996, Seven Towns filed an application for registration of a Community trade mark with EUIPO, relating to the three-dimensional sign reproduced below:



8 The goods in respect of which registration was sought are in Class 28 of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended, and correspond to the following description: 'three-dimensional puzzles'.

9 On 6 April 1999, the mark at issue was registered as a Community trade mark under No 162784. It was renewed on 10 November 2006.

10 On 15 November 2006 Simba Toys filed an application for a declaration of invalidity of that mark pursuant to Article 51(1)(a) of Regulation No 40/94, read in conjunction with Article 7(1)(a) to (c) and (e) thereof.

11 By decision of 14 October 2008, the Cancellation Division of EUIPO rejected that application in its entirety.

12 On 23 October 2008, the appellant filed a notice of appeal with EUIPO, pursuant to Articles 57 to 62 of Regulation No 40/94 (now Articles 58 to 64 of Regulation No 207/2009), against that decision. In support of its action it alleged infringement of Article 7(1)(a) to (c) and (e) of Regulation No 40/94.

13 By the decision at issue, the Board of Appeal confirmed the decision of the Opposition Division of 14 October 2008 and dismissed the action.

The proceedings before the General Court and the judgment under appeal

14 By application lodged at the Registry of the General Court on 6 November 2009, Simba Toys brought an action seeking annulment of the decision at issue.

15 In support of its action, it relied on eight pleas in law, alleging infringement of the first sentence of Article 75 and of the first sentence of Article 76(1) of Regulation No 207/2009, and infringement of Article 7(1)(b), Article 7(1)(c), Article 7(1)(e)(i) to (iii) and Article 7(3) of Regulation No 40/94.

16 By the judgment under appeal, the General Court dismissed that action as unfounded.

Forms of order sought

17 Simba Toys claims that the Court should:

— set aside the judgment under appeal;

— annul the decision at issue; and

— order Seven Towns and EUIPO to pay the costs.

18 Seven Towns and EUIPO contend that the Court should:

— dismiss the appeal; and

— order Simba Toys to pay the costs.

The request for the reopening of the oral part of the procedure

19 By letter of 7 July 2016, Seven Towns requested the reopening of the oral part of the procedure.

20 That company claims, in essence, that the Advocate General, in his Opinion, relied on facts and raised arguments which had not been debated between the parties or before the General Court or the Court of Justice, so far as concerns, inter alia, the definition of the function of the goods at issue, the identification of the essential characteristics of the sign and the assessment of the functionality of the shape of a cube.

21 It that respect, it must be recalled that the Court may at any time, after hearing the Advocate General, order the reopening of the oral part of the procedure under Article 83 of its Rules of Procedure, in particular if it considers that it lacks sufficient information or where the case must be decided on the basis of an argument which has not been debated between the interested parties (see, to that effect, judgment of 7 April 2016, *Marchon Germany*, C-315/14, EU:C:2016:211, paragraph 19).

22 That is not the case here. The Court, after hearing the Advocate General, considers that it has all the information necessary to enable it to give a ruling and that the case does not have to be examined in the light of any new fact which is of such a nature as to be a decisive factor for its decision or in the light of any argument which has not been debated before it.

23 In those circumstances, it is not appropriate to accede to the request of Seven Towns that the oral part of the procedure be reopened.

The appeal

Arguments of the parties

24 In support of its appeal, Simba Toys puts forward six grounds. By its first ground of appeal, it submits that the General Court, in paragraphs 50 to 77 of the judgment under appeal, infringed Article 7(1)(e)(ii) of Regulation No 40/94, which provides that signs which consist exclusively of the shape of goods which is necessary to obtain a technical result are not to be registered.

25 In that respect, Simba Toys claims, in the first place, that the General Court, in paragraph 72 of the judgment under appeal, erred in making the application of Article 7(1)(e)(ii) of Regulation No 40/94 subject to the requirement that a technical result may at least be 'inferred with sufficient certainty' from the representation of the mark concerned. According to the appellant, no such requirement to 'fathom precisely' can be inferred from either the wording of that provision or from the case-law and, in addition, such a requirement goes against the objective thereof.

26 The appellant maintains, in the second place, that the General Court interpreted the notion of 'technical function' too narrowly by taking the view, in paragraph 60 of the judgment under appeal, that the grid structure on the surfaces of the cube did not perform that function. The appellant claims that the General Court failed to take into consideration the fact that that structure and the general shape of the cube are no arbitrary features and must therefore necessarily be technical features.

