

JUDGMENT OF THE COURT (Grand Chamber)

14 September 2010\*

In Case C-48/09 P,

APPEAL under Article 56 of the Statute of the Court of Justice, brought on 29 January 2009,

**Lego Juris A/S**, established in Billund (Denmark), represented by V. von Bomhard and T. Dolde, Rechtsanwälte,

appellant,

the other parties to the proceedings being:

**Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)**, represented by D. Botis, acting as Agent,

defendant at first instance,

\* Language of the case: English.

**Mega Brands Inc.**, established in Montreal (Canada), represented by P. Cappuyns and C. De Meyer, advocaten,

intervener at first instance,

THE COURT (Grand Chamber),

composed of V. Skouris, President, A. Tizzano, J.N. Cunha Rodrigues, K. Lenaerts, J.-C. Bonichot and P. Lindh, Presidents of Chambers, G. Arestis, A. Borg Barthet, M. Ilešič (Rapporteur), J. Malenovský, L. Bay Larsen, T. von Danwitz and A. Arabadjiev, Judges,

Advocate General: D. Ruiz-Jarabo Colomer, subsequently P. Mengozzi,  
Registrar: C. Strömholm, Administrator,

having regard to the written procedure and further to the hearing on 10 November 2009,

after hearing the Opinion of the Advocate General at the sitting on 26 January 2010,

gives the following

## Judgment

- 1 By its appeal, Lego Juris A/S seeks to have set aside the judgment of the Court of First Instance of the European Communities (now ‘the General Court’) of 12 November 2008 in Case T-270/06 *Lego Juris v OHIM - Mega Brands (Red Lego brick)* [2008] ECR II-3117 (‘the judgment under appeal’) dismissing its action brought against the decision of the Grand Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) of 10 July 2006 (Case R 856/2004-G; ‘the contested decision’) relating to an application for a declaration of invalidity.

### Legal framework

- 2 Article 4 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), entitled ‘Signs of which a Community trade mark may consist’, provides:

‘A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.’

3 Article 7 of that regulation, entitled 'Absolute grounds for refusal,' provides:

'1. The following shall not be registered:

- (a) signs which do not conform to the requirements of Article 4;
- (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;
- (d) trade marks 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 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;

(f) trade marks which are contrary to public policy or to accepted principles of morality;

...

3. Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.'

- 4 Article 9(1) of Regulation No 40/94, entitled 'Rights conferred by a Community trade mark', provides:

'A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the Community trade mark in relation to goods or services which are identical with those for which the Community trade mark is registered;
  
- (b) any sign where, because of its identity with or similarity to the Community trade mark and the identity or similarity of the goods or services covered by the Community trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;
  
- (c) any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark.'

5 Article 51 of Regulation No 40/94, entitled 'Absolute grounds for invalidity', states:

'1. A Community trade mark shall be declared invalid on application to [OHIM] or on the basis of a counterclaim in infringement proceedings:

(a) where the Community trade mark has been registered in breach of the provisions ... of Article 7;

(b) where the applicant was acting in bad faith when he filed the application for the trade mark.

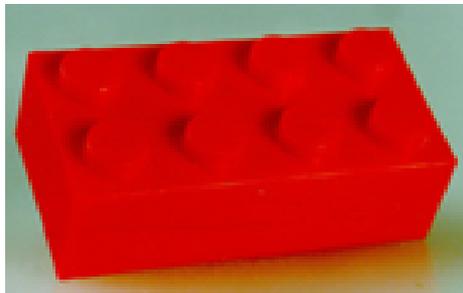
2. Where the Community trade mark has been registered in breach of the provisions of Article 7(1)(b), (c) or (d), it may nevertheless not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

3. Where the ground for invalidity exists in respect of only some of the goods or services for which the Community trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.'

6 Regulation No 40/94 was repealed by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which came into force on 13 April 2009. However, having regard to the time at which the events occurred, the dispute is still governed by Regulation No 40/94.

## Background to the dispute, and the contested decision

- 7 On 1 April 1996, Kirkbi A/S ('Kirkbi'), the predecessor in title of the appellant, filed an application for a Community trade mark at OHIM, inter alia, in respect of goods corresponding to the description 'Games and playthings', 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 ('the Nice Agreement'). The trade mark in respect of which registration was sought is the red three-dimensional sign reproduced below:



- 8 OHIM informed Kirkbi that it intended to refuse the application on the ground, first, that the sign at issue represents only a simple toy-brick shape and is therefore devoid of any distinctive character (Article 7(1)(b) of Regulation No 40/94), and, second, that the sign consists exclusively of the shape of goods which is necessary to obtain a technical result (Article 7(1)(e)(ii) of that regulation). Nevertheless, OHIM agreed to

hear Kirkbi, and examined additional observations and evidence submitted by it. On the basis of that evidence, OHIM concluded that the sign in respect of which registration was sought had acquired distinctive character in the European Union and did not consist exclusively of the shape of goods which is necessary to obtain a technical result.

- 9 Following that examination procedure, the mark at issue was registered on 19 October 1999.
  
