

Substantial Value Rule: How it Came into Being and Why it Should be Abolished

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Signs that consist exclusively of the shape which gives substantial value to the goods are excluded from protection as a trade mark under current EU trade mark law. This provision is found in art.3(1)(e) Trade Marks Harmonisation Directive and a similar provision appears in the Community Trade Mark Regulation. The author argues that this rule results in a lot of uncertainty and suffers from lack of clarity and a legally convincing basis. Prejudicial questions are pending before the Court of Justice of the EU asking for clarification. The author opines that this rule should be abolished. The Max Planck Study suggests the same, but in the latest proposals for revision of the EU trade mark system the rule continues to appear.

Introduction

The topic of this article is the protection of industrial products and trade dress as trade marks and, in particular, the refusal of protection if the mark “consists exclusively ... of the shape which gives substantial value to the goods”.¹ This originates from former Benelux trade mark law, and the main cases that guided the interpretation of the Benelux rule are the two cases decided by the Benelux Court of Justice more than 20 years ago.² After briefly discussing these two cases these decisions will be considered in the context of European law, bringing the author to the conclusion that the substantial value exclusion should be abolished.

Under former Benelux law (by which is meant trade mark law before the influence of the European Harmonisation Directive) it was easy to protect shape marks. Before December 2, 1992, the Benelux Office did not have the authority to refuse trade mark applications, so every application resulted in a registration (except if

the requisite formalities had not been observed). But even after this date the office did not refuse shape mark applications. Only after the European Court of Justice issued its decisions on the registrability of shape marks did it become almost impossible to get an application for a shape mark registered. According to established case law of that court the reasoning is as follows:

“[T]he criteria for assessing the distinctive character of three-dimensional marks consisting of the shape of the product itself are no different from those applicable to other categories of trade mark ... None the less ... for the purpose of applying those criteria, the relevant public’s perception is not necessarily the same in the case of a three-dimensional mark consisting of the appearance of the product itself as it is in the case of a word or figurative mark consisting of a sign unrelated to the appearance of the products it denotes. Average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element and it could therefore prove more difficult to establish distinctiveness in relation to such a three-dimensional mark than in relation to a word or figurative mark ... According to established case-law, only a mark which departs significantly from the norm or customs of the sector and thereby fulfills its essential function of indicating origin is not devoid of any distinctive character.”³

The consequence of this in almost all cases is that shape marks can only be protected upon showing that the mark has acquired a secondary meaning. Because this is a substantial hurdle, particularly with regard to applications for Community trade marks,⁴ it has become rather difficult for industry to obtain protection for shapes as trade marks. Moreover, even if the distinctiveness of a shape mark can be established, the owner faces other challenges: for example, protection may be refused because the trade mark consists exclusively of a shape that gives substantial value to the goods (or results from the nature of the goods themselves, or is necessary to obtain a technical result, which exclusions will not be discussed here), and this seems frustrating. The owner’s efforts in showing that a mark is inherently distinctive, or has gained distinctiveness because it is recognised as a mark, will have been for nothing if it is established that the shape gives substantial value to the goods. Let us first investigate the origin of this exclusion.

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¹ Trade Marks Harmonisation Directive art.3(1)(e).

² Benelux Court of Justice April 14, 1989, *NJ* 1989, 834 ann. Wichers Hoeth, *BIE* 1989 p.329, annotated by Steinhauser, *IER* 1998, 30 (Burberry I) and Benelux Court of Justice December 16, 1991, *NJ* 1992, 596, annotated by Verkade (Burberry II).

³ See for example *Deutsche SiSi-Werke v OHIM*. (C-173/04) [2006] E.C.R. I-551; [2006] E.T.M.R. 41.

⁴ This is because a secondary meaning must be shown for all EU Member States, although this requirement seems to have been somewhat relaxed in *Chocoladefabriken Lindt & Sprüngli AG v OHIM* (C-98/11) [2013] C.E.C. 161, in which the court said: “As for the appellant’s argument that since the Community trade mark has a unitary character, the assessment of acquisition by a mark of distinctive character through use cannot be based on individual national markets, it should be noted that, even if it is true, in accordance with the case law ... that the acquisition by a mark of distinctive character through use must be proved for the part of the European Union in which that mark did not, ab initio, have such character, it would be unreasonable to require proof of such acquisition for each individual Member State.”

Substantial value—history

It is commonly accepted that the substantial value exception originates from art.1 of the former Benelux Trade Mark Act.⁵ In the Explanatory Memorandum to that Act, the Benelux legislator explained the exception as follows:

“[T]his exception intends to impose a certain limitation to the possibility that trademark protection coincides with the protection which can be derived from copyrights or design rights. The shape which has been applied ... inevitably adds a certain ‘attractiveness value’ to the product. When considering the nature of the goods, this ‘attractiveness value’ is of major importance, the chosen shape cannot be eligible for the protection as a trademark. For example the artistic shape given to crystal glass wear cannot be protected as a trademark in the crystal industry, as the essential value of the goods does not only lie in the material used, but also, and maybe especially, in the beauty of the shape. However, where it comes to food products, goods, such as for instance chocolate, can be sold in an attractive shape, which does not have a real influence of the intrinsic value of the product. Such a shape could in certain cases serve as a trademark, and could be protected as such, regardless a possible simultaneous protection under copyright or design rights.”⁶

It follows from this explanation that the rationale for the exception was to limit the concurrence between trade mark rights, on the one hand, and copyright and design rights, on the other hand. The explanation does not say that trade mark rights and copyright or design rights had to be mutually exclusive, so it