27 In the third place, the appellant claims that the General Court, in paragraph 53 of the judgment under appeal, erred in law by making the refusal to register a sign on the basis of the ground mentioned in Article 7(1)(e)(ii) of Regulation No 40/94 subject to the condition that the essential characteristics of the mark at issue themselves perform the technical function of the goods that it covers, and not that they are the result thereof.

28 In the fourth place, the appellant criticises the General Court for dismissing the head of claim alleging the lack of alternative shapes for the representation of that mark which might perform the same technical function. In any event, it submits that the availability of alternative shapes would not preclude the application of Article 7(1)(e)(ii). As regards, in particular, the black lines that criss-cross the surfaces of the cube, even if it were possible to produce a magic cube without those elements, such a cube would still be protected by the contested mark, as it is within the range of similarity. In those circumstances, the appellant claims that the General Court misconstrued the public interest underlying that provision, which is to prevent the granting of a permanent monopoly on technical solutions.

29 In the fifth place, the appellant submits that the General Court, when assessing the technicality of the essential characteristics of the goods at issue, failed to take into consideration the existence of goods that were already on the market before the application for registration of the mark at issue was lodged — in particular, the 'Rubik's Cube' produced by the intervener — and have the essential characteristics of the contested mark, including a rotating capability which is well known to consumers.

30 In the sixth place, Simba Toys criticises the General Court on the ground that it held, in paragraph 55 of the judgment under appeal, after concluding that the mark at issue was registered for 'three-dimensional puzzles' in general without being restricted to those that have a rotating capability, that registration of a mark may be refused only if the ground referred to in Article 7(1)(e)(ii) of Regulation No 40/94 applies with regard to all or at least many of the goods which it covers.

31 According to Seven Towns and EUIPO, the first ground of appeal must be rejected as inadmissible, at least in part, due to the fact that it is seeking to call into question findings of fact.

32 In any event, according to those parties, that ground must be rejected as unfounded. They claim, in essence, that the Court should confirm the grounds in the judgment under appeal which are challenged by this ground of appeal. In that respect, they submit that the General Court, far from introducing new requirements, merely applied the existing case-law which requires, inter alia, that any technical function is to be determined on the basis of the graphic representation of the mark concerned. Sevens Towns and EUIPO also draw attention to the fact that the goods at issue include all three-dimensional puzzles, of which magic cubes do not form an autonomous subcategory.

Findings of the Court

33 By its first ground of appeal, Simba Toys claims that the General Court misapplied Article 7(1)(e)(ii) of Regulation No 40/94 by relying, inter alia, in paragraphs 56 to 77 of the judgment under appeal, on an interpretation of that provision that is too narrow in regard to the functional character of the shape at issue. Consequently, according to the appellant, the General Court erred in taking the view that the essential characteristics of that shape do not perform a technical function of the goods at issue.

34 In that regard, while it is true that, in so far as it includes findings of a factual nature, the assessment of the functionality of the essential characteristics of a sign cannot, as such, be subject to review by the Court on appeal, save in the case of a distortion (see, to that effect, judgments of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 74, and of 17 March 2016, *Naazneen Investments* v *OHIM*, C-252/15 P, not published, EU:C:2016:178, paragraph 59), the position is different with regard to the questions of law raised by an examination of the relevance of the legal criteria applied when carrying out that assessment and, in particular, of the factors taken into consideration to that end (see, to that effect, judgments of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraphs 84 and 85, and of 6 March 2014, *Pi-Design and Others* v *Yoshida Metal Industry*, C-337/12 P to C-340/12 P, not published, EU:C:2014:129, paragraph 61).

35 The first ground of appeal is therefore admissible because it seeks to challenge the General Court's application, in the judgment under appeal, of the criteria and factors stemming, inter alia, from the case-law of the Court of Justice for the purpose of assessing the functional nature of the sign at issue within the meaning of Article 7(1)(e)(ii) of Regulation No 40/94.

36 As regards the merits of that ground of appeal, the first point to be noted here is that trade mark law constitutes an essential element in the system of competition in the European Union. In that system, each undertaking must, in order to attract and retain customers by the quality of its goods or services, be able to have registered as trade marks signs which enable the consumer, without any possibility of confusion, to distinguish those goods or services from others which have a different origin (judgment of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 38 and the case-law cited).

37 Moreover, as is apparent from Article 4 of Regulation No 40/94, a sign representing the shape of a product is one of the signs that may constitute a mark provided that, first, it is capable of being represented graphically and, secondly, it is capable of distinguishing the goods or services of one

undertaking from those of other undertakings (see, to that effect, judgments of 29 April 2004, *Henkel* v *OHIM*, C-456/01 P and C-457/01 P, EU:C:2004:258, paragraphs 30 and 31, and of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 39).