- 10 On 21 October 1999, Ritvik Holdings Inc. ('Ritvik'), the predecessor in title of Mega Brands Inc. ('Mega Brands'), applied for a declaration that that mark was invalid pursuant to Article 51(1)(a) of Regulation No 40/94 in relation to 'construction toys' in Class 28 of the Nice Agreement, arguing that its registration was contrary to the absolute grounds for refusal laid down in Article 7(1)(a), (e)(ii) and (iii) and (f) of that regulation.
  
- 11 On 8 December 2000, the Cancellation Division of OHIM stayed the proceedings, pending delivery of the Court's judgment in Case C-299/99 *Philips* [2002] ECR I-5475, concerning the interpretation of the second indent of Article 3(1)(e) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), a provision whose wording corresponds to that of Article 7(1)(e)(ii) of Regulation No 40/94. The proceedings before the Cancellation Division were resumed on 31 July 2002.
  
- 12 By decision of 30 July 2004, the Cancellation Division declared the mark at issue invalid with respect to 'construction toys' in Class 28 of the Nice Agreement, on the

basis of Article 7(1)(e)(ii) of Regulation No 40/94, finding that the mark consisted exclusively of the shape of goods which was necessary to obtain a technical result.

- 13 On 20 September 2004, the appellant filed a notice of appeal against the Cancellation Division's decision.
- 14 By the contested decision, the Grand Board of Appeal of OHIM dismissed that appeal as unfounded, holding that the conditions of Article 7(1)(e)(ii) of Regulation No 40/94 were fulfilled in this case.
- 15 The Grand Board of Appeal found, first, at paragraph 33 of the contested decision, that an objection raised under Article 7(1)(e)(ii) of Regulation No 40/94 cannot be overcome on the basis of opinion polls or surveys, since, as is apparent from Article 7(3), proof of acquired distinctiveness in consequence of use does not render the sign examined non-functional. At paragraph 36 of that decision, the Grand Board of Appeal also stated that a shape whose essential characteristics perform a technical function does not escape the prohibition on registration if it contains a minor arbitrary element such as a colour.
- 16 At paragraph 37 of the contested decision, the Grand Board of Appeal stated that the Lego brick 'is characterised, on its upper surface, by two symmetrical rows of four flat cylindrical studs'.
- 17 Next, at paragraphs 39 and 40 of that decision, the Grand Board of Appeal found that, while it is true that the fact that a sign has been or still is the subject of a patent is not, by itself, a bar to its being registered as a trade mark, in particular in the

case of inventions whose shape is not entirely functional because of the presence of ornamental or arbitrary elements, the fact remains that a prior patent is practically irrefutable evidence that the features therein disclosed or claimed are functional.

- 18 At paragraphs 41 to 55 of the contested decision, the Grand Board of Appeal then upheld the Cancellation Division’s assessment that each of the elements of the shape of the Lego brick, and thus the Lego brick as a whole, is necessary to obtain a technical result. It based that conclusion on the Cancellation Division’s analysis of the appellant’s prior patents. The Grand Board of Appeal found that the decisive elements of that analysis were as follows:

‘42 ... The original interlocking ... toy brick, the ancestor of the Lego brick, was invented by Harry Fisher Page and granted several UK patents: No 529 580 issued on 25 November 1940; No 587 206 issued on 17 April 1947; No 633 055 issued on 12 December 1949; No 673 857, issued on 19 July 1950; No 866 557 issued on 26 April 1961. Th[ose] ... patents covered a brick which possessed the same dimensions and ... circular studs ... as the Lego brick ...

- 43 Regarding the studs on the upper side of the Lego brick, the [Cancellation Division] found the following:

“... patent No 866 557 ... disclosed that ... the [bricks] contained ... projections on the upper part ..., ... arranged in two parallel rows and in transverse pairs, [and] uniformly spaced apart in both longitudinal and transverse directions. This is exactly the way in which the bosses are arranged on the upper side of the mark: eight bosses in two parallel rows and in transverse pairs, uniformly spaced apart

.... The purpose of these bosses is to connect with the underside of like toy bricks so as to allow multiple assembly and disassembly.”

- 44 The [Cancellation Division] also found that the same invention possessing studs on the upper side of the Lego brick had been disclosed ... in ... patent No 587 206.

...

...

The Board notes that figure 1 of this patent shows two symmetrical rows of four cylindrical studs on the upper surface of the patented brick, which seems to be identical to the Lego brick at issue, but without the red colour ...

- 45 The proprietor itself admitted before the Board that the aforementioned patents describe the functional elements of the Lego brick and that the existence of the studs is necessary for ... interlocking toy bricks to perform their function.

...

- 47 The two symmetrical rows of four studs in cylindrical shape on the upper surface of the patented brick was “the preferred form” of the invention illustrated by figure 1 of ... patent No 587 206 .... Likewise, the [Cancellation Division] found that

... patent No 866 557 ... “states that the design of the ... projections in cylindrical shape are ... the ‘preferred embodiment’ of the projections ...” ...

...

51 Furthermore, the [Cancellation Division] found that the relative dimension of the height of the studs to that of the walls of the brick does influence the “clutch power”. If the ratio were too small, the bricks would disassemble more easily .... Conversely, if the ratio were too great ..., the ... power needed to disassemble the bricks would be quite large ... [and] a child might not easily be able to take the bricks apart when playing alone.

...

53 The Board notes that the technical function of the relative dimensions and positions of the studs ... is described in ... patent No 866 557 as follows:

“The relative dimensions and positions of the ... projections must be interrelated in a specific manner, and according to the main characterising feature of the invention the ... projections [on the upper side of the brick] are uniformly spaced apart in both longitudinal and transverse directions ...”

54 The [Cancellation Division] conclude[d] that the various features of the Lego brick all perform particular technical functions, namely:

- *the bosses [studs]*: height and diameter for clutch power; number for fixing versatility; layout for fixing arrangement;
  
- *the secondary projections*: clutch power, the number for best clutch power in all positions; ...
  
- *sides*: connected with sides of other bricks to produce a wall;
  
- *hollow skirt*: to mesh with the bosses and to enable fixing ...;
  
- *overall shape*: brick shape for building; size for children to hold.

55 The findings of the [Cancellation Division's] decision are confirmed by the Board, since they are solidly supported by the evidence surveyed above. Furthermore, the Board finds that the Cancellation Division has not in any way misrepresented, or misinterpreted, the evidence.

...

62 ... [I]t is beyond doubt that [the] dominant feature [of the Lego brick] – the two rows of studs on the upper surface – are intended to endow a simple toy brick, possessing dimensions of width, length and depth in proportion to a real, life-size building brick, with the ... robust and versatile interlocking mechanism which such blocks need to have if they are to be manipulated by a child. Clearly the Lego brick’s features were adopted to perform the abovementioned utilitarian function of the Lego brick, and not for identification purposes ...

63 Consequently ..., the Board [endorses] the [Cancellation Division’s] decision that the Lego brick is wholly functional since there is nothing arbitrary nor ornamental present in it. ... Consequently the Board, with respect to the ... Lego brick, can apply the following words of the ... *Philips* judgment, namely that “the essential functional characteristics of the shape... are attributable solely to the technical result”.

### **Procedure before the General Court and the judgment under appeal**

19 By application lodged at the Registry of the General Court on 25 September 2006, the appellant brought an action against the contested decision.

20 In support of its action, the appellant put forward a single plea in law, alleging infringement of Article 7(1)(e)(ii) of Regulation No 40/94. That plea was composed of two parts, alleging, first, incorrect interpretation of that provision and, second, incorrect assessment of the subject-matter of the mark at issue.

- 21 In the first part of the plea, the appellant submitted that Article 7(1)(e)(ii) of Regulation No 40/94 is not intended to exclude functional shapes per se from registration as a trade mark. The decisive question, in its submission, was whether trade mark protection would create a monopoly on technical solutions or the functional characteristics of the shape in question.
- 22 The General Court held that that argument could not result in the contested decision being set aside. The essential grounds for that decision are as follows:

‘37 ... the applicant essentially complains that the Grand Board of Appeal misinterpreted the scope of Article 7(1)(e)(ii) of Regulation No 40/94, and in particular the scope of the terms “exclusively” and “necessary”, by considering that the existence of functionally equivalent alternative shapes using the same technical solution is irrelevant for the purposes of the application of that provision.

38 In this respect, it should be noted, first, that the word “exclusively”, which appears both in Article 7(1)(e)(ii) of Regulation No 40/94 and the second indent of Article 3(1)(e) of ... Directive [89/104], must be read in the light of the expression “essential characteristics which perform a technical function”, used in paragraphs 79, 80 and 83 of *Philips*. It is apparent from that expression that the addition of non-essential characteristics having no technical function does not prevent a shape from being caught by that absolute ground of refusal if all the essential characteristics of that shape perform such a function. Accordingly, the Grand Board of Appeal was right to analyse the functionality of the shape at issue by reference to the characteristics which it considered to be essential. It must therefore be held that it correctly interpreted the term “exclusively”.

39 Second, it follows from paragraphs 81 and 83 of *Philips* that the expression “necessary to obtain a technical result”, which appears both in Article 7(1)(e)(ii) of Regulation No 40/94 and the second indent of Article 3(1)(e) of ... Directive [89/104], does not mean that that absolute ground for refusal applies only if the shape at issue is the only one which could achieve the intended result. The Court held, at paragraph 81 [of that judgment], that “[the existence] of other shapes which could achieve the same technical result can[not] overcome the ground for refusal” and, at paragraph 83 [of the same judgment], that “registration of a sign consisting of [the] shape [of a product is precluded], even if that technical result can be achieved by other shapes”. Accordingly, in order for that absolute ground for refusal to apply, it is sufficient that the essential characteristics of the shape combine the characteristics which are technically causal of, and sufficient to obtain, the intended technical result, and are therefore attributable to the technical result. It follows that the Grand Board of Appeal did not err in considering that the term “necessary” means that the shape is required to obtain a technical result, even if that result can be achieved by other shapes.

40 Third, it should be noted that, contrary to what the applicant claims, the Court of Justice, at paragraphs 81 and 83 of *Philips*, dismissed the relevance of the existence of “other shapes which could achieve the same technical result”, without distinguishing shapes using another “technical solution” from those using the same “technical solution”.

...

43 It follows from all the foregoing that Article 7(1)(e)(ii) of Regulation No 40/94 precludes registration of any shape consisting exclusively, in its essential characteristics, of the shape of the goods which is technically causal of, and sufficient to obtain, the intended technical result, even if that result can be achieved by other shapes using the same or another technical solution.

44 It must therefore be held that the Grand Board of Appeal did not err in its interpretation of Article 7(1)(e)(ii) of Regulation No 40/94.’

23 In the second part of the plea put forward in support of its action before the General Court, the appellant complained that the Grand Board of Appeal failed to identify appropriately the essential characteristics of the shape at issue and incorrectly assessed the functional nature of that shape.

24 It complained, first, that the Grand Board of Appeal had included irrelevant elements in its examination, such as the side of the Lego brick which does not form part of the three-dimensional sign at issue, that is to say, the hollow underside of the brick. Second, the Grand Board of Appeal accepted without critical analysis the expert opinion introduced and paid for by Mega Brands, and, at the same time, in identifying the essential characteristics of the shape in question, failed to have regard to relevant evidence adduced by the appellant, such as that relating to consumer perception of the shape.

25 That second part of the plea was also rejected by the General Court. It found in particular as follows:

‘70 In the first place, in so far as the applicant claims that the essential characteristics of the shape at issue must be determined from the point of view of the consumer and that the analysis must take account of consumer surveys, it must be pointed out that the determination of those characteristics takes place, in the framework of Article 7(1)(e)(ii) of Regulation No 40/94, with the specific aim of examining the functionality of the shape at issue. The perception of the target consumer is not relevant to the analysis of the functionality of the essential characteristics of a shape. The target consumer may not have the technical knowledge necessary to

assess the essential characteristics of a shape and therefore certain characteristics may be essential from his point of view even though they are not essential in the context of an analysis of functionality and vice versa. Accordingly, it must be held that the essential characteristics of a shape must be determined objectively for the purposes of applying Article 7(1)(e)(ii) of Regulation No 40/94, on the basis of its graphic representation and any descriptions filed at the time of the application for the trade mark.

...

72 In the second place, the applicant [also] complains that the Grand Board of Appeal failed to identify the essential characteristics of the shape at issue and that it did not examine the shape at issue, but the Lego brick as a whole instead, including in its analysis invisible features such as the hollow underside ...

...

75 None the less, it must be stated that th[e] analysis [carried out by the Grand Board of Appeal] ... includes all the visible elements on the [sign at issue] each of which, [as set out in paragraph 54 of the contested decision], fulfils specific technical functions.... It must also be noted that there is nothing in the file that calls into question the accuracy of the identification of those characteristics as essential characteristics of the shape at issue.

76 Since the Grand Board of Appeal correctly identified all the essential characteristics of the shape at issue, the fact that it also took into account other characteristics has no bearing on the lawfulness of the contested decision.

...

78 [Next], it should be pointed out that, when analysing the functionality of the essential characteristics thus determined, there was nothing to prevent the Grand Board of Appeal from taking account of invisible features of the Lego brick, such as the hollow underside and the secondary projections, as well as any other relevant evidence. In the present case the Grand Board of Appeal referred in that connection to the applicant's prior patents, to the fact that the applicant admitted that those patents describe the functional elements of the Lego brick, and to ... expert opinions.

79 ... As regards [the] expert opinion ... produced and paid for by [Mega Brands], ... the earlier patents corroborate [the] findings [of the author of that expert opinion] concerning the functionality of the characteristics of the Lego brick ...'

## **Forms of order sought**

26 The appellant claims that the Court should:

- set aside the judgment under appeal;
- refer the case back to the General Court; and
- order OHIM to pay the costs.

27 OHIM and Mega Brands contend that the Court should:

- dismiss the appeal; and
- order the appellant to pay the costs.

## The appeal

- <sup>28</sup> The appellant puts forward a single plea in law, alleging infringement of Article 7(1)(e)(ii) of Regulation No 40/94. That plea is divided into three parts.

*First part, concerning the incorrect interpretation of the subject-matter and of the scope of the ground for refusal set out in Article 7(1)(e)(ii) of Regulation No 40/94*

### Arguments of the parties

- <sup>29</sup> The appellant argues that, although Article 7(1)(e)(ii) of Regulation No 40/94 precludes from registration shapes for which protection as a trade mark would illegitimately restrict competitors, it does not seek to preclude from registration any shape performing a technical function. The registration of a shape should be disallowed only if it would create a monopoly on technical solutions or on functional characteristics.
- <sup>30</sup> In that connection, the expression 'technical solution' should be distinguished from the term 'technical result', in that a technical result can be achieved by various solutions. The appellant argues that when there are several shapes which are equivalent from a functional point of view, the protection of a specific shape as a trade mark,

in favour of an undertaking, does not prevent competitors from applying the same technical solution.

- 31 The General Court therefore erred in law when it stated in paragraph 43 of the judgment under appeal that, for the reasons set out in paragraphs 37 to 42 thereof, Article 7(1)(e)(ii) of Regulation No 40/94 precludes a shape from registration, even if the technical result can be achieved by another shape using the same technical solution. The Court failed to have regard to the fact that the availability of alternative shapes is highly relevant, since it proves that there is no risk of creating a monopoly. At the same time, the General Court failed to have regard to the fact that, often, the same patented invention may be created with several shapes. Moreover, that is true of the present case, since the appellant's competitors were perfectly able to apply the same technical solution without copying the shape of the Lego brick.
- 32 The appellant also submits that in so ruling the General Court disregarded the guidance given in *Philips*. The appellant states that in that judgment the Court of Justice did not in any way find that the availability of alternative shapes was irrelevant. The Court merely stated, in paragraphs 83 and 84 of *Philips*, that, once the conditions of Article 7(1)(e)(ii) of Regulation No 40/94 are fulfilled, it becomes irrelevant whether alternative shapes are available.
- 33 Mega Brands contends that registration of the sign at issue as a trade mark would allow the appellant to prevent any competitor from using, on the toy-brick market, the best, most functional shape. The appellant would regain the monopoly it once enjoyed under its patents.

- 34 While accepting that mere disclosure of a shape in a patent is not by itself a bar to the shape being registered as a trade mark, Mega Brands observes that such disclosure can nevertheless be evidence that the shape is indeed functional.
- 35 OHIM contends that the appellant's argument is contrary to the letter and spirit of Article 7(1)(e)(ii) of Regulation No 40/94. In OHIM's submission, the inclusion of the words 'exclusively' and 'necessary' in that provision does not imply that only shapes which are necessary as such for the function sought are barred from registration. The ground for refusal at issue covers all essentially functional shapes attributable to the result.
- 36 OHIM also states that, if the appellant's argument were upheld, competitors' freedom of access to alternative shapes would not be guaranteed. If a trade mark registration were obtained in respect of a specific shape, the appellant could then successfully prevent not only any identical shape, but also similar shapes. That would include, for example, bricks with slightly higher or wider projections than the Lego brick.
- 37 As regards the distinction between the various types of intellectual property rights, OHIM states that, outside patent law, the right to block intra-shape competition is laid down, *inter alia*, for the holders of a design right, under Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (OJ 2002 L 3, p. 1). However, it points out that Article 8(1) of that regulation provides that '[a] Community design shall not subsist in features of appearance of a product which are solely dictated by its technical function'.

## Findings of the Court

- 38 According to settled case-law, 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 enabling the consumer, without any possibility of confusion, to distinguish those goods or services from others which have another origin (see, to that effect, Case C-517/99 *Merz & Krell* [2001] ECR I-6959, paragraphs 21 and 22; Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraphs 47 and 48; and Case C-412/05 P *Alcon v OHIM* [2007] ECR I-3569, paragraphs 53 and 54).
- 39 A product's shape is a sign which may constitute a trade mark. In the case of the Community trade mark, that follows from Article 4 of Regulation No 40/94, which provides that a Community trade mark may consist of any signs capable of being represented graphically, such as words, designs, the shape of goods and their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings (see, to that effect, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraphs 30 and 31).
- 40 In the present case, it has not been disputed that the shape of the Lego brick has become distinctive in consequence of the use which has been made of it and is therefore a sign capable of distinguishing the appellant's goods from others which have another origin.
- 41 Ritvik's argument, adopted by its successor Mega Brands and upheld by the Cancellation Division, the Grand Board of Appeal and the General Court, that the shape of the Lego brick is, nevertheless, unsuitable for registration as a trade mark, is based on 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.

- 42 The appellant submits that that provision has been interpreted too broadly, and thus incorrectly, by the Grand Board of Appeal and by the General Court.
- 43 In considering that complaint, it must be borne in mind 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 public interest underlying them (*Henkel v OHIM*, paragraph 45, and Case C-173/04 P *Deutsche SiSi-Werke v OHIM* [2006] ECR I-551, paragraph 59). The interest underlying Article 7(1)(e)(ii) of Regulation No 40/94 is to prevent trade mark law granting an undertaking a monopoly on technical solutions or functional characteristics of a product (see by analogy, with regard to the second indent of Article 3(1)(e) of Directive 89/104, *Philips*, paragraph 78, and Joined Cases C-53/01 to C-55/01 *Linde and Others* [2003] ECR I-3161, paragraph 72).
- 44 In that connection, the rules laid down by the legislature reflect the balancing of two considerations, both of which are likely to help establish a healthy and fair system of competition.
- 45 First, the inclusion in Article 7(1) of Regulation No 40/94 of the prohibition on registration as a trade mark of any sign consisting of the shape of goods which is necessary to obtain a technical result ensures that undertakings may not use trade mark law in order to perpetuate, indefinitely, exclusive rights relating to technical solutions.

46 When the shape of a product merely incorporates the technical solution developed by the manufacturer of that product and patented by it, protection of that shape as a trade mark once the patent has expired would considerably and permanently reduce the opportunity for other undertakings to use that technical solution. In the system of intellectual property rights developed in the European Union, technical solutions are capable of protection only for a limited period, so that subsequently they may be freely used by all economic operators. As OHIM pointed out in its argument summarised in paragraph 37 above, that consideration underlies not only Directive 89/104 and Regulation No 40/94, with regard to trade mark law, but also Regulation No 6/2002, in relation to designs.

47 Furthermore, the legislature has laid down with particular strictness that shapes necessary to obtain a technical result are unsuitable for registration as trade marks, since it has excluded the grounds for refusal listed in Article 7(1)(e) of Regulation No 40/94 from the scope of the exception under Article 7(3). It follows, therefore, from Article 7(3) of the regulation that, even if a shape of goods which is necessary to obtain a technical result has become distinctive in consequence of the use which has been made of it, it is prohibited from being registered as a trade mark (see by analogy, in relation to Article 3(3) of Directive 89/104, which is essentially identical to Article 7(3) of Regulation No 40/94, *Philips*, paragraph 57, and Case C-371/06 *Benetton Group* [2007] ECR I-7709, paragraphs 25 to 27).

48 Second, by restricting the ground for refusal set out in Article 7(1)(e)(ii) of Regulation No 40/94 to signs which consist 'exclusively' of the shape of goods which is 'necessary' to obtain a technical result, the legislature duly took into account that any shape of goods is, to a certain extent, functional and that it would therefore be inappropriate to refuse to register a shape of goods as a trade mark solely on the ground that it has functional characteristics. By the terms 'exclusively' and 'necessary', that provision

ensures that solely shapes of goods which only incorporate a technical solution, and whose registration as a trade mark would therefore actually impede the use of that technical solution by other undertakings, are not to be registered.

- 49 Having thus set out and clarified the subject-matter and scope of Article 7(1)(e)(ii) of Regulation No 40/94, it should be examined whether, as the appellant maintains, the General Court interpreted that provision incorrectly.
- 50 The General Court summarised its interpretation of that provision at paragraph 43 of the judgment under appeal, finding that it ‘precludes registration of any shape consisting exclusively, in its essential characteristics, of the shape of the goods which is technically causal of, and sufficient to obtain, the intended technical result, even if that result can be achieved by other shapes using the same or another technical solution’.
- 51 As regards the fact that the ground for refusal covers any sign consisting ‘exclusively’ of the shape of goods which is necessary to obtain a technical result, the General Court stated, at paragraph 38 of the judgment under appeal, that that condition is fulfilled when all the essential characteristics of a shape perform a technical function, the presence of non-essential characteristics with no technical function being irrelevant in that context.
- 52 That interpretation is consistent with paragraph 79 of *Philips*. Moreover, it reflects the idea underlying that judgment, as set out by Advocate General Ruíz-Jarabo Colomer at point 28 of his Opinion in that case and also at point 72 of his Opinion in Case C-363/99 *Koninklijke KPN Nederland* [2004] ECR I-1619, that is to say, that the presence of one or more minor arbitrary elements in a three-dimensional sign, all of whose essential characteristics are dictated by the technical solution to which that

sign gives effect, does not alter the conclusion that the sign consists exclusively of the shape of goods which is necessary to obtain a technical result. In addition, since that interpretation implies that the ground for refusal under Article 7(1)(e)(ii) of Regulation No 40/94 is applicable only where all the essential characteristics of the sign are functional, it ensures that such a sign cannot be refused registration as a trade mark under that provision if the shape of the goods at issue incorporates a major non-functional element, such as a decorative or imaginative element which plays an important role in the shape.

53 As regards the condition that registration of a shape of goods as a trade mark may be refused under Article 7(1)(e)(ii) of Regulation No 40/94 only if the shape is 'necessary' to obtain the technical result intended, the General Court rightly found, at paragraph 39 of the judgment under appeal, that that condition does not mean that the shape at issue must be the only one capable of obtaining that result.

54 It is true, as the appellant points out, that, in some cases, the same technical result may be achieved by various solutions. Thus, there may be alternative shapes, with other dimensions or another design, capable of achieving the same technical result.

55 However, contrary to the appellant's submission, that fact does not in itself mean that registering the shape at issue as a trade mark would have no effect on the availability, to other economic operators, of the technical solution which it incorporates.

- 56 In that connection, it should be observed, as OHIM points out, that under Article 9(1) of Regulation No 40/94 registration as a trade mark of a purely functional product shape is likely to allow the proprietor of that trade mark to prevent other undertakings not only from using the same shape, but also from using similar shapes. A significant number of alternative shapes might therefore become unusable for the proprietor's competitors.
- 57 That would be particularly so if various purely functional shapes of goods were registered at the same time, which might completely prevent other undertakings from manufacturing and marketing certain goods having a particular technical function.
- 58 Those considerations are moreover reflected in paragraphs 81 and 83 of *Philips*, which state that the existence of other shapes which could achieve the same technical result does not in itself preclude application of the ground for refusal set out in the second indent of Article 3(1)(e) of Directive 89/104, whose wording corresponds to that of Article 7(1)(e)(ii) of Regulation No 40/94.
- 59 To the extent that the appellant also submits, and OHIM does not dispute, that in order to use the same technical solution, its competitors do not need to place on the market toy bricks whose shape and dimensions are in all respects identical to those of the Lego brick, it is sufficient to observe that that fact cannot prevent application of the rules laid down by the European Union's legislature, interpreted above, under which a sign consisting of the shape of a product that, without the inclusion of significant non-functional elements, merely performs a technical function cannot be registered as a trade mark. Such a registration would unduly impair the opportunity

for competitors to place on the market goods whose shapes incorporate the same technical solution.

60 That applies a fortiori in a case of this kind, where it has been found by the competent authority that the solution incorporated in the shape of goods examined is the technically preferable solution for the category of goods concerned. If the three-dimensional sign consisting of such a shape were registered as a trade mark, it would be difficult for the competitors of the proprietor of that mark to place on the market shapes of goods constituting a real alternative, that is to say, shapes which are not similar and which are nevertheless attractive to the consumer from a functional perspective.

61 In those circumstances, the position of an undertaking which has developed a technical solution cannot be protected – with regard to competitors placing on the market slavish copies of the product shape incorporating exactly the same solution – by conferring a monopoly on that undertaking through registering as a trade mark the three-dimensional sign consisting of that shape, but can, where appropriate, be examined in the light of rules on unfair competition. Such an examination is, however, outside the scope of these proceedings.

62 Since, for all the foregoing reasons, the arguments put forward by the appellant in the first part of its plea cannot be upheld, that part of the plea must be rejected.

*Second part, concerning the application of incorrect criteria in the identification of the essential characteristics of a shape of goods*

Arguments of the parties

- <sup>63</sup> The appellant submits that the concept of ‘essential characteristics’ is synonymous with that of ‘dominant and distinctive elements’ and that the identification of those characteristics must be carried out from the perspective of the relevant public, that is to say, the average consumer who is reasonably well informed and reasonably observant and circumspect.
- <sup>64</sup> The appellant submits that, in the light of *Philips*, any examination of the ground for refusal set out in Article 7(1)(e)(ii) of Regulation No 40/94 must involve two stages, that is to say, first, identification of the essential characteristics of the sign from the perspective of the average consumer and, second, examination, with the assistance of experts, of whether those characteristics are necessary to obtain a technical result.
- <sup>65</sup> Thus, by upholding, at paragraph 70 of the judgment under appeal, the Grand Board of Appeal’s view that, in order to identify the essential characteristics of a three-dimensional sign, there is no need to take account of the perception of the consumer, and of consumer surveys, the General Court erred in law.

- 66 Mega Brands submits that the concept of ‘essential characteristics’ must be understood in the context of the words ‘exclusively’ and ‘necessary’ contained in Article 7(1)(e)(ii) of Regulation No 40/94. Against that background, the criteria advanced by the appellant, such as distinctive character and the public’s perception, are irrelevant.
- 67 OHIM contends that, even if it were accepted that the identification of the essential elements of the shape should precede the assessment of their functionality, both those stages are part of the same exercise, namely determining whether those elements are essential for the function of the shape.

#### Findings of the Court

- 68 The correct application of Article 7(1)(e)(ii) of Regulation No 40/94 requires that the essential characteristics of the three-dimensional sign at issue be properly identified by the authority deciding on the application for registration of the sign as a trade mark.
- 69 As the Advocate General observed at point 63 of his Opinion, the expression ‘essential characteristics’ must be understood as referring to the most important elements of the sign.
- 70 The identification of those essential characteristics must be carried out on a case-by-case basis. There is no hierarchy that applies systematically between the various types of elements of which a sign may consist (see, to that effect, Case C-488/06 P *L & D v OHIM* [2008] ECR I-5725, paragraph 55). Moreover, in determining the essential

characteristics of a sign, the competent authority may either base its assessment directly on the overall impression produced by the sign, or first examine in turn each of the components of the sign concerned (see, by analogy, Joined Cases C-468/01 P to C-472/01 P *Procter & Gamble v OHIM* [2004] ECR I-5141, paragraph 45, and Case C-286/04 P *Eurocermex v OHIM* [2005] ECR I-5797, paragraph 23).

- 71 Consequently, the identification of the essential characteristics of a three-dimensional sign with a view to a possible application of the ground for refusal under Article 7(1)(e)(ii) of Regulation No 40/94 may, depending on the case, and in particular in view of its degree of difficulty, be carried out by means of a simple visual analysis of the sign or, on the other hand, be based on a detailed examination in which relevant criteria of assessment are taken into account, such as surveys or expert opinions, or data relating to intellectual property rights conferred previously in respect of the goods concerned.
- 72 Once the sign's essential characteristics have been identified, the competent authority still has to ascertain whether they all perform the technical function of the goods at issue. As has been observed at paragraph 52 above, Article 7(1)(e)(ii) of Regulation No 40/94 cannot be applicable where the application for registration as a trade mark relates to a shape of goods in which a non-functional element, such as a decorative or imaginative element, plays an important role. In that case, competitor undertakings easily have access to alternative shapes with equivalent functionality, so that there is no risk that the availability of the technical solution will be impaired. That solution may, in that case, be incorporated without difficulty by the competitors of the mark's proprietor in shapes which do not have the same non-functional element as that contained in the proprietor's shape and which are therefore neither identical nor similar to that shape.

73 In the present case, the Grand Board of Appeal found, at paragraph 62 of the contested decision, that the most important element of the sign composed of the Lego brick consists in the two rows of studs on the upper surface of that brick. In its examination of the analysis carried out by the Cancellation Division, the Board placed particular emphasis on the inclusion of that element in Kirkbi's prior patents. As a result of that examination, it was found that that element is necessary to obtain the intended technical result of the product in question, that is to say, the assembly of toy bricks. In addition, as is apparent from paragraphs 54 and 55 of the contested decision, the Grand Board of Appeal found that, with the sole exception of its colour, all the other elements of the sign constituted by that brick are also functional.

74 Since the same points of fact led the General Court to find that all the elements of the Lego brick shape, except for its colour, are functional, its assessment cannot be reviewed by the Court of Justice on appeal, as the appellant has not pleaded that the evidence was distorted.

75 As regards the appellant's argument that the General Court erred in law in finding that the surveys on the target public's perception of the shape of the goods at issue were irrelevant, it must be observed that, unlike in the situation covered by Article 3(1)(b) of Directive 89/104 and Article 7(1)(b) of Regulation No 40/94, where the perception of the target public must be taken into account since it is essential in order to determine whether the sign filed for registration as a trade mark enables the goods or services concerned to be recognised as originating from a particular undertaking (see, to that effect, Case C-104/01 *Libertel* [2003] ECR I-3793, paragraph 62, and *Koninklijke KPN Nederland*, paragraph 34), such an obligation cannot be imposed in the context of paragraph 1(e) of those articles.

- 76 The presumed perception of the sign by the average consumer is not a decisive element when applying the ground for refusal under Article 7(1)(e)(ii) of Regulation No 40/94, but, at most, may be a relevant criterion of assessment for the competent authority when it identifies the essential characteristics of the sign.
- 77 Consequently, the appellant's argument that the identification of the essential characteristics of a sign in the context of Article 7(1)(e)(ii) of Regulation No 40/94 must in any event be carried out from the target public's perspective cannot be upheld.
- 78 It follows that the second part of the plea must also be rejected.

*Third part, concerning the application of incorrect functionality criteria*

Arguments of the parties

- 79 The appellant submits that the assessment of functionality requires technical knowledge and is therefore usually carried out by scientific experts. An expert opinion examining the functionality of characteristics of a shape necessarily does so by comparing those characteristics with alternatives.

- 80 The General Court therefore erred in law in holding that the existence of alternative shapes is irrelevant and in refusing to consider the expert evidence placed before it by the appellant.
- 81 Mega Brands contends that the appellant's reasoning is based on the erroneous premiss that alternative shapes are relevant to assessing functionality. It also points out that alternative shapes may be less useful for performing the intended function, or may be more expensive to produce.
- 82 OHIM contends that the General Court rightly held that, in assessing functionality, the Grand Board of Appeal was entitled to rely on the prior patents and not on the existence of alternative shapes.

### Findings of the Court

- 83 For the reasons set out in paragraphs 55 to 60 above, the existence of other shapes which could achieve the same technical result is not, for the purposes of the application of Article 7(1)(e)(ii) of Regulation No 40/94, such as to exclude the ground for refusal of registration, as the Court of Justice has moreover made clear at paragraphs 81 and 83 of *Philips*, in relation to the second indent of Article 3(1)(e) of Directive 89/104.
- 84 In examining the functionality of a sign consisting of the shape of goods, once the essential characteristics of the sign have been identified, it is only necessary to assess whether those characteristics perform the technical function of the product

concerned. Clearly, that examination must be carried out by analysing the sign filed with a view to its registration as a trade mark, and not signs consisting of other shapes of goods.

<sup>85</sup> The technical functionality of the characteristics of a shape may be assessed, *inter alia*, by taking account of the documents relating to previous patents describing the functional elements of the shape concerned. In the present case, the Grand Board of Appeal of OHIM and the General Court have taken such documents into consideration with regard to the Lego brick.

<sup>86</sup> In the light of the foregoing, the third part of the plea must also be rejected.

<sup>87</sup> Since none of the parts of the single plea in law be upheld, the appeal must be dismissed in its entirety.

## **Costs**

<sup>88</sup> Under Article 69(2) of the Rules of Procedure, which applies to the procedure on appeal by virtue of Article 118 thereof, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Since OHIM and Mega Brands have applied for costs and the appellant has been unsuccessful, it must be ordered to pay the costs.

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

- 1. Dismisses the appeal;**
  
- 2. Orders Lego Juris A/S to pay the costs.**

[Signatures]