

Consumer Value as the Key to Trade Mark Functionality

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KEYWORDS

Intellectual Property law

ABSTRACT

This article identifies the central role of consumer perceptions of value in design and marketing literature. Relying on this literature, it proposes changes to our legal understanding of functionality, the doctrine denying trade mark protection to technical and other features traders must access in order to compete. Marketing and design literature explain consumers approach different values inherent in products holistically, influenced by emotional resonance. Thus, in the context of a developing body of interdisciplinary trade mark scholarship, I advocate a move from trade mark law's formalistic approach to functionality, where technical and aesthetic product values are treated as distinct. Instead I argue for a single consumer-focussed competition-based functionality exclusion, centred around the 'substantial value' exclusion to registration .

INTRODUCTION

Trade marks tell consumers about the commercial origin of goods. Most often words or logos affixed to goods will perform this function (think of COCA COLA or the NIKE swoosh device), but a trade mark may comprise of any aspect of the goods, including their shape, colour, pattern, the position of features on goods or even the way in which the product's components move. This presents a challenge to the existence of a competitive market. Granting trade mark rights in product characteristics potentially places certain product attributes, concerning how a product works or what makes it appealing to consumers, into the hands of a single undertaking. A party that secures a trade mark registration for such a product feature may obtain a competitive advantage at the expense of its rivals operating in the same product market. Competitors are disadvantaged if they are unable to offer goods which include the characteristics that consumers seek and registration then restricts the consumer's choice of supplier for equivalent products. Thus, trade mark law denies protection for certain characteristics of goods in the interests of free competition. This exclusion is known as the 'functionality' exclusion.

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Historically the functionality exclusion has been divided into two forms. Utilitarian or technical functionality relates to how a product works. Aesthetical functionality broadly relates to the product's visual appeal. This moniker though does not fully capture either the extent of the competitive interests triggered, or of the exclusion in European trade mark law. What is often classed as the European version of aesthetic functionality excludes characteristics which 'add substantial value' to the goods. On its face, this would seem to go beyond the visual. Yet, what constitutes 'value' or when that value will be substantial are not adequately defined in the law or literature. Attempts to define 'value' to date have relied on formalist notions of what should be excluded from trade mark protection. These focus on the appearance of products, which is treated as a separate question from how products work. However, a review of the academic legal literature and the jurisprudence in this piece reveals a common aim at the heart of *both* forms of functionality: to prevent trade mark protection of product features that competitors need to access in order to compete with each other. Nevertheless, the question of which product characteristics, beyond those which are technical in nature, need to remain free from trade mark monopolisation has not been convincingly addressed by the Court of Justice of the European Union (CJEU) in its attempts to define the various forms of functionality.

It is argued in this piece that the current legal approach to value fails to reflect the reality of how consumers make product selections. The product design and marketing literature both recognise that consumers seek technical, aesthetic, cultural, sensory and many other features in products on an equal basis and are guided as much by emotional responses as rational decisions based on technical advantages or aesthetic preferences. The marketing and product design scholarship explains that consumers adopt a holistic approach which not only blurs the boundaries between 'the utilitarian' and 'the aesthetic' but also embraces wider forms of value. It is argued that this interdisciplinary understanding of 'consumer value' should inform how trade mark law understands 'substantial value'. This exercise forms part of a growing literature in which trade mark scholars look to interdisciplinary approaches to conceptualise trade mark law, and the notion of value in particular, in a 'real world' consumer-centric rather than formalist basis.

It is argued that the marketing and design literature demonstrates that it is what *consumers* value that is determinative of the features that should be kept free because consumers will seek (and designers will incorporate into their product designs) features that they value and reject products that do not incorporate those values. Moreover it is argued that, because of the holistic way in which consumers view product features, the most appropriate way in which to prevent such valuable product features from being registered is to adopt a single functionality exclusion, based on value. This is because consumers' assessment of value, whether technical, aesthetic, sensory, cultural or in a different form, is not reflected in how current trade mark law divides technical and value-based functionality.

The article begins with an outline of the EU provisions that exclude functional product characteristics from trade mark registration. It then considers different rationales that have been offered for the substantial value exclusion, arguing that these either offer only a partial explanation for the provision's inclusion or the provision, are not directly

relevant in the EU context, or say more about what the rationale is not, rather than its *raison d'être*. Next, it discusses how the CJEU's case law has defined and justified the substantial value exclusion, comparing this with the policy basis identified for the other clauses of the functionality exclusion. It is argued that, in fact, the policy underlying *all* the functionality clauses is to ensure that competitors have access to competitively-necessary features. This then begs the question: what features do competitors need to be able to access? This is a question the CJEU has not satisfactorily answered. It is argued that we can seek this answer in product design and marketing literature. This demonstrates that competitors need to be able to use 'valuable' product features, where value may reside in aesthetic features, features that are inherent to how a product works, features that make a product work better, or indeed in any other product feature. It is argued that the wide-ranging and holistic view of value identified in this literature suggests an expansive approach to value (a course on which the CJEU has already embarked), but also one which advocates a single, integrated provision barring the registration of valuable product features with what consumers value as its very heart. This would retain focus upon competitors' needs, while also removing artificial distinctions between the functionality clauses that have led to confusion and formalism. The article concludes with some tentative ideas about how an exclusion based on value might work in practice, so that a balance is struck between protecting competition and ensuring that the exclusion does not serve as a *de facto* bar to registration for all product features.

FUNCTIONALITY – A BRIEF OUTLINE

The Trade Mark Directive ("TMD") and its equivalent legislation¹ specify three situations in which a trade mark will be refused registration on functional grounds. Article 4(1)(i) excludes a sign consisting of a shape, or another characteristic of goods, resulting from the nature of the goods. Article 4(1)(e)(ii) prevents the registration of the shape, or another characteristic of goods, which is necessary to obtain a technical result. Article 4(1)(e)(iii) states that the shape, or another characteristic of goods, cannot be registered if it adds substantial value to those goods. All three exclusions apply only when the sign in question consists 'exclusively' of a shape or other characteristic of goods that has one of the excluded outcomes. This article focusses on the meaning of Article 4(1)(e)(iii) in particular, and its overlap with Article 4(1)(e)(ii). It briefly considers overlap between Article 4(1)(e)(i) and Article 4(1)(e)(ii). It will be argued that the formalist distinction between the three different forms of functionality identified in the three sub-articles does not accurately reflect the core interest that functionality should be seeking to protect: what competitors need access to in order to compete, which in all three sub-articles is ultimately based on what consumers value.

WHY DO WE HAVE AN EXCLUSION BASED ON VALUE?

¹ The functionality provisions of TMD correspond to Article 7(1)(e) of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14/06/2017 on the European Union trade mark [2015] OJ L 336/1 ('EUTMR').

Value, and how consumers perceive value, should be key to our understanding of functionality, and indeed plays a central role in the design and marketing literature. Yet, in the context of the TMD, ‘value’ remains a vague term. While it is clear on its face which matter is meant to be excluded by the technical functionality exclusion, the same is not true of the ‘substantial value’ exclusion. Legal scholars have suggested various reasons for having an exclusion based on substantial value. This section considers these suggestions, rejecting narrow formalistic justifications based on aesthetics and instrumental justifications based on avoiding overlapping IP rights. Instead it is contended that the justification based on competition is the most compelling. This focus on competition allows a degree of fluidity in interpretations of the provision, so that the wide range of product features consumers may seek in competitors’ products can be excluded from registration and remain free for other traders to use.

A special role for aesthetics?

The substantial value exclusion was initially understood as a vehicle for preventing the protection of aesthetically pleasing objects as trade marks.² As was observed by the Advocate General in *Hauck*,³ the pre-harmonisation German approach barred beautiful objects from trade mark registration. A similar approach was apparent in the pre-harmonisation Benelux Common Governmental Comment, which noted that the fact that consumers would buy a crystal service on account of its beauty meant that its shape could not be protected as a mark.⁴ Ultimately though, a justification based on aesthetics is unconvincing. Oceans of ink have been spilt by philosophers and art theorists alike questioning: ‘What is beauty?’⁵ Thus, it is difficult to base a legal test on such a contested, and ultimately subjective, concept. Indeed, both copyright and design law, which protect the appearance of artefacts, largely eschew a test based on artistic merit.⁶ Moreover, it is

² This was the approach taken by both the Court of Appeal in *Philips Electronics NV v Remington Consumer Products Ltd* [1999] R.P.C. 809, 823 and the Bundesgerichtshof (German Federal Court of Justice or BGH) in *Fronthaube* (car bonnet) (2008) GRUR 2008, 71, 72, as described in A. Kur, ‘Too Pretty to Protect? Trade Mark Law and the Enigma of Aesthetic Functionality’ (2010) Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 11-16, p.13. In Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* ECLI:EU:C:2001:52 (*Philips v Remington AG*) at [16], the Advocate General described the provision as preventing the registration of ‘ornamental’ shapes. Likewise the EUIPO Guidelines for Examination of European Union Trade Marks, Part B, Section 4, Chapter 6, still repeatedly refer to aesthetic value (although mentioning the possibility of other forms of value).

³ Case C-205/13 *Hauck GmbH & Co. KG v Stokke A/S and Others* ECLI:EU:C:2014:322 (*Hauck AG*), [72]-[78].

⁴ Discussed in A. Quaedvlieg, ‘Shapes which give substantial value to the goods: Towards a systematic and homogeneous protection of designs in the EU’ in M-C Janssens and G. van Overwall (eds.) *Harmonisation of European IP Law: From European Rules to Belgian Law and Practice: Contributions in Honour of Frank Gotzen* (Brussels: Bruylant/Larcier 2012), 178-181.

⁵ For an accessible introduction, see G. Graham, *Philosophy of the Arts: An Introduction to Aesthetics* (London: Routledge 1997).

⁶ E.g., the Copyright Designs and Patents Act 1988 states that original graphic works are eligible for copyright protection ‘irrespective of artistic quality’ (s 4(1)(a)). Analogously, the CJEU has rejected subject-matter registrations on copyright protection, as long as the work in question is clear and precise – see Case C-310/17 *Levola Hengelo BV v Smilde Foods BV* ECLI:EU:C:2018:899 [39]-[41] and Case C-683/17 *Cofemel — Sociedade de Vestuário SA v G-Star Raw CV* ECLI:EU:C:2019:721, especially [54] specifically regarding artistic merit. Registered design protection is not

difficult to see why beauty *per se* should be a reason to exclude a non-conventional sign from protection. After all, we have no difficulty protecting ‘beautiful’ two-dimensional signs as picture marks. Additionally, the EFTA Court has dismissed the use of substantial value as a provision to ensure that works of art remain in the public domain, noting instead that the justification for the substantial value exclusion lies in protecting competition.⁷ Thus, the provision might stop the monopolisation of reproductions of a work, but it cannot be used to prevent trade mark registration of a work of art on grounds of keeping it free for others to use *qua* a work of art, that should remain in the public domain.

Nonetheless, there may be instrumental arguments why trade mark protection for beautiful things would be limited. Historically, the German approach considered that the aesthetic impact of certain aesthetic objects, such as collectors’ items of functional art, would be the primary meaning of that sign, rendering it incapable of distinguishing the goods of one undertaking from those of other undertakings, which is the basic function of a trade mark.⁸ Still, it is difficult to see why this should justify the existence of a separate exclusion from protection, and especially one that cannot be reversed if consumers do come to recognise the sign as indicative of one source. Such cases could be considered under the standard test of whether a mark is devoid of distinctive character under Article 4(1)(b) TMD. Another instrumental argument for not protecting aesthetically pleasing signs is that this could overlap with copyright and/or design protection. This too is unconvincing, as will be discussed below in relation to cumulation.

Aesthetic appeal also makes for a very narrow exclusion, which will not catch the grey area of characteristics which may not be beautiful and may not impact on how a product works at a technical level, but nonetheless add value to the product. To take an example from the CJEU’s case law,⁹ one would not ordinarily describe the TRIPP TRAPP highchair as ‘beautiful’, but it does enjoy a simplicity of form that has appealed to many consumers. We might want to allow other traders access to replicate this design in the interests of competition, once any time-limited IP protection in place covering these aspects of the product has expired. Design appeal is still arguably within the realm of aesthetics, but we might take this further with an illustration from *Gömböc*.¹⁰ The Gömböc is ‘a convex monostatic object made from homogeneous material, which has a single point of stable equilibrium and a single point of unstable equilibrium, that is to say, two points of equilibrium in total, the shape of which itself ensures that the object always returns to its position of balance’.¹¹ Its eye appeal is a matter of opinion, but looking at it does provoke a desire to pick it up and handle it. Indeed, Buccafusco has argued that we should pay

contingent upon artistic merit either, only requiring a design to be novel and have individual character (Registered Designs Act 1949, s 1B(1)).