38 It is also apparent from the Court's case-law that each of the grounds for refusal to register listed in Article 7(1) of Regulation No 40/94 must be interpreted in the light of the underlying public interest (judgments of 29 April 2004, *Henkel* v *OHIM*, C-456/01 P and C-457/01 P, EU:C:2004:258, paragraph 45, and of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 43).

39 In that context, the Court has pointed out that Article 7(1)(e)(ii) of Regulation No 40/94 seeks to prevent trade mark law from granting an undertaking a monopoly on technical solutions or functional characteristics of a product (judgment of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 43).

40 Furthermore, it must, first of all, be recalled that a correct application of that provision requires that the essential characteristics of the three-dimensional sign at issue be properly identified (see, to that effect, judgments of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 68, and of 6 March 2014, *Pi-Design and Others* v *Yoshida Metal Industry*, C-337/12 P to C-340/12 P, not published, EU:C:2014:129, paragraph 46).

41 In the present case, the General Court, in paragraph 47 of the judgment under appeal, confirmed the Board of Appeal's finding that the essential characteristics of the sign at issue are a cube and a grid structure on each surface of the cube. That finding is not challenged in the present appeal.

42 Next, as to the question of whether such essential characteristics perform a technical function of the product, the General Court answered that question in the negative by rejecting, inter alia in paragraphs 56 to 61 of the judgment under appeal, the appellant's argument that the black lines and, more generally, the grid structure on each surface of the cube perform a technical function.

43 In that respect, the General Court rejected the appellant's arguments relating to the rotating capability of the individual elements of the cube at issue, which, according to the appellant, are reflected by those black lines, by pointing out, in particular in paragraphs 58 and 59 of the judgment under appeal, that those arguments were essentially based on knowledge of the rotating capability of the vertical and horizontal lattices of the 'Rubik's Cube' and that that capability cannot result from the characteristics of the shape presented but, at most, from an invisible mechanism internal to that cube. The General Court held that the Board of Appeal was right not to include that invisible element in its analysis of the functionality of the essential characteristics of the contested mark. In that context, the General Court took the view that inferring the existence of an internal rotating mechanism from the graphic representations of that mark would not have been consistent with the requirement that any inference must be drawn as objectively as possible from the shape in question, as represented graphically, and with sufficient certainty.

44 The General Court, in paragraph 60 of the judgment under appeal, therefore took the view, as did the Board of Appeal, that the grid structure on each surface of the cube at issue did not perform any technical function since the fact that that structure had the effect of dividing visually each surface of that cube into nine equal square elements could not constitute a technical function for the purposes of the relevant case-law.

45 However, as the Advocate General has noted, inter alia in point 99 of his Opinion, that line of reasoning is vitiated by an error of law.

46 In order to analyse the functionality of a sign for the purposes of Article 7(1)(e)(ii) of Regulation No 40/94, which concerns only signs which consist of the shape of the actual goods, the essential characteristics of a shape must be assessed in the light of the technical function of the actual goods concerned (see, to that effect, judgment of 14 September 2010, *Lego Juris* v *OHIM*, C-48/09 P, EU:C:2010:516, paragraph 72).

47 Thus, and since it is not disputed that the sign at issue consists of the shape of actual goods and not of an abstract shape, the General Court should have defined the technical function of the actual goods at issue, namely a three-dimensional puzzle, and it should have taken this into account when assessing the functionality of the essential characteristics of that sign.

48 While it was necessary, as the General Court indeed pointed out in paragraph 59 of the judgment under appeal, for the purpose of that analysis, to proceed on the basis of the shape at issue, as represented graphically, that analysis could not be made without taking into consideration, where appropriate, the additional elements relating to the function of the actual goods at issue.

49 First, it follows from the case-law of the Court that, when examining the functional characteristics of a sign, the competent authority may carry out a detailed examination that takes into account material relevant to identifying appropriately the essential characteristics of a sign, in addition to the graphic representation and any descriptions filed at the time of application for registration (judgment of 6 March 2014, *Pi-Design and Others* v *Yoshida Metal Industry*, C-337/12 P to C-340/12 P, not published, EU:C:2014:129, paragraph 54).

50 Secondly, as the Advocate General has noted in points 86 and 91 to 93 of his Opinion, in each of the cases which gave rise to the Court's judgments of 18 June 2002, *Philips* (C-299/99, EU:C:2002:377), of 14 September 2010, *Lego Juris* v *OHIM* (C-48/09 P, EU:C:2010:516), and of 6 March 2014, *Pi-Design and Others* v *Yoshida Metal Industry* (C-337/12 P to C-340/12 P, not published, EU:C:2014:129), the competent authority would not have been able to analyse the shape concerned solely on the basis of its graphic representation without using additional information on the actual goods.

51 It follows that the General Court interpreted the criteria for assessing Article 7(1)(e)(ii) of Regulation No 40/94 too narrowly, in that it took the view, inter alia in paragraphs 57 to 59 of the judgment under appeal, that for the purpose of examining the functionality of the essential characteristics of the sign concerned, in particular the grid structure on each surface of the cube, the shape at issue, as represented graphically, should have been taken as a basis, without necessarily having to take into consideration any additional circumstances which an objective observer would not have been able to 'fathom precisely' on the basis of the graphic representations of the contested mark, such as the rotating capability of individual elements in a three-dimensional 'Rubik's Cube'-type puzzle.

52 Furthermore, the fact, as set out in paragraph 55 of the judgment under appeal, that the contested mark was registered for 'three-dimensional puzzles' in general, that is to say, without being restricted to those that have a rotating capability, and that the proprietor of that mark did not append to its application for registration a description specifying that the shape at issue had such a rotating capability, cannot preclude account from being taken of the technical function of the actual goods represented by the sign at issue for the purpose of examining the functionality of the essential characteristics of that sign, as the proprietor of that mark would otherwise be allowed to broaden the scope of the protection arising from the registration thereof to cover every type of puzzle with a similar shape, namely any three-dimensional puzzle with cube-shaped elements, regardless of the principles by which it functions.

53 However, that last option would be contrary to the objective pursued by Article 7(1)(e)(ii) of Regulation No 40/94, which is, as has been recalled in paragraph 39 of the present judgment, to prevent an undertaking from being granted a monopoly on technical solutions or functional characteristics of a product.

54 In the light of all of those considerations, the first ground of appeal must be upheld and, consequently, the judgment under appeal must be set aside, without it being necessary for the Court to examine the other arguments under that ground of appeal or the other grounds of appeal.

The dispute at first instance

55 In accordance with the first paragraph of Article 61 of the Statute of the Court of Justice of the European Union, the Court may, where it has quashed the decision of the General Court, either itself give final judgment in the matter, where the state of the proceedings so permits, or refer the case back to the General Court for judgment.

56 In the present case, the Court has the necessary information to enable it to give final judgment on the second plea of the action at first instance, alleging infringement of Article 7(1)(e)(ii) of Regulation No 40/94.

57 It follows from paragraphs 42 to 53 of the present judgment that that ground of appeal is well founded.

58 The decision at issue must therefore be annulled on the ground of an infringement of Article 7(1)(e)(ii) of Regulation No 40/94.

Costs

59 As provided in Article 184(2) of the Rules of Procedure of the Court of Justice, where the appeal is well founded and the Court itself gives final judgment in the case, the Court is to make a decision as to the costs.

60 Under Article 138(1) of those rules, which applies to appeal proceedings pursuant to Article 184(1) thereof, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings.

61 Since the appellant has applied for costs to be awarded against EUIPO and Seven Towns, and since the latter have been unsuccessful, EUIPO and Seven Towns must be ordered to pay the costs relating both to the proceedings at first instance in Case T-450/09 and to the appeal.

On those grounds, the Court (First Chamber) hereby:

1. **Sets aside the judgment of the General Court of the European Union of 25 November 2014, *Simba Toys* v *OHIM — Seven Towns (Shape of a cube with surfaces having a grid structure)* (T-450/09, EU:T:2014:983);**

2. **Annuls the decision of the Second Board of Appeal of the European Union Intellectual Property Office (EUIPO) of 1 September 2009 (Case R 1526/2008-2) relating to cancellation proceedings between Simba Toys GmbH & Co. KG and Seven Towns Ltd;**

3. **Orders Seven Towns Ltd and the European Union Intellectual Property Office to bear their own costs and to pay the costs of Simba Toys GmbH & Co. KG relating both to the proceedings at first instance in Case T-450/09 and to the appeal.**

Silva de Lapuerta Regan Bonichot

Arabadjiev Rodin

Delivered in open court in Luxembourg on 10 November 2016.

A. Calot Escobar
Registrar

R. Silva de Lapuerta
President of the First Chamber