⁷ Case E-5/16 *Municipality of Oslo v Klagenemnda for industrielle rettigheter* of 13/07/2017 at [80]-[81]; see M. 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’ (2017) 48(6) IIC 683, 712.

⁸ *Hauck AG*, n 7 above, [77].

⁹ Case C-205/13 *Hauck GmbH & Co. KG v Stokke A/S and Others* ECLI:EU:C:2014:2233 (*Hauck*).

¹⁰ Case C-237/19 *Gömböc Kutató, Szolgáltató és Kereskedelmi Kft. v Szellemi Tulajdon Nemzeti Hivatala* ECLI:EU:C:2020:296 (*Gömböc*).

¹¹ *ibid*, [11].

more attention to tactile and olfactory value when considering functionality.¹² However, *Gömböc* went beyond sensory value, instead concluding that, given its mathematical value (as the only known mono-monostatic homogeneous object¹³), the sign's use should not be limited to a single operator. Thus it seems clear that the EU substantial value exclusion is not limited to aesthetic shapes.

In the US context, Hughes identifies other subtle types of value in the cognitive biases that consumers have.¹⁴ For example, consumers will tend to purchase objects that match those they already own, or will expect pink foods to have a strawberry flavour. Whether or not these sorts of values should fall within Article 4(1)(e)(iii) remains a matter for further judicial interpretation by the CJEU. However, if we limit the exclusion to aesthetic value then we miss out on the opportunity to discuss which *non-visual* features competitors need to access to compete effectively. This is a particular weakness of this approach, given that, as we will see, the design and marketing literature identify a wealth of non-visual features valued by consumers.

The US commentators¹⁵ have also drawn attention to the perverse result of excluding the beautiful from protection. The result is that those who labour to create beautiful objects are permanently excluded from trade mark protection while those who make more banal items can benefit from it.

Cumulation

The CJEU has consistently stated that the rationale for 'technical functionality' under Article 4(1)(e)(ii) is to prevent trade mark law from existing concurrently with a patent, or after its expiry.¹⁶ Trade mark protection is potentially perpetual. Thus it could be used to extend the limited-term rights granted under patent law. It has been suggested¹⁷ that similar concerns lie behind the substantial value exclusion, and that its purpose is to prevent trade mark law overlapping with, or extending, copyright and design protection. While it is true that objects or product features in which aesthetic value inheres may be protected by copyright and/or design law, on reflection it seems difficult to say that cumulation alone lies behind Art.4(1)(e)(iii). For one thing, as Quaedvlieg points out,¹⁸ there no general rule against copyright and trade mark protection co-existing. Indeed, cumulation between trade

¹² C. Buccafusco, 'Making Sense of Intellectual Property Law' (2012) 97(3) *Cornell Law Review* 501, 506 n 18.

¹³ The term 'mono-monostatic' refers to an object which has one stable resting position and only one unstable point of balance, see: <<https://en.wikipedia.org/wiki/Gömböc>>.

¹⁴ J. Hughes, 'Cognitive and Aesthetic Functionality in Trademark Law' (2015) 36 *Cardozo Law Review* 1227, 1254-1255.

¹⁵ For example, Hughes, n 18 above, 13. See also Kur, n 6 above, 23. It is arguable, though, whether this makes any difference in the real world, given that copyright/design law are intended to 'reward' such creations, as indeed does the market.

¹⁶ For example, Case C-299/99 *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* ECLI:EU:C:2002:377 (*Philips v Remington*); Case C-48/09 P *Lego Juris v OHIM* ECLI:EU:C:2010:516 (*Lego*).

¹⁷ For example, *The London Taxi Corporation Ltd v Frazer-Nash Research Ltd* [2016] EWHC 52 (Ch) (*London Taxi (HC)*), [214]-[215], where Arnold J noted that the taxi shape was also protected by design registrations and found 'upholding the [substantial value] objection is consistent with the purpose of Article 7(1)(e)(iii) since it prevents LTC from obtaining a permanent monopoly in the shape rather than the 25-year monopoly available through registration of a design.'

¹⁸ Quaedvlieg, n 8 above, 206.

marks and copyright and design protection is built into the IP system. We have no qualms about the fact that picture marks are two-dimensional artistic works which copyright will protect automatically, as long as they are original.¹⁹ Likewise, EU design legislation explicitly discusses the possibility of designs which consist of trade marks.²⁰ More generally, as Rosati points out, an explicit judicial or legislative ban on cumulation could have been put into place, but was not.²¹ Indeed, in *Gömböc*, the CJEU explicitly states EU IP law does not ‘prevent the coexistence of several forms of legal protection’.²²

Moreover, the risk of perpetual protection is less troublesome in relation to copyright, given that, while copyright is not perpetual, its default term for the works which are most likely to overlap with trade mark protection, is the life of the author plus an additional 70 years.²³ Additionally, Kur points out that applying an anti-cumulation policy would be difficult in this field. Where the co-existing right is a patent, the tribunal can look to the patent documents to understand where the overlap is. However, copyright and some forms of design protection are unregistered. Even in the field of registered designs, applications are not subject to substantive examination, so registration is no guarantee that the rights are valid. Kur considers it ‘untenable’ to require registries and tribunals to detect overlaps in these areas because this would require them to test for copyright or design subsistence in the context of trade mark cases.²⁴

It should also be noted that if cumulation was identified as the policy behind the substantial value exclusion, this would limit the sorts of value excluded from trade mark protection to aesthetic and perhaps aspects of technical functional value, being the kinds of value that copyright and design rights protect. Broader notions of value would presumably not be excluded, even though competitors might have a legitimate need to accessing them, thus allowing a formalistic approach to trump the desires of consumers and needs of competitors.

The argument that valuable shapes are not distinctive

As mentioned above, the pre-harmonisation German approach was that aesthetically pleasing shapes would not be seen by consumers as indicators of origin. Indeed, the Max Planck Report into the functioning of the trade mark system argued that it was safe to delete the substantial value clause because its competition concerns would be dealt by the

¹⁹ The EU standard of originality is relatively low, and would be met by most photographs or drawings, see eg Case C-145/10 *Eva-Maria Painer v Standard Verlags GmbH* ECLI:EU:C:2011:798.

²⁰ EU design law defines, a ‘design’ as ‘the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation’ where a ‘product’ is defined as ‘any industrial or handicraft item, including ... packaging, get-up, graphic symbols and typographic typefaces, but excluding computer programs.’ See, eg, Art 3 of Regulation (EC) No 6/2002 of 12 December 2001 on Community designs (OJ EC No L 3 of 5.1.2002).

²¹ E. Rosati, ‘The absolute ground for refusal or invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: in search of the exclusion’s own substantial value’ (2020) 15(2) *JIP&P* 103, 106-107. See similarly, U. Suthersanen and M. Mimler, ‘An Autonomous EU Functionality Doctrine for Shape Exclusions’ (2020) 69(6) *GRUR International* 567, observing that the legislator could have, but did not place a ban on other IPRs overlapping with patents.

²² *Gömböc*, n 14 above, [51]-[55].

²³ See, eg, Kur, n 6 above, 24.

²⁴ *ibid*, 23-24.

requirement for distinctiveness, which such marks would be unlikely to overcome.²⁵ The difficulty with this argument is that consumer perception of distinctiveness changes over time. Indeed, this is acknowledged in the Max Planck Report. The Report points to the *G-Star* case,²⁶ where the stitching on jeans began life affording value to the goods from its aesthetic appeal but subsequently became valuable because consumers recognised that this feature indicated the jeans were made by G-Star.²⁷ Evolving consumer perceptions of value is seen in the Max Planck Report as a reason for deleting the substantial value exclusion, or in the alternative, making the substantial value clause subject to a proviso that marks that are barred initially on substantial value grounds should become registrable if they subsequently become distinctive in the eyes of consumers.

It is submitted that *G-Star* demonstrates the danger of relying on distinctiveness. The value derived from indicating origin does not negate the value of the sign to consumers in functional terms, and hence the need for competitors to be able to access the sign. A single sign can convey two meanings at the same time without contradiction. This has been acknowledged explicitly in relation to technical functionality. In *Philips v Remington*,²⁸ it has been accepted that even though the *Philishave* three-headed shaver was indicative of origin, there was a need for competitor access to the shape, rendering it technically functional. Analogously, the jeans stitching in *G-Star* remained aesthetically pleasing even after consumers learnt to associate this design element with a particular company. Likewise, the Gömböc would still be the solution to a mathematical puzzle and the TRIPP TRAPP chair would remain stylishly functional, even if consumers were to see those signs as indicative of a single undertaking. Indeed, speaking in the context of whether a famous ‘Eames chair’ should be registered as a trade mark, the EUIPO Fifth Board of Appeal went further, arguing that consumer recognition of the chair as a ‘style icon’ originating from one undertaking was dependent on the *continuing* existence of the ‘inherent value that transcends mere passing fancy’.²⁹

Whether competitors need to access a sign in order to compete is not dependent on whether it functions as a trade mark when it comes to technical functionality. In that context, it is accepted that a sign can indicate origin, and yet we are prepared to grant competitors access. The same should be true for the other forms of value.

Value as protecting the public domain

Quaedvlieg adopts an alternative approach.³⁰ Rather than seeing the substantial value provision as preventing the protection of what is already protected by copyright, he sees it

²⁵ Max Planck Institute for Innovation and Competition, *Study on the Overall Functioning of the European Trade Mark System* (2011), [2.34].

²⁶ Case C-371/06 *Benetton v G-Star International BV* ECLI:EU:C:2007:542 (*G-Star*).

²⁷ Max Planck Report, n 3 above, [2.33]. See also, C. Gielen, ‘Substantial value rule: How it came into being and why it should be abolished’ (2014) 36(3) EIPR 164, 167.

²⁸ *Philips v Remington*, n 20 above.

²⁹ Case R 664/2011-5 *Vitra Collections v EUIPO – Consorzio Origini* Fifth Board of Appeal, 18/03/2015, [42] (*Vitra v EUIPO*).

³⁰ Quaedvlieg, n 8 above, 207-213.

as preventing the protection of that which copyright has protection elected deliberately *not* to protect. In relation to substantial value, these are the basic elements of ideas and style. He gives the examples of a plastic fashion doll styled after an adult woman (Barbie)³¹ and the idea of a child's adjustable beechwood chair (the TRIPP TRAPP chair).³² The specific embodiment of these product examples would be subject to protection, but the idea behind them would remain free for others to copy. Style and ideas are the self-same elements that copyright refuses protection to because they are so fundamental that they need to remain in the public domain for all to use.

This idea of an integrated approach to the public domain across the IP rights is attractive and it is logical to say that if copyright recognises that certain aspects of products should not be protected because they are required for innovation, then the same should be true under trade mark law. The difficulty with this approach is that it only provides a partial explanation of substantial value in that it focuses on the aesthetic, whereas the CJEU has since progressed notions of value beyond just the aesthetic. However, the idea of a single underlying justification that pervades all three of the functionality provisions is one that we will return to.

Value as a proxy for competition

Suthersanen and Mimler³³ argue that the CJEU is developing an 'autonomous' approach to functionality across all the intellectual property rights, based on 'ensur[ing] that protection does not unduly restrict market freedom and competition'. As has been mentioned above, Quaedvlieg identifies the protection of competition via the prevention of monopolies as the interest underlying both technical functionality and the substantial value clause.³⁴ While he sees this as crystallising into protection of copyright's public domain, this article goes further and argues that substantial value can act as a proxy for protecting competitors' access to a wide range of product features that they need to access. Rather than limiting the substantial value clause to any one form of value, and hence to one subset of competitive needs, it is argued that there should be an open list. This is because, as we will see from the marketing and design literature, value inheres in a wide range of product features, both tangible and intangible sought by consumers. Conceivably, competitors need access to any and all of the features that consumers value in order that they can compete effectively in a particular product market. Writing in response to the General Court's *Bang & Olufsen* decision,³⁵ more than a decade ago, Kur,³⁶ made the case for the 'substantial value' head to focus directly on the underlying competitive concerns, and to consider forms of value beyond the aesthetic.

³¹ *ibid*, 208.

³² *ibid*, 210.

³³ Suthersanen and Mimler, n 25 above, 567.

³⁴ Quaedvlieg, n 8 above, 202; Rosati, n 25 above, 107 also detects the common competition-based justification between the two grounds of functionality.

³⁵ Case T-460/05 *Bang & Olufsen A/S v OHIM* ECLI:EU:T:2007:304 (*B&O*).

³⁶ Kur, n 6 above, especially 21-22.

To an extent, this refocussing on competition is apparent in the CJEU’s more recent case law which we will now discuss. However, this article goes further, advocating for a single action based on value justified by underlying competitive concerns. As we learn from the design and marketing principles discussed below, consumers view products in the round and do not discriminate between the different forms of value they seek in products. In view of this, attempting to divide value into different categories risks creating artificial distinctions causing some aspects of value to fall beyond exclusion - not because they are not valuable to consumers and important to competitors, but rather because they fall the wrong side of overly rigid categorisations under the functionality grounds.

SUBSTANTIAL VALUE – THE CJEU’S APPROACH

This section discusses how the CJEU has interpreted the meaning of ‘substantial value’ and protection of competition and competitors as the underlying rationale for this exclusion to registration, as well as the technical functionality exclusion. It is argued that in identifying this shared rationale and in interpreting ‘value’ expansively to include non-aesthetic features, the registration of which might interfere with competition, the CJEU has blurred the boundary between Articles 4(1)(e)(ii) and (iii). This is consistent with how design and marketing scholars explain that consumers take a holistic approach to the product features they value, without discriminating between technical, aesthetic and other forms of value.

Defining value – a wide approach

As we have seen, the purpose of the substantial value exclusion was initially seen as avoiding overlaps with copyright or design protection,³⁷ thereby suggesting that Article 4(1)(e)(iii) would be limited to aesthetic value. However, while the CJEU has acknowledged the issue of overlapping IP rights when it has considered substantial value in detail, it has also adopted a progressively wider approach to what could constitute value.

In *B&O*, a case concerning aesthetically appealing speakers, the General Court (GC) found that the product’s aesthetics were an important selling point and held, therefore, that the shape added substantial value to the goods. One difficulty was that the speaker shape was not only aesthetically pleasing, but also embodied certain ‘technical qualities’. However, the GC found that this did not prevent the shape from falling within the substantial value exclusion. While the GC’s language is not a model of clarity, it appears to state that where a product has a mixture of aesthetic and non-aesthetic characteristics that each bestow value, the presence of the non-aesthetic characteristics does not prevent the aesthetic characteristics from falling within the exclusion.³⁸

The CJEU went further in expanding the scope of Article 4(1)(e)(iii) in *Hauck*. At issue was the TRIPP TRAPP high chair. Its shape was said to give it ‘significant aesthetic value’, but at the same time it had ‘other characteristics (safety, comfort and reliability)

³⁷ *Philips v Remington*, n 20 above, [30]; Court of Appeal in *Philips Electronics NV v Remington Consumer Products Ltd* [1999] RPC 809, 822.

³⁸ *B&O*, n 39 above, [75]-[77].

which gave it essential functional value.³⁹ The Court held that ‘the fact that the shape of a product is regarded as giving substantial value to that product does not mean that other characteristics may not also give the product significant value’. Consequently, ‘the possibility’ of applying the Article 4(1)(e)(iii) exclusion should ‘not be automatically ruled out when, in addition to its aesthetic function, the product concerned also performs other essential functions.’⁴⁰ Both of these statements might seem in accordance with *BeO* in saying that the fact that the product performs other functions does not stop the aesthetic aspects from being caught within substantial value exclusion. This was also the approach taken by the Advocate General in *Hauck*.⁴¹ However, the Court seemingly went further, saying:

the concept of a “shape which gives substantial value to the goods” cannot be limited purely to the shape of products having only artistic or ornamental value, as there is otherwise a risk that products which have essential functional characteristics as well as a significant aesthetic element will not be covered.

As Dinwoodie has observed, this text is ambiguous. It could mean that an aesthetic shape can fit within the exclusion, even if it has non-aesthetic characteristics that add value,⁴² or it could mean that those other (valuable) non-aesthetic characteristics also fit within the exclusion’s scope.⁴³ This doubt was resolved by the CJEU in *Gömböc*, where the Court opted for the latter, wider reading of value.

As has been explained, the *Gömböc* embodies a special ‘self-righting’ shape which ‘always returns to its position of balance’.⁴⁴ The CJEU identified the value inherent in the *Gömböc* as its being ‘the tangible symbol of a mathematic discovery’.⁴⁵ While this was not aesthetic value, the Court found it could nonetheless fall within substantial value exclusion, saying:

It should be borne in mind, in this regard, that the concept of a “shape which gives substantial value to the goods” is not limited to the shape of goods having an exclusively artistic or ornamental value. The question as to whether the shape gives substantial value to the goods may be examined on the basis

³⁹ *Hauck*, n 13 above, [29]

⁴⁰ *ibid*, [31].

⁴¹ *Hauck AG*, n 7 above, [67]–[95]

⁴² This would seem to be the position of the AG in *Hauck*, n 7 above, [80], who comments ‘the third indent ... is designed to prevent the monopolisation of the external features of goods which do not perform a technical or practical function and at the same time substantially enhance the attractiveness of goods and strongly influence consumer preferences.’

⁴³ G. Dinwoodie, ‘Non-Traditional Marks in Europe: Conceptual Lessons from their Apparent Demise?’ NYU Colloquium (04/02/2019), at: http://www.law.nyu.edu/sites/default/files/upload_documents/Graeme%20Dinwoodie.pdf (last visited 7 June 2021), 20-22. In Case R 2450/2011-G *Chocoladefabriken Lindt & Sprüngli AG* EUIPO Grand Board, 07/07/2017 (*Lindt*), [37]-[38], the Board opted for the latter approach, finding value in the shape of the Easter Bunny for chocolate based on the traditional role of the bunny in delivering sweets and chocolate eggs on Easter Sunday.

⁴⁴ *Gömböc*, n 14 above, [11].

⁴⁵ *ibid*, [19].

of other relevant factors, including, inter alia, whether the shape is dissimilar from other shapes in common use on the market concerned.⁴⁶

The exact implications of this statement will need to be considered in future cases, but it seems to suggest ‘substantial value’ is not limited to aesthetic value, and would instead allow types of value originating in other aspects of the goods into the scope of the exclusion. That the CJEU recognised the value in this case as coming from the fact that the shape solved a mathematic puzzle is also suggestive of an expansive approach to value. This expansive, possibly open-ended approach to value, allows Art.4(1)(e)(iii) to move away from formalistic conceptions of value and instead to embrace the wide range of different types of value sought by consumers and identified in the marketing and design literature.

It should be noted that a similarly expansive approach has been taken to the definition of Article 4(1)(e)(i), which excludes from registration shapes which result from the nature of the goods. Until recently it was assumed that the exclusion echoed the similarly worded pre-harmonisation Benelux exclusion, which was limited to shapes occurring in nature (e.g. the shape of a banana) or regulated shapes (e.g. the shape of a rugby ball).⁴⁷ However, the *Hauck* court⁴⁸ took a wider approach, stating that the exclusion covers shape or other characteristics which are ‘inherent to the generic function or functions of such goods’. While the exact parameters of this statement remain unclear, it appears that just as the expansive approach to value has created an overlap with technical functionality, the CJEU’s focus on function in its definition of the first indent has also created an overlap with the second indent⁴⁹ which would also be consistent with a move from a formalistic rigidly categorised view of the limits of Art.4(1)(e)(i) to a potentially more holistic consumer-orientated approach.

The shared rationale

As scholars have previously observed, the CJEU has consistently equated the rationales of Articles 4(1)(e)(ii) and (iii).⁵⁰ In *Philips v Remington*, the Advocate General identified the policy behind both as ‘to prevent the exclusive and permanent right which a trade mark confers from serving to extend the life of other rights which the legislature has sought to make subject to limited periods’.⁵¹ This was reiterated in *Be&O*, with the GC adding that the purpose of both provisions is to prevent the granting of a monopoly in such shapes.⁵² The addition of the term ‘monopoly’ makes it clear that the problem under both provisions is not just with overlapping IP rights *per se*, but also because of the wider competition concerns with granting such protection in terms of the ability of competitors to access

⁴⁶ *ibid*, [46].

⁴⁷ *Hauck AG*, n 7 above, [46].

⁴⁸ *Hauck*, n 13 above, [25].

⁴⁹ *Kur*, n 6 above, 16.

⁵⁰ See *Rosati*, n 25 above, 108; *Kur*, n 6 above, 9.

⁵¹ *Philips v Remington AG*, n 4 above, [30].

⁵² *Be&O*, n 39 above, [66]. See similarly, Case T-324/18 *V.I.T.O. v EUIPO* ‘Form of a golden bottle’ ECLI:EU:T:2019:297 (*Golden Bottle*).

product characteristics that they need in order to be able to compete effectively.⁵³ It is analogous with the public interest identified in *Lego* for technical functionality of ‘prevent[ing] trade mark law granting an undertaking a monopoly on technical solutions or functional characteristics of a product’.⁵⁴

This extended justification for Article 4(1)(e)(iii) was confirmed by the CJEU in *Hauck*.⁵⁵ While the Court identified the aim of the substantial value exclusion as preventing trade mark rights from extending other rights, it tied the objective to preventing a monopoly from developing in the essential characteristic of goods.⁵⁶ This followed the approach of the Advocate General, who opined that ‘the public interest underlying that provision at issue consists in preventing the monopolisation of certain basic characteristics of goods resulting from their shape’, and that he had ‘no doubt’ that this public interest lay behind each of the three limbs of Article 4(1)(e) TMD.⁵⁷ Elsewhere⁵⁸ I have argued that the general interest underlying the second limb is to protect against monopolies by granting competitors access to characteristics of goods that they need to compete, and how one specific embodiment of this is the caution that surrounds extending other IPRs via trade mark law. This reflects the twin policies underlying US law,⁵⁹ where there is a concrete desire to channel protection of functional products to patent law, rather than trade mark law, but at the same time a wider interest in preventing the registration of marks that, if registered, would have a negative impact on competition. These same undercurrents can be seen in the adumbrations of the policies behind Articles 4(1)(e)(ii) and (iii): while there is a desire to avoid overlapping IP rights, the underlying policy is identified as being the prevention of monopolies.⁶⁰

The *Hauck* court likewise provided a competition-based rationale for Art4(1)(e)(i), explaining how all three subsections of the Article 4(1)(e) share the same justification.⁶¹ Particularly significant in terms of the argument made in this article is that the CJEU explicitly identifies the link between what is necessary in the interests of *competitors and competition* and what *consumers* seek in products:

reserving such characteristics to a single economic operator would make it difficult for competing undertakings to give their goods a shape which would be suited to the use for which those goods are intended. Moreover, it is clear that those are essential characteristics which consumers will be looking for in

⁵³ See M. McKenna, ‘(Dys)Functionality’ (2011) 48(4) *Houston Law Review* 823, which distinguishes between a ‘right to copy’ and a ‘need to copy’.

⁵⁴ *Lego*, n 21 above, [43].

⁵⁵ Although in *Gömböc*, n 14 above, [50], the court limited its discussion of the policy behind Art.4(1)(e)(iii) to preventing extension of pre-existing IPRs.

⁵⁶ *Hauck*, n 13 above, [19].

⁵⁷ *Hauck AG*, n 7 above, [26]-[28]. The Advocate General also provides an explanation based on trade marks protecting fair competition – registration of functional shapes could confer an unfair competitive advantage, and would hence be incompatible with the fundamental goal of trade mark protection, see especially [29] and [33].

⁵⁸ I. Fhima, ‘Technical Functionality in European Trade Mark Law’ [2021] 137 LQR 113.

⁵⁹ R. Bone, ‘Trademark Functionality Reexamined’ (2015) 7(1) *Journal of Legal Analysis* 183; McKenna, see n 57 above.

⁶⁰ See Quaedvlieg, n 8 above, 203.

⁶¹ *Hauck*, n 13 above, [20].

the products of competitors, given that they are intended to perform an identical or similar function.⁶²

Finally, it is noteworthy that in *Louboutin*, the Advocate General (in his second Opinion) offered a single, competition-based justification for the functionality provisions without tying them to avoiding overlapping IP rights. Instead, he identified the objective of all three sub-articles of Article 4(1)(e) as:

to prevent trade mark protection from 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. The provision enables those essential characteristics of the goods in question which are reflected in its shape to be kept in the public domain.⁶³

Once again, the focus is on what users (i.e. competitors) will seek, and how this relates to competition, rather than cumulation. Specifically, in relation to Article 4(1)(e)(iii) he describes the underlying policy as to:

prevent the monopolisation of external features of goods which are essential to their market success, and thus to prevent the protection conferred by the mark being used to gain an unfair advantage; that is, an advantage which does not result from competition based on price and quality.⁶⁴

A single functionality exclusion: European echoes and a US parallel

The concept of a single functionality exclusion encompassing both technical and aesthetic functionality is not without precedent. In fact, the functionality exclusion in early drafts of the European trade mark legislation had a single functionality exclusion, albeit one which itemised the various forms of functionality.⁶⁵ Even when the different forms of functionality were separated, initially this was by means of a hyphenated list, which appeared in the first TMD.⁶⁶ Indeed, separate sub-numbered clauses only first appeared in the original CTM Regulation.⁶⁷ This gradual progression from a single provision to partial differentiation to one with greater differentiation is suggestive more of an exercise in clarification rather than of a substantively different justificatory basis for the three types of functionality.

A single functionality exclusion has also been mooted in the US. Dinwoodie, writing in the 1990s, argued that US courts had moved towards what is effectively a single

⁶² *ibid*, [26].

⁶³ Case C-163/16 *Christian Louboutin v Van Haren Schoenen BV* ECLI:EU:C:2017:495 (*Louboutin*), [53].

⁶⁴ *ibid*, [71]

⁶⁵ See, eg, the Proposal for the Community Trade Mark Regulation 1980, Art 6(2): 'In addition the following shall not be registered: (a) the shape which results from the nature of the goods themselves, or which has some technical consequence; also the shape of the goods where this affects their intrinsic value'.

⁶⁶ Council Directive No. 89/104/EEC (Repealed by EU Directive 2008/95/EC), to approximate the laws of the Member States relating to trade marks [1989] OJ L 40/1, Art 3(1)(e).

⁶⁷ Council Regulation (EC) 40/94 of 20/12/1993 on the Community trade mark [1994] OJ L 11/ 1, Art 7(1)(e).

functionality action.⁶⁸ He argued that at the heart of this single action is a desire to prevent the registration of marks which, if placed in the hands of a single undertaking, would have a negative effect on competition. He saw this as a teleological approach – one that places as its centre the reason behind the legislative provision, in this case protecting competitors, as opposed to an ontological approach, which is based on rigid categorisation of the items that are the subject of the legislative provision – in this case rules pertaining to different types of trade marks. Dinwoodie identified such a ‘unitary’ test for functionality (that includes both utilitarian and aesthetic functionality) in *Qualitex*,⁶⁹ which was, at the time Dinwoodie was writing, the latest Supreme Court case on functionality. This case concerned the protectability of a green-gold colour for dry cleaning pads. While Dinwoodie observed that the Supreme Court discussed aesthetic functionality separately from utilitarian functionality, he noted that the Court identified the effect that the protection of the challenged mark would have on competition as justifying both forms of functionality.⁷⁰ This contrasted with perhaps the most prominent early aesthetic functionality case – *Paligiero v Wallace*.⁷¹ There a pattern applied to china was refused protection because of its ‘attractiveness and eye appeal’.⁷² Dinwoodie criticised this case as excluding the mark in question from protection merely because of its falling within a category of types of marks, rather than because of the rationale for excluding protection.⁷³ We might compare this with the similar categorical exclusion of the crystal service in the Benelux.⁷⁴

Subsequent to Dinwoodie’s article, the Supreme Court delivered its *TrafFix* decision.⁷⁵ Although this was a utilitarian functionality case, the Supreme Court restated its comments on aesthetic functionality in *Qualitex*. The Court noted that it had defined functionality as when a feature ‘is essential to the use or purpose of the article or if it affects the cost or quality of the article.’ The justification for this exclusion was to avoid monopolies in features, the ‘exclusive use of [which] would put competitors at a significant non-reputation-related disadvantage.’⁷⁶ While aesthetic features might not (according to the Supreme Court) be essential to use, or affect cost or quality, they might offer ‘significant non-reputation-related disadvantage’, meaning that there is ‘competitive necessity’ to allow competitors to access the feature.⁷⁷ Once again, although there was a degree of differentiation between the two types of functionality, the need for competitor access was given as the reason for both.⁷⁸

The US approach would seem to map well on to our discussion: the CJEU itself, by identifying a single rationale for all of the different forms of functionality based on

⁶⁸ G. Dinwoodie, ‘The Death of Ontology: A Teleological Approach to Trademark Law’ (1999) 84 *Iowa Law Review* 611.

⁶⁹ *Qualitex Co v Jacobson Products Co., Inc.*, 514 U.S. 159 (1995).

⁷⁰ Dinwoodie, n 72 above, 700-701.

⁷¹ *ibid.*, 690-693.

⁷² *Pagliari v Wallace China Co.* 198 F.2d 339 (9th Circuit 1952).

⁷³ Dinwoodie, n 72 above, 692.

⁷⁴ See n 8 above.

⁷⁵ *TrafFix Devices, Inc. v Marketing Displays, Inc.*, 532 U.S. 23 (2001) (*TrafFix*).

⁷⁶ *ibid.*, 32.

⁷⁷ *ibid.*, 33.

⁷⁸ See also on this point Hughes, n 18 above, 114-117.

competition has directed us towards a teleological approach and in its preparedness to consider technical functionality under the first and third indents has adopted an approach that would appear to reject the rigid categorisations inherent in an ontological approach. Indeed, in later, post-*Hauck* writing, Dinwoodie comments:

the Court of Justice has effected the same evolution that one finds in U.S. law of functionality. There, the courts have required all types of product feature—aesthetic, utilitarian or any combination of the two—to pass its different functionality tests. The U.S. courts have articulated one core functionality test designed to prevent trade mark law controlling utilitarian features that are essential to the function of a product, but will also subject a claimed mark to a secondary (and related) test designed to prevent the control of a non-reputation related disadvantage. [internal citations omitted]⁷⁹

Why identifying the overlap matters

It might be asked whether it really matters whether the different heads of functionality overlap. As long as the ‘problematic’ signs in question are barred from registration as a trade mark, does it matter if they are barred more than once? It does. From the point of view of procedural economy, it does not make sense to put parties in a situation where they can argue essentially the same thing under more than one ground. On a more substantive note, it leads to an artificial approach to assessing what the valuable characteristics of a product are. Goods are ‘salami-sliced’ artificially into their various component values. Because this does not reflect how consumers interact with goods on the market, and the range of product characteristics that consumers need to access, this has led to vague definitions of substantial value and shapes resulting from the nature of the goods, or to artificial distinctions being made between types of signs. It misses the holistic approach that consumers adopt to perceiving desirable products. It has also led to needless uncertainty and litigation concerning which of the three exclusions a product’s characteristics fit entirely within,⁸⁰ and unnecessary uncertainty over the correct approach when types of functionality overlap. The practical advantages of a single, integrated functionality doctrine are lucidly expressed by Dinwoodie. He writes in the US context, but the arguments apply equally in the EU:

A candid acknowledgment of the real calculus being performed in functionality analysis might bring some transparency to trademark litigation, and reduce purported reliance on increasingly obtuse doctrinal distinctions and tests that consume the attention of litigants and courts to no great effect on the outcome of a case. The text of the various formalistic tests of functionality does not permit of deductively reasoned conclusions reached without regard to broader concerns.⁸¹

⁷⁹ Dinwoodie, n 47 above, 22-23.

⁸⁰ See e.g. *Hauck*, n 13 above, and Case C-215/14 *Société de Produits Nestlé SA v Cadbury UK Ltd*. ECLI:EU:C:2015:604.

⁸¹ Dinwoodie, n 72 above, 702.

Moreover, abandoning the distinction between technical, aesthetic and other forms of value reflects the ‘real world’ approach to product marketing and design and the understanding in those disciplines of how consumers interact with products. The idea that value can inhere in overlapping qualities of a single product is how those involved in the production of goods through product design and marketing think, and it is to these disciplines that we will now turn.

WHY THE VALUE/FUNCTIONALITY DISTINCTION DOES NOT WORK

This section considers how value is perceived in product design and marketing, and observes that neither discipline makes a distinction between functional and other forms of value. This suggests that the CJEU is right to consider functional and other non-aesthetic value under the ‘substantial value’ exclusion and supports the argument in favour of a single value-based functionality ground based on what consumers seek in products. As an introduction though, we will consider pre-existing interdisciplinary approaches to assessing value in the trade mark literature and the insights they offer into moving away from formalist distinctions in defining trade mark doctrines and towards a consumer-based approach.

Interdisciplinary approaches to conceptualising trade mark value

There is a growing literature in which trade mark scholars have looked beyond the law to argue that consumers have a dynamic relationship with trade marks or brands, and have argued that this should influence how the law develops.⁸² As in this article, authors have drawn on interdisciplinary insights to inform the notion of value in trade mark law.

Dev Gangjee⁸³ has critiqued the CJEU’s development of ‘property rights’ in trade marks. He relies on branding literature to argue that expanding protection beyond confusion to granting protection to trade mark owner’s efforts in investing in their marks and using them as tools of communication fails to re the role of consumers in authoring, and thus creating value in, brands. He argues that expanding the scope of trade mark protection puts increasing power into the hands of trade mark owners. This is predicated on the idea of trade marks being tools on ‘one way communication’ with the meaning of marks being authored solely by the trade mark owner.⁸⁴ However, branding literature sees

⁸² I have drawn in particular on articles relating to UK trade mark law. However, there is a considerable pre-existing literature in this field in the US – see the articles cited by D. Gangjee ‘Property in Brands: the Commodification of Conversation’ in J. Griffiths and R. Howe, *Concepts of Property in Intellectual Property Law* (Cambridge: Cambridge University Press, 2013) at n 15. M. Senftleben and F. van Horen, ‘The Siren Song of the Subtle Copycat – Revisiting Trademark Law with Insights from Consumer Research’ (2021) 111 *Trademark Reporter* 739, which was published as this article went to press, provides a further example of an interdisciplinary critique of trade mark law based on consumer perception.

⁸³ Gangjee, n 86 above.

⁸⁴ *ibid*, 37-45.

brands differently as a ‘dialectical and iterative’ relationship between consumers and trade mark owners.⁸⁵ This recognises that consumers, and not just trade mark owners, invest time, effort and creativity in imbuing the mark with meaning, to the extent that some view branding as a relationship of ‘co-creation’ and the grant of excessively wide protection to trade mark owners as exploitation of consumers’ labour in forming the brand.⁸⁶ While Gangjee does not go so far as to argue that consumers should themselves obtain rights in the mark as a result of such labour, he does argue in favour of a revisiting of the current scope of trade mark infringement. In particular, he argues that the recent expansion of trade mark infringement to take in investment and advertising effectively grants trade mark owners an unjustified property right because it fails to recognise consumers’ input into the creation of the brand.⁸⁷

Similarly, Luke McDonagh⁸⁸ has drawn upon anthropological marketing to argue that consumers are co-authors of brand value. Thus we should revisit recent expansions in the scope of trade mark protection which place property-like rights in the hands of trade mark owners, implicitly treating them as the sole authors of their brands. While traditionally trade mark law protected the origin and guarantee functions of marks, in its *L’Oreal v Bellure*⁸⁹ decision, the CJEU held that the investment, communication and advertising functions should be protected. In particular, McDonagh observes that protecting investment is less about protecting the trade mark *qua* indicator of origin and more about protecting the mark owner’s investment in brand image, placing property in that brand image in the hands of the trade mark owner.⁹⁰ However, McDonagh queries whether such ownership is correctly apportioned. The implicit assumption in the CJEU’s approach is that it is the trade mark owner’s investment alone that creates the brand that is owned here, whereas anthropological marketing suggest that this is not the case. Instead, brands are seen as malleable in the minds of consumers. Rather than embodying stable concepts of identity, they are seen as postmodern, performative concepts of the self. For example, it is argued that women ‘perform’ their gender identity by putting on make-up or wearing certain clothing, but also that this is fluid, in that it needs continual repetition of those acts.⁹¹ Likewise, consumer experiences must be fluid rather than fixed, enabling consumers to interact with the brand. Marketing scholars try to ‘get close’ to consumers, seeking to understand their needs and desires in order to be the brand that matches those needs and desires.⁹² This is a co-creative process and one that McDonagh, drawing on the work of Nakassis⁹³ in particular, argues is performative on the part of consumers. Choosing a certain clothing brand or driving a certain car for example is seen as an act of expression and also

⁸⁵ *ibid*, 50-55.

⁸⁶ *ibid*, 55-57.

⁸⁷ *ibid*, 57.

⁸⁸ L. McDonagh, ‘From Brand Performance to Consumer Performativity: Assessing European Trade Mark Law after the Rise of Anthropological Marketing’ (2015) 42 *Journal of Law and Society* 611.

⁸⁹ Case C-487/07 *L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaiika Investments Ltd and Starion International Ltd* [2009] ECR I-05185.

⁹⁰ McDonagh, n 92 above, 622.

⁹¹ *ibid*, 624-625.

⁹² *ibid* 626-627.

⁹³ C. Nakassis, ‘Brand, Citationality, Performativity’ (2012) 114 *Am. Anthropologist* 624.

as a way of sharing preferences with likeminded consumers. Thus, the role of consumers in creating brand image is active rather than passive.⁹⁴ Consequently, McDonagh concludes that placing property-like rights in brand image in the hands of trade mark owners on the basis of their investment in that image is at odds with the reality, where investment is by consumers, and not just trade mark owners. He argues therefore that this should be revisited by the CJEU, or failing that, be the subject of legislative reform.⁹⁵

Burrell and Weatherall⁹⁶ advocate for greater use of psychology in determining the scope of trade mark protection. While they highlight difficulties in the use of psychological evidence in individual cases,⁹⁷ they argue that insights from psychology may be of value in determining trade mark principles at a more abstract level, given that both trade mark law and psychology seek to understand how consumers process information.⁹⁸ In a series of experiments they found: (i) that consumers respond more strongly to the beginnings of words than the ends, suggesting that this should be taken into account when word marks are compared for the purposes of establishing whether they are confusingly similar;⁹⁹ (ii) that consumers readily associate slogans with particular products, calling into question the fact that the law tends to view such slogans as lacking distinctiveness and so not worthy of trade mark protection¹⁰⁰ and (iii) that similarities in packaging caused as much confusion amongst consumers as brand names (calling into question why word marks get strong trade mark protection but product packaging tends to get little protection against lookalikes).¹⁰¹

Likewise, because of the role of normative considerations in defining the average consumer as well as the cost considerations of constructing such studies, Weatherall¹⁰² rules out a wholesale adoption of psychologically-based empirical surveys to prove confusion in individual cases.¹⁰³ However, she has suggested that psychology (and hence empirical consumer responses to marks) may have a more modest role to play, for example, in establishing principles to be followed by trade mark registries when examining marks (e.g. which elements of words are, when shared, most likely to lead to confusion)¹⁰⁴ and in providing empirical evidence of the most testable sub-questions relevant to trade mark infringement, such as by carrying out laboratory-based experiments as to whether two marks are similar.¹⁰⁵

Clearly there is a distinction between this body of literature and the argument in this article. The scholars discussed above rely on extra-legal methodology to argue that we should pay greater attention to consumer perception and attitude when determining what

⁹⁴ McDonagh, n 92 above, 629-631.

⁹⁵ *ibid*, 635-634.

⁹⁶ R. Burrell and K. Weatherall, 'Towards a New Relationship between Trade Mark Law and Psychology' (2018) 71 *Current Legal Problems* 1.

⁹⁷ *ibid*, 4-20, *inter alia* because trade mark law's 'average consumer' plays a normative role in terms of balancing how easily s/he is confused with the need to tolerate a degree of confusion in the interests of wider competition.

⁹⁸ *ibid*, 32.

⁹⁹ *ibid*, 23-26.

¹⁰⁰ *ibid*, 26-28.

¹⁰¹ *ibid*, 28-31.

¹⁰² K. Weatherall, 'The Consumer as the Empirical Measure of Trade Mark Law' (2017) 80(1) *MLR* 57.

¹⁰³ *ibid*, 61-80.

¹⁰⁴ *ibid*, 84.

¹⁰⁵ *ibid*, 84-86.

constitutes a brand, and what will lead to confusion, and hence what should be *within* the scope of trade mark protection. However, this article, relies on extra-legal literature to argue that what is functional, and hence should explicitly fall *outside* trade mark protection should be shaped by consumer perception of and interaction with the *res*. Nonetheless, what unites this article with the pre-existing literature is the idea that (i) rather than being too unstable or unquantifiable to form the basis of a certain legal test, consumer perception, despite its iterative, sometimes emotional and to an extent subjective nature, should play a vital role in shaping trade mark law and that (ii) the key to understanding how consumers interact with the subject matter of trade mark law is through examining interdisciplinary approaches. It is to two such approaches: product design and marketing that we will now turn

Lessons from product design

As its name suggests, the school of emotional design considers all aspects of a product that generate the emotional response in consumers which drives them to make a purchasing decision. Like the CJEU in *Hauck and Gömböc*, scholars of emotional design look beyond a product's appearance, and identify the value and appeal vesting in other aspects of product design.

Norman argues that three levels of processing take place when a consumer encounters a product: visceral, behavioural and reflective.¹⁰⁶ Norman sees the 'visceral' level as an automatic response evolved in response to basic human needs and avoidance of danger. He identifies the following as producing a positive visceral effect:

- warm, comfortably lit places,
- temperate climate,
- sweet tastes and smells,
- bright, highly saturated hues,
- 'soothing' sounds and simple melodies and rhythms,
- harmonious music and sounds,
- caresses,
- smiling faces,
- rhythmic beats,
- 'attractive' people,
- symmetrical objects,
- rounded, smooth objects,
- 'sensuous' feelings, sounds, and shapes.¹⁰⁷

¹⁰⁶ D. Norman, *Emotional Design: Why We Love (or Hate) Everyday Things* (New York: Basic Books, 2004).

¹⁰⁷ *ibid*, 29. He also lists factors likely to elicit an automatic negative response.

What is striking about this list is that it encompasses all the senses, not just the visual. From a trade mark perspective, this suggest some of the ways that the CJEU's instruction to go beyond the aesthetic, when seeking value,¹⁰⁸ can be realised.

Norman's 'behavioural' level is also automatic, but here the consumer focuses (albeit at a subconscious level) on how the product works. It encompasses function, usability and performance.¹⁰⁹ From a trade mark perceptive, these are the sorts of concerns considered to date primarily under the technical functionality exclusion.¹¹⁰

The 'reflective' level is where consciousness, higher level feelings, emotions and cognitions apply. Interpretation, understanding and reasoning come from this level, and it can be influenced by culture, experience, education and individual differences. This recognises values that go beyond the physical qualities of the product, analogous to *Gömböc's* recognition of value inhering in the fact that the shape constituted the solution to a mathematical puzzle.

Jordan offers a more holistic approach to emotional design.¹¹¹ His starting point is that a product must be both functional (performing the task for which it is intended) and useable (performing that functional task easily). Given technological advances, many products fulfil those basic functions today, leaving only marginal competitive advantage available from improvements in functionality and usability.¹¹² Instead, competition must take place on a new plane which integrates human factors – taking a holistic view which moves beyond users' cognitive and physical characteristics and attempts to create a pleasurable relationship between the product and those for whom it is designed. Pleasure is something humans have sought from the beginning of time and can bring practical benefits of a job well-done, emotional benefits, such as entertainment or self-confidence or hedonic benefits of secondary and aesthetic pleasure.¹¹³ Jordan offers a framework of 'four pleasures'.¹¹⁴ Physio-pleasure is derived from the senses in terms of cognitive and emotional reactions and ideo-pleasure from the aesthetics and values that a product embodies. Socio-pleasure is derived from relationships with others, e.g. the coffee machine at the heart of a coffee morning or those branded clothes which signal that the wearer belongs to a particular social group. In designing products, he advocates considering these 'pleasures' through the eyes of a typical user defined with granular exactitude.¹¹⁵ This desire to get close to 'real' consumers and their needs and desires is strikingly similar to the anthropological marketing approach discussed by McDonagh (above).¹¹⁶

¹⁰⁸ *Gömböc*, n 14 above, [46].

¹⁰⁹ Norman, n 110 above, 37.

¹¹⁰ Though see, *Hauck*, n 13 above, which suggests some of these considerations may be relevant to the Art 4(1)(e)(i) exclusion.

¹¹¹ P. Jordan, *Designing Pleasurable Products* (London: CRC Press, 2002).

¹¹² *ibid*, p.2.

¹¹³ *ibid*, 11-12.

¹¹⁴ *ibid*, 11-14.

¹¹⁵ *ibid*, 16. He uses the example of Janet Peters, a fictional 23-year-old accountant from Reading who enjoys netball and a 'yuppie' lifestyle.

¹¹⁶ See McDonagh, n 92 above, 626, quoting the Deputy Marketing Director of IKEA 'A key thing we do is that we tend to get very close to consumers. I like to call it anthropological marketing, studying people, getting close to them, going into their homes, having conversations, reading reports, information. Understanding their needs, dreams and desires. Being the brand that helps them fulfil those needs, dreams and desires'.

Desmet¹¹⁷ argues that while emotions may seem idiosyncratic, because the conditions that elicit them are universal, it is possible for designs to influence and manipulate them.¹¹⁸ Emotions, he says, are adaptive because they pull us towards certain things and away from others. Consumers appraise products as either beneficial, harmful or irrelevant to their wellbeing in relation to a particular concern (e.g. efficiency for a computer or a need to stay dry for an umbrella).¹¹⁹ Desmet classifies the emotional response that a product elicit into one of five categories.¹²⁰ Instrumental product emotions relate to whether the product can achieve our goals. This is wider than the mere functionality as its focus is not on how the product works, but on whether it achieves what the consumer wants e.g. to make the consumer feel attractive. Aesthetic product emotions are those which please the senses. Again, this is not limited to visual, but includes all sensory satisfaction. Social product emotions cover how consumers think things *should* be. This might include preconceptions as to the typical shape a product might have, but encompasses wider value judgments, such as a belief that big cars harm the environment. Surprise emotions, generated by novelty, might be pleasant or unpleasant. This class would include surprise on encountering a completely new product, or surprise on finding an enhancement of existing characteristics. Finally, interest product emotions arise when consumers find a product challenging, when it engages their creativity or when it makes them laugh. (Conversely, products that do not stimulate may evoke boredom.) Desmet notes that product emotions meld aesthetic and functional concerns, and so is critical of theories that focus just on general pleasure. Instead, he claims his granular approach, which identifies different forms of pleasure, highlights how a single item may trigger more than one emotional response.¹²¹

Despite the diversity between these scholars in the exact mechanism for emotional design, their theories are united by some common themes. First, all go beyond the visual and include emotions generated by the interaction between the product and the other senses. For Norman this is the visceral level, for Jordan this is physio-pleasure and for Desmet these are aesthetic product emotions. Secondly, they all identify value derived from wider social and cultural perspectives. This forms a promising basis for identifying other types of value of the sort alluded to in *Gömböc*, in which the mathematical value derives from the consumer's knowledge of what the shape represents. Thirdly, and most importantly for our purposes, it is noticeable that the emotional design scholars see the visual, sensory, aesthetic, functional and cultural aspects as an integrated whole without any hierarchy of importance. This calls into question the soundness of legal categories based on the premise that technical or aesthetic value should be singled out for exclusion above all other forms of value. The theories all assume that a single product will embody a range of different values which will all be sought by consumers. Moreover, crucially, and as with Gangjee and McDonagh's marketing approaches, these values are not abstract,

¹¹⁷ P. Desmet, 'A Multilayered Model of Product Emotions' (2003) 6 *The Design Journal* 4.

¹¹⁸ *ibid*, 5.

¹¹⁹ *ibid*.

¹²⁰ *ibid*, 8-12.

¹²¹ *ibid*, 12.

objective or predetermined, but rather are calibrated through the eyes of what a notional target consumer would seek in the product.

To understand how emotional design could work in action in the trade mark context, we might return to the Gömböc example. The appearance of the Gömböc, its weight in the hand, the appearance and feel of the surface indents might all be visceral in Norman's terms, physio-pleasurable according to Jordan or aesthetic in Desmet's categorisation. The fact that the object always self-rights (whatever its orientation when placed down on a surface) would be behavioural for Norman or instrumental according to Desmet. The satisfaction from owning 'the tangible symbol of a mathematical discovery'¹²² would be reflective according to Norman and bring ideo-pleasure according to Jordan. This is not to say that each of those properties confers substantial value in the sense of the third indent. Indeed, the behavioural aspect of the Gömböc might fit more naturally into the technical functionality, the second indent. What this does show is that there is scope in design thinking not only for what the CJEU termed 'aesthetic',¹²³ but also for value derived from other properties of the goods. These may include the sensory values but are not limited by them. Thus, there may be a role for considering value for example derived from cultural or social norms.

Lessons from marketing

Like emotional design, marketing scholars have also taken a holistic, consumer focussed view of value. They acknowledge that consumers may obtain product-related value from a range of product characteristics that may be physical, aesthetic or more conceptual. They also acknowledge that these values may overlap in a single product without causing any type of conflict.

Holbrook presents a typology of consumer values which embraces a wide range of values beyond the aesthetic and functional.¹²⁴ Consumer perception of value is key to his approach. Value, he argues, is 'interactionist' because it is composed of the subjective experience of a consumer interacting with an artefact that is objective in nature.¹²⁵ It is also personal because it differs between consumers¹²⁶ and is experiential because value resides in the consumer's experience of using the object, rather than in the object itself.¹²⁷ This approach would reject *ex ante* categorisations of value, e.g., an object is beautiful, and would instead require a consumer-centric enquiry into how important that value is.

Holbrook identifies various forms of value.¹²⁸ Efficiency is how well a product achieves a self-interested end. Excellence is the appreciation of a superior product. Politics is the value derived from using one's products to derive a favourable response from others

¹²² *Gömböc*, n 14 above, [43].

¹²³ *ibid*, [42].

¹²⁴ M. Holbrook, 'Introduction to consumer value' in M. Holbrook (ed), *Consumer Value: A Framework for Analysis and Research* (London: Routledge, 1999).

¹²⁵ *ibid*, 10.

¹²⁶ *ibid*, 12.

¹²⁷ *ibid*, 12-13.

¹²⁸ *ibid*, 17-24.

while esteem is the contemplation of the contribution that a product has made in relation to one's standing in the eyes of others. Play is the enjoyment of a product for its own sake while beauty or aesthetics is the appreciation of a product for its own sake. Morality and virtue involve the use of one's objects for the benefit of others. Spirituality is also other-orientated, but specifically in relation the Divine or mystical.

There are various other theorists who have attempted to articulate the different types of value sought by consumers.¹²⁹ Of particular note for the sheer diversity of values identified is the work of Almquist, Senior and Bloch.¹³⁰ Based on their experience with corporate clients and their own consumer research, they identify thirty forms of value, which they organise into four categories: functional, emotional, life changing, and social impact. Their identification of values is also based on what matters to *consumers*, rather than what is inherent in the product, though they take a granular approach to consumer value that goes beyond what a consumer might say if asked what s/he values. For example, they argue that when a consumer says their bank is 'convenient', what they really value is that it that '*saves time, avoids hassle, simplifies, and reduces effort.*'¹³¹

Almquist *et al* represent their values in a pyramid (see Figure below) inspired by Maslow's Hierarchy of Needs.¹³² Those elements of consumer value identified as the 'most powerful' are located at the apex. However, to deliver the top elements, the product must also deliver at least some of the functional elements as well. Few if any products will be able to deliver all of these values. Instead, the authors argue that the forms of value that will be most important to consumers will vary between particular product categories. For example, sensory appeal is crucial for food and beverages while '*reduces effort, saves time, connects, integrates, variety, fun/entertainment, provides access,*' and '*organizes*' are particularly important for smartphones.

¹²⁹ See notably J. Sheth, B. Newman and B. Gross, 'Why we buy what we buy: A theory of consumption values' (1991) 22(2) *Journal of Business Research* 159. They identify five categories of value: 1. functional value – perceived utility from physical performance; 2. social value – perceived utility from association with a particular social group; 3. emotional value – perceived utility from product's ability to arouse feelings of affective states; 4. epistemic value - perceived utility from product's capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge and 5. conditional value – perceived utility of the product derived from the specific situation or set of circumstances facing the choice maker, e.g. a wedding dress will only be valuable to someone getting married.

¹³⁰ E. Almquist, J. Senior and N. Bloch 'The Elements of Value' (2016) *Harvard Business Review* September Issue available at: <https://hbr.org/2016/09/the-elements-of-value>.

¹³¹ *ibid.*

¹³² A. Maslow, 'A theory of human motivation' (1943) 50(4) *Psychological Review* 370. Under the hierarchy of needs, people seek to fulfil their basic needs first, eg food and water, before progressively working their way up to more complex needs, eg self-esteem and altruism.

The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers' loyalty and the higher the company's sustained revenue growth.

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/
belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/
aesthetics



Badge value



Wellness



Therapeutic value



Fun/
entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

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As with the values identified by Holbrook, Almquist *et al*'s paper suggests forms of value beyond the aesthetic that might be considered as 'value' for the purpose of the substantial value exclusion (though admittedly, not all of them are necessarily appropriate to identifying value from goods, as opposed to value from companies' wider marketing strategies). Implicit in the pyramid characterisation, in which one value builds upon another, is that the product is perceived as a whole where the composite values affording consumer appeal coexist without conflict. In particular, it is notable that functional (both broadly and narrowly construed), aesthetic, sensory and more conceptual forms of value are included with broadly equal weight.

Lessons from product design and marketing: a summary

A key lesson from the product design and marketing scholarship is that those involved in these fields view consumer value as a single whole formed from a range of constituents that include technically functional characteristics, aesthetic appeal and appeal based on less

tangible characteristics of products related to their impact on the consumer and society more widely. Thus, if we want trade mark law to reflect how the actual market operates, the law should also embrace the fact that the characteristics of goods which add value form a wide ranging and integrated whole. As a minimum, the fact that a product embodies both technical and aesthetic values should not be seen as creating a conflict in the application of the substantial value provision and indeed, the CJEU has adopted this approach. However, this article goes further and argues that the fact that design and marketing scholars do not differentiate between different forms of value in terms of their contribution to functionality means that the law should not either.

It is also striking that without exception, the scholars examined have located the meaning of value in how consumers perceive products and their features, rather than inherently in the products themselves. This chimes particularly with McDonagh's rejection of the top-down 'broadcast' model of trade marks in favour of a relationship of co-authorship, or one which, according to Gangjee, is iterative. It will be argued that consequently we should place far greater emphasis on consumer perception when analysing substantial value, and that any unified functionality exclusion should have what *consumers* value at its governing principle because it is what is important to consumers that competitors will need to be able to access in order to compete.

A SINGLE ACTION BASED ON VALUE?

Based on CJEU case law and the marketing and design literature, it has been argued that we should move towards a single functionality exclusion based on consumer-focused notions of value. However, there is a practical difficulty with this approach. Underlying such an action is the need for competitors to access all forms of product characteristics in which value inheres and which consumers may seek in a product, be they functional in a broad or narrow sense, aesthetic, or otherwise valuable. There is a danger here, because there are so many different forms of value that can be cognized following *Hauck* and *Gömböc*. If the presence of *any* characteristic of a product in which value resides is sufficient to trigger the exclusion then, in practice, *no* product features will be registrable. Thus, if we are to have a functionality test that works, we need it to be able to differentiate between features in which value inheres that must be available for competition to be preserved and those that do not. A number of options for striking this balance are discussed in the remainder of this article.

Option 1: mere value as enough

Given that design and marketing literature does not differentiate between forms of value, one possibility would be to withhold trade mark protection from *all* product characteristics that add value to consumers. This option both eliminates the need for difficult market-based assessments of competitive necessity and protects competitors' access to product features that they need to compete. But it would come at too high a cost. Quaedvlieg notes that nowadays 'product shapes without a substantial aesthetic element hardly exist

anymore',¹³³ and so treating value alone as enough to trigger the exclusion would lead to the 'total extinction' of shape marks'.¹³⁴ Quaedvlieg focussed on aesthetic value. This would be even more true if there was a single functionality action based on value that also included technical and other forms of consumer value. Even without explicitly moving to a single action, *Hauck* and *Gömböc* suggest that technical value already falls within substantial value. Indeed it is hard to see why a trader would include a product feature unless it added value. Moreover, the EU exclusions now extend beyond product shapes, to all characteristics of goods. Consequently, an exclusion that covered all forms of consumer value without qualification would mean not only that shape marks could not benefit from protection, but also that other forms of trade dress would also be excluded. As scholars have identified, ruling an entire category of marks out of protection would not comply with obligations under the TRIPs Agreement.¹³⁵ It could also diminish the incentive for undertakings to invest in their product formats,¹³⁶ and could lead to consumer confusion if a whole category of marks that they have learnt to recognise as indicative of origin are not protected by trade mark law.¹³⁷ In short, an exclusion based on value without further qualification is neither feasible nor desirable.

Option 2: examining alternatives

If we reimagine functionality as a single, competition-based action, how would this work? Dinwoodie, in 'Death of Ontology' argues that the basis of a unitary test in the US context should examine the competitive necessity of allowing competitors access to the senior user's would-be trade mark. A competition-based approach has certain practical problems – Dinwoodie himself notes that some scholars have condemned it as a general policy statement, rather than a workable test. However, he asserts that such a test is possible.¹³⁸ He identifies the 'leading example' of such analysis as considering the availability of alternative designs.¹³⁹ It might be doubted how practical this would be. Are courts really equipped to conduct the very technical, market-specific analysis, not just of whether there are alternative designs, but whether those are as good as the one for which a trade mark is applied?¹⁴⁰ Moreover, even if such an analysis is possible, it would be highly technical, meaning that litigation and trade mark registration would be protracted and costly.

Yet, courts in the US have sometimes adopted a competition-based test based on the availability of alternatives. This has been particularly true of aesthetic functionality cases. The analysis often takes place at a relatively high level of abstraction and the key

¹³³ Quaedvlieg, n 8 above, 94, though he views this as an advantage, in the sense that a wide approach to substantial value would reflect the reality that shapes do add value in a great many cases.

¹³⁴ *ibid.*

¹³⁵ *ibid.*, 196; Kur, n 6 above, 18-21.

¹³⁶ A. Kur, 'Too Common, Too Splendid or "Just Right"? Trade Mark Protection for Product Shapes in the Light of CJEU Case Law' (2014) Max Planck Institute for Innovation and Competition Research Paper No. 14-17, 24.

¹³⁷ *ibid.*, 2; see analogously, Dinwoodie, n 47 above, 29.

¹³⁸ Dinwoodie, n 72 above, 701.

¹³⁹ *ibid.*, 721.

¹⁴⁰ In similar vein, see M. Lemley and M. McKenna, 'Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP' (2012) 100 *Georgetown Law Journal* 2055.

question is the level of specificity – where the sign is highly specific it will avoid a finding of aesthetic functionality but where it is more general it will be barred from protection. This assessment is generally based on a judicial assessment of whether there are sufficient alternatives available to competitors, rather than drawing on market-based or expert evidence. For example, a circle shape for towels was held functional because the limited number of geometrical shapes means that alternatives were scarce,¹⁴¹ as was the use of burlap for wrapping flowers as it would foreclose other florists from using the same material. However, the specific configuration of the straps on the toe bed of Yves Saint Laurent’s ‘Tribute’ sandals was not functional because the configuration was ‘highly specific and do[es] not appear to significantly alter the range of options available’¹⁴² and the red wax seal for Maker’s Mark whisky was not functional because there were other ways to seal a bottle, and appealing colours other than red.¹⁴³

If we are to have a single functionality action, the same test would need to apply to utilitarian features. Given the technical nature of the subject-matter, it is open to question whether relying only on an assessment of alternatives based on the judge’s own knowledge will be adequate. In *TrafFix*,¹⁴⁴ the US Supreme Court stated that in utilitarian functionality cases the *Inwood* test¹⁴⁵ prevailed, and competitive necessity was relevant only to aesthetic functionality cases. Thus, there are few recent US examples of alternatives being assessed in a utilitarian functionality context. It is the case though that some Circuits have continued to consider the availability of alternatives. In *Kimberly Clark* (involving a pattern embossed on toilet paper),¹⁴⁶ the Court noted that while different shapes and patterns were available, alternatives were constrained by limitations regarding aspects of spacing and compression. In *Re Becton*,¹⁴⁷ the TTAB had compared the appearance of the vial depicted in the subject trade mark application with competing vials advertised on their manufacturers’ websites, and concluded that there was a lack of alternatives.¹⁴⁸ On appeal, the Court upheld the TTAB’s analysis and functionality finding.

Even if the US experience suggests that having a test with the availability of alternatives at its heart is workable and not overly technical, it is questionable whether this would be desirable in the EU. The approach to date, in technical functionality cases¹⁴⁹ at least, has been to disregard the availability of alternatives and to consider instead whether the feature in question is there to do a ‘technical’ job. While this does not directly examine the competitive effect trade mark protection will have, it can be seen as maximally protective of competition. It is akin to a ‘precautionary principle’¹⁵⁰ in the sense that it will

¹⁴¹ *Jay Franco & Sons, Inc. v Franek* 615 F.3d 855, 861 (7th Circuit 2010).

¹⁴² *Steven Madden, Ltd. v Yves Saint Laurent et al* WL 2023766 (S.D.N.Y. 2019), 9.

¹⁴³ *Maker’s Mark Distillery, Inc. v Diageo North America, Inc.* 679 F.3d 410, 418-419 (6th Circuit 2012).

¹⁴⁴ *TrafFix*, n 79 above.

¹⁴⁵ *Inwood Laboratories v Ives Laboratories*, 456 US 844 (1984).

¹⁴⁶ *McAirlands, Inc. v Kimberly-Clark Corp.* 756 F.3d 307 (4th Circuit 2014)

¹⁴⁷ *In re Becton, Dickinson and Company*, 675 F.3d 1368 (2012).

¹⁴⁸ *In re Becton, Dickinson and Company*, Serial No. 77254637 of 27/07/2010, pp.15-18. See also, *Valu Engineering, Inc v Resnord Corp.* 278 F.3d 1268 (Fed. Cir. 2002).

¹⁴⁹ *Philips v Remington*, n 20 above; *Lego*, n 20 above.

¹⁵⁰ An approach in which decision-makers regulate activities that pose a potential risk of significant harm preemptively, rather relying upon evidence of actual harm. See, eg L. Epstein, ‘Decision Making and the Temporal

catch all signs where there are no alternatives, where there are alternatives which may not work as well, and where there is a plethora of equally effective alternatives. To step down from an approach that is so protective of competition would seem strange, given that the justification for doing so would also be competition-based.

More generally, the assessment of alternatives would seem to be abstract in nature, working on the basis of judges or trade mark examiners guessing what other product features could be on the market that consumers might appreciate, much in the way that Burrell and Weatherall argue that judges used their own subjective assessments of likelihood of confusion.¹⁵¹ However, this does not engage with the key question that we have identified from the marketing and design literature as governing competitive need, which focusses on which features consumers *actually* seek.

Option 3: identifying non-functional essential characteristics

One of the modes by which competition concerns are balanced with the interests of trade mark owners in technical functionality cases is by limiting the exclusions to where the sign in question consists ‘exclusively’ of characteristics necessary to obtain a technical result. The CJEU has explained that where a mark consists of both the functional features and essential characteristics that are not technical, it is possible for competitors to ‘design around’ the trade mark by replicating the functional aspects without replicating the non-functional essential characteristics.¹⁵² While there are examples of tribunals determining which are the essential characteristics for the substantial value exclusion,¹⁵³ it is doubtful whether limiting protection to situations where there are essential characteristics that do not add value would work under a unitary functionality provision, or even following the CJEU’s post-*Hauck/Gömböc* approach which recognises multiple forms of value. The design literature suggests that every characteristic of a product has been included for a reason (be it to appeal to consumers or to make the product work better). Thus, we would expect *every* essential characteristic of a good to add value with the result that most, if not all, products would have no non-functional essential characteristics. This would render product shapes unregistrable as a category – something we have already established is not a practical option.

Option 4: adding content to the ‘substantial’ element of substantial value

The position suggested by both the marketing and the product design literature and adopted by the CJEU in its recent case law is that value can inhere in many, if not all, aspects of product configuration. As observed above, refusing registration to all aspects of product configuration is problematic. Thus, we need a way of filtering those characteristics

Resolution of Uncertainty’ (1980) 21(2) *International Economic Review* 269; K. Foster, P. Vecchia and M. Repacholi, ‘Science and the Precautionary Principle’ (2000) 228 *Science* 979.

¹⁵¹ Burrell and Weatherall, n 100 above, 15 and 25.

¹⁵² *Lego*, n 20 above, [72], although this only really protects competition if a strict approach is taken to which characteristics are essential rather than negligible – this has not always happened, see *Fhima*, n 62 above.

¹⁵³ *Golden Bottle*, n 56 above, [61].

which materially affect competition from those where the anti-competitive effect of barring access to those characteristics is negligible.

In fact, Article 4(1)(e)(iii) *does* contain a filtering mechanism because the exclusion is limited to characteristics which add *substantial* value to the goods. We might see this as a proxy for competitive concerns: only those characteristics that add *substantial* value are likely to make a significant contribution to product's desirability for consumers, and therefore, it is only those characteristics that third parties will need to access in order to compete. Indeed, the term 'substantial' differs from the pre-harmonisation Benelux provision on which the EU functionality provisions are based. This spoke of 'actual' or 'essential' value,¹⁵⁴ which was not suggestive of a minimum threshold. Early versions of the draft EU legislation adopted the Benelux wording, but this was altered at a late stage,¹⁵⁵ suggesting a desire to require more than mere 'actual' value. Using the 'substantial' element to differentiate between competitively problematic and competitively neutral characteristics will only work if a robust approach is taken to which features add sufficient value to sound in competition terms. It is argued in this section that while the CJEU has attempted to articulate a test for what amounts to substantial value, the factors used do not fit well with our understanding of how consumers value products, as informed by the marketing a design literature, and indeed has perversely downplayed the importance of direct evidence of what consumers value in the form of consumer perceptions of value.

The CJEU has given limited attention to quantifying substantiality. However, it is considered in a handful of national and EUIPO decisions. These have universally taken a strict approach to the meaning of 'substantial'. One example is the Court of Appeal's decision in *Philips v Remington*.¹⁵⁶ Aldous LJ considered whether value deriving from the 'engineering function' of the shaver shape could be considered to add value to the goods. Although he found¹⁵⁷ that the substantial value provision was limited to aesthetic shapes, he observed that:

The subsection is only concerned with shapes having "substantial value". That requires a conclusion as to whether the value is substantial, which in my view requires that a comparison has to be made between the shape sought to be registered and shapes of equivalent articles. It is only if the shape sought to be registered has, in relative terms, substantial value that it will be excluded from registration.¹⁵⁸

¹⁵⁴ Depending on the translation used.

¹⁵⁵ Quaedvlieg, n 8 above, 191-192. The term 'intrinsic value' appeared in all of the versions up until the final version, at which point it was changed to 'substantial value'.

¹⁵⁶ *Philips Electronics NV v Remington Consumer Products Ltd* [1999] RPC 809. This was the national stage of the case in which the registrability of the three-headed shaver was referred to the CJEU.

¹⁵⁷ This was contrary to the findings of the trial judge in *Philips Electronics NV v Remington Consumer Products Ltd* [1998] RPC 283, 309. Jacob J was ahead of his time, finding almost 20 years before *Hauck*, that the fact that the shaver worked particularly well could be an example of 'value' under the third indent.

¹⁵⁸ *Philips v Remington (CA)*, n 134 above, 823. Similarly, in *Fromageries Bel SA v J. Sainsbury plc*, UK Trade Mark Registry (Invalidation), O-086-19 (*BabyBel*), the Hearing Officer, at [57], underlined the word 'substantial' to stress its importance. (Substantial value was not considered on appeal, in *Fromageries Bel SA v J Sainsbury Plc* [2019] EWHC 3454 (Ch).).

While this definition is tautologous, its intention is clear: something beyond mere ‘normal’ value is required to trigger the exclusion. Likewise, in a decision involving the registrability of replacement car bonnets for BMW cars, the German Federal Supreme Court¹⁵⁹ took what Kur describes as a ‘cautious approach’,¹⁶⁰ limiting the provision to situations where the product was bought *solely or mainly* for its aesthetic appeal. This approach does not sit easily with *Hauck*, given that multiple forms of value may coexist, but again the import is that a significant quantum of value is required.

Decisions of the EUIPO have taken a similarly restrictive approach, requiring that the contribution of the characteristic in question be more than merely pleasing or attractive, and should instead be the primary or substantial reason that consumers buy the goods.¹⁶¹ Decisions have also cautioned that a strict approach be taken to when value is considered to be substantial, otherwise all product shapes would be barred from registration.¹⁶²

For substantiality to act as an effective filter between signs where access is required for effective competition and those where it is not, it must have a suitable test for when the value added is substantial. A non-exhaustive test was articulated in *Hauck* consisting of:

The nature of the category of goods concerned, the artistic value of the shape in question, its dissimilarity from other shapes in common use on the market concerned, a substantial price difference in relation to similar products, and the development of a promotion strategy which focuses on accentuating the aesthetic characteristics of the product in question.¹⁶³

Relatively few cases have applied the substantial value test in practice, but we can get a flavour of how it might operate as a competition-based filter from those decisions, and those applying similar factors pre-*Hauck*.

The artistic value of the shape in question would seem too narrowly drawn, given that recent CJEU case law has stressed that value is not limited to aesthetic value. Technical value is relevant following *Hauck* and value derived from cultural context has been relevant in *Gömböc* (a shape that solved a mathematic conundrum)¹⁶⁴ and the EUIPO Grand Board’s *Lindt* decision (the traditional relationship between bunny-shaped chocolates and Easter).¹⁶⁵ The crucial question is how much of this value is required before registration is blocked: if the value threshold is set too high, competitively necessary product features sought by consumers will be monopolised, but if it is set too low it will become excessively difficult to register a mark relating to product get-up. What will be key is how *much* value the

¹⁵⁹ *Fronthaube*, n 6 above.

¹⁶⁰ Kur, n 6 above, 3.

¹⁶¹ Case R 486/2010-2 *High Tech S.R.L. v Vitra Collections* Second Board of Appeal, 14/12/2010; *Skullduggery Rum Limited v Globefill Incorporated*, Cancellation No. 20063 C of 22/10/2019, 22.

¹⁶² Case R 395/1999-3 *Salvatore Ferragamo Italia*, OHIM Third Board of Appeal 03/05/2000 (*Single Square Clasp*), [33]; *Vitra v EUIPO*, n 33 above, [47]; *Skullduggery Rum Limited v Globefill Incorporated*, Cancellation No. 20063 C of 22/10/2019, 22. See also, Case R1313/2012-1 *Bacardi & Company Ltd v Occhi Blu Foundation*, EUIPO First Board of Appeal, 23/05/2013 (*Vodka Bottle*), where the diamond bottle shape in question was specifically sought out by consumers.

¹⁶³ *Hauck*, n 13 above, [35].

¹⁶⁴ *Gömböc*, n 14 above, [53].

¹⁶⁵ *Lindt*, n 47 above, [39].

characteristic adds. This replicates the discussion above, with courts and tribunals having suggested that the dividing line is between signs which are ‘merely attractive’ and those where the value in question motivates consumers to buy the goods.¹⁶⁶ This suggests that consumers are key – while individual consumer perception of value may not be decisive, consumer *reactions* to product features, in terms of whether they are moved to buy by products including them, will be vital, even though consumers may not be able to articulate those responses themselves. The dividing line between characteristics which are merely attractive compared to those where the value is material to consumers’ purchasing decisions is not articulated, and this factor needs development before it could be said that a robust test was in operation.

Dissimilarity from other shapes might be circumstantial evidence of the value consumers placed on a product feature in that a product may be more desired by consumers because of its special shape.¹⁶⁷ It is questionable though whether desire for ‘difference’ should be sufficient where an undertaking creates a new sub-market because of its innovative design. An analogous situation arose in relation to the shape of the London Taxi, where the Court of Appeal noted that consumers recognised the shape of the iconic taxi.¹⁶⁸ This went beyond mere recognition as a trade mark and the court left unanswered whether such recognition was suggestive of substantial value. On the one hand, deriving value from dissimilarity of shapes penalises success when an innovative shape is so successful that it becomes an industry standard. Nonetheless, if a product characteristic does become so sought-after than consumers will only consider buying a product in that category featuring that characteristic then placing it in the hands of a single undertaking will become a barrier to entry. Locating value in difference also creates a contradiction with the CJEU’s previous pronouncement under Art.4(1)(b) TMD that, in order to be inherently distinctive, a product shape must differ significantly from the norms in the sector.¹⁶⁹

The price difference between the goods embodied in a trade mark and others in the same category could also point in two directions. While it is true that goods may be more expensive where they contain a feature that consumers desire (be it aesthetically or technically superior),¹⁷⁰ it is also the case that branded goods will often be more expensive because the mere presence of the brand makes them desirable – but this is the very essence of what trade mark law is meant to protect.¹⁷¹ Thus, looking at price alone is unhelpful

¹⁶⁶ See eg, *Single Square Clasp*, n 140 above, [33].

¹⁶⁷ *Vodka Bottle*, n 140 above, the bottle was cut to a ‘very specific’ shape.

¹⁶⁸ *The London Taxi Corporation Ltd v Frazer-Nash Research Ltd* [2017] EWCA Civ 1729 (*London Taxi (CA)*), [76].

¹⁶⁹ See Case C-546/10 P *Wilfer v OHIM*, ECLI:EU:C:2011:574, the ‘dilemma for particularly ambitious designs’ noted, inter alia, in Max Plank Report, n 3 above, 72-73; similarly Quaedvlieg, n 8 above, 195 notes that shape marks are caught in ‘a strange position between Scylla and Charybis’.

¹⁷⁰ See eg *Vodka Bottle*, n 140 above, [17] (similar shaped bottles were collectors’ items and sold for in excess of US\$200,000); *Lindt*, n 47 above, [39] (‘substantial price difference’ between bunnies and ordinary chocolate bars); *Jaguar Land Rover Ltd v Ineos Industries Holdings Ltd*, UK Trade Marks Registry O-589-19 (October 3, 2019), [153] (fact that the Defender sold for a similar price to more modern cars despite being less efficient may have been evidence of substantial value).

¹⁷¹ See *Louboutin*, n 67 above, [54]; *London Taxi (CA)*, n 146 above, [75] and the discussion in Case R 1034/2019-4 *Dualit Ltd v Aldi Stores Ltd – Shape of a Toaster* EUIPO Fourth Board of Appeal, 14/02/2020, [60] (Appeal pending as Case T-199/20); also Case R 942/2012-5 *Gibson Guitar Corp.* EUIPO Fifth Board of Appeal, 16/01/2013 (*Gibson*), [19].

unless we can unpick what it is that is pushing the price up. There is also a question about how much of a price difference will be cognisable here, particularly in relation to ‘fast-moving consumer goods’ (FMCGs), where the price may be low to start with and the difference may be a few pennies.

In the limited number of decisions available, courts and tribunals seem to have paid particular attention to whether the trade mark holder has emphasised the value of the characteristic in question in its advertising.¹⁷² This is understandable as such data will be readily available without the need for complex evaluations of, for example, consumer perception or research into the prevailing price on the market to establish any price differential. The danger with this factor is that it effectively places the analysis of how valuable the characteristic is into the hands of the person who is trying to protect it as a trade mark rather than viewing value through the eyes of consumers. Would-be trade mark owners could, in time, learn not to overstate the value of the characteristic in their advertising. On the other hand, overly broad exaggerated advertising claims as to the value of the goods could lead to trade mark refusals in situations where there is no genuine effect on competition.

There are few considerations of the nature of the category of goods, and it is not certain what the CJEU meant in including this factor – though it is possible that there are some categories of goods where the characteristics of those goods is particularly likely to add value.¹⁷³

The missing factor: consumer perception of value

Surprisingly, consumer perception of value is not one of the factors formally enumerated in *Hauck* for determining whether value is substantial. Indeed, this factor has received little attention in the subsequent cases. Instead, the CJEU said of consumer perception that it is:

not a decisive element when applying the ground for refusal set out in the third indent of the latter provision, but may, at most, be a relevant criterion of assessment for the competent authority in identifying the essential characteristics of that sign.¹⁷⁴

This raises the perverse possibility that consumers’ perception of what consumers value is not relevant at all to substantial value, but rather is limited to the preliminary stage of

¹⁷² See, eg, *Be&O*, n 39 above, [75]; *Vodka Bottle*, n 140 above, (jewel shape was an essential element in company’s branding); *Vitra Collections*, n 33 above, [46] (applicant had emphasised design benefits of its chair) Conversely, in *Babybel*, n 136 above, [59] the fact that the applicant had emphasised features other than the shape (e.g. anthropomorphisation) suggested that the shape did not add substantial value.

¹⁷³ See, e.g. *Gibson*, n 149 above, [15] (shape a particularly important characteristic when choosing guitars) *Be&O*, n 39 above, [78] (design likely to be particularly important for the product in question). Also, in *London Taxi (HC)*, n 21 above, [213] Arnold J noted that car body shapes are known to have both aesthetic and functional qualities.

¹⁷⁴ *Hauck*, n 10 above, [34]. This was how the factor was used in *Lindt*, n 47 above, [46]. In *Gömböc*, n 14 above, [38]-[47], public perception was discussed in relation to whether consumers could be deemed to be aware of information outside the mark as depicted in assessing functionality.

ascertaining which elements of the sign can be classed as ‘essential characteristics’ for the purposes of ensure that the mark consists *exclusively* of elements giving substantial value.¹⁷⁵

It is argued that this failure to meaningfully take into account consumer perceptions of value is highly problematic. The CJEU has been at pains to stress that consumer perception is not decisive, seemingly by analogy to technical functionality because consumers are not well-placed to assess the technical functioning of product characteristics.¹⁷⁶ However, the product design literature we have examined paints a different picture, where the perceptions of consumers are central. It describes how a painstaking analysis of what consumers are looking for in a product is undertaken as part of the design process.¹⁷⁷ It is true that consumers may not be able to assess in the abstract the technical function that characteristic performs, nor are they best placed to analyse for example, aesthetic value in the abstract. It is also true that consumers are not always objective in their analysis of their own motivations. However, on the whole they know (either consciously or subconsciously as Almquist *et al* argue) what it is that they are seeking in a product – in other words, which features they value. This is key to competitive necessity. Competitors will need to access the features that move consumers to buy and this is a matter that the attitude of consumers is best placed identify. Indeed, we might query whether this is also true of technical functionality. While consumers may not understand the exact technical workings of goods, they do know, at least on a subconscious level, that they want products that work well. This is inherent in the marketing and design literature, where technical features are viewed as a form of consumer-led value.

It might be objected that consumer perceptions are unstable. What consumers view initially as a valuable feature will frequently become indicative of origin, as was argued in *G-Star*. However, this argument implicitly acknowledges the central importance of consumer perception. It maintains that because the way in which consumers view the mark has changed, the law should treat the mark differently and render it registrable. More fundamentally, as has been argued above, the fact that consumers perceive a product feature to be indicative of origin does not mean that the initial perception of the value of the product feature vanishes. For example, the fact that consumers have come to recognise that a contrasting red sole of a shoe indicates that the shoe is made by a particular company does not stop it from remaining an eye-catching and attractive feature of the shoe. It might also be observed that Gangjee does not see the ‘dialectical and iterative’ (and hence evolving) nature of what consumers value as an obstacle to cognising the role of consumers in the shape of trade mark law. While consumer perception might not be the only determinant of value, the extent to which it has been side-lined is unfortunate, and does not sit well with the extra-legal literature on the nature of value.

¹⁷⁵ A notable exception is Arnold J in *London Taxi (HC)*, n 21 above, [213] observing that consumers would recognise the shape of the car embodied in the sign as a London taxi, and this would add value for them.

¹⁷⁶ *Hauck*, n 10 above, [33]-[34], though this is challenged by in *Hauck AG*, n 7 above, [92].

¹⁷⁷ *Jordan*, n 115 above.

Substantiality: summing up

The substantiality test is far from perfect, but at present it is the best (perhaps only?) tool we have for identifying which signs containing valuable characteristics really will have an impact on competition. The test is very much in its infancy. It is highly situational, and highly fact specific. Thus, we will only have a clear picture of how it works in practice once it has been applied in a significant number of cases. Moreover, it contains a number of factors which are either circumstantial evidence of what consumers value or are capable of pointing for *and* against substantial value on the basis of the same data. While it is the author's belief that the 'substantial' element of substantial value is the key to ascertaining which signs should be refused registration in the interests of competition, a more nuanced test for when value is substantial, focussed more directly on what consumers *really* seek in products, and so what competitors will need to access in order to compete is required. The test for substantiality as presently articulated has lost sight of the key role played by consumers in determining value, to the extent that the relevance of consumer perception of value is denied. This means that there is potentially a mismatch between what Art.4(1)(e)(iii) bars from registration and what competitors actually need to access in order to compete. If we are to have a meaningful test for substantiality, and one that is in accordance with how those that are involved in actually designing and selling products understand value, this must change.

Additionally, the substantial value test currently does little to take the additional forms of value into account, including technical value. Price differentials and advertising claims may result from forms of value other than the aesthetic, and those factors could be marshalled to take these into account. However, whether the shape differs from other shapes for the goods is a visual judgment, and so will often point to the aesthetic. Perhaps most obviously, the *Hauck* test only mentions the 'artistic value'¹⁷⁸ of the characteristic as a factor. This is surprisingly, given the Court's discussion of how other forms of value might fall under the third indent, a position that was made clear in *Gömböc*. It could be easily remedied by expanding this fact to include 'the aesthetic,¹⁷⁹ technical or other value of the shape of other characteristic in question'. Certainly, if we were to adopt a single functionality test based on value this would need to happen.

CONCLUSION

This article has highlighted the central role of consumer perceptions of value in design and marketing scholarship, and has argued that these insights should form the basis of a single, competition-based functionality exclusion. In using interdisciplinary approaches to understanding consumer value and how this may influence substantive trade mark law, it joins a developing literature advocating this approach.

¹⁷⁸ *Hauck*, n 13 above.

¹⁷⁹ 'Artistic' is the word used in *Hauck*, *ibid*, though 'aesthetic' may be a more natural term for use in relation to the visual aspects of products. EU design law refers to features of 'appearance'.

In particular it has been argued that we should embrace a single functionality exclusion in trade mark law, guided by those that deal with products choices every day in product design and marketing and defined by the importance of what it is that *consumers* value. It is the features that consumers value that they will seek in the products of competitors, and so it is those features that competitors will need to access. Therefore, in the interests of competition, it is vital that we exclude such features from trade mark registration. Moreover, it has been argued that just at the extra-legal literature shows that consumers do not differentiate between technical, aesthetic and other forms of value in selecting products, treating all as equally important, the law should not either. A single, consumer-value based exclusion also takes to its logical conclusion the CJEU's recent expansion of how 'value' is defined.

For this to work, a robust attitude needs to be adopted to which marks add 'substantial' value, otherwise, because there is such a diversity of which features consumers value, this approach could unwittingly rule out the registration of all product shapes. Exactly when value is 'substantial' is something in need of further judicial definition. While this is something that courts and tribunals have begun to grapple with, I have argued that insufficient emphasis has been placed on determining which features are those valued by consumers. In particular, the most obvious evidence of what consumers value – that of consumer perception of value - has unfortunately been rejected. This is at odds with the lessons from product design and marketing and in need of urgent redress because the key to understanding which features competitors need to access in order to compete is to understand what *consumers* truly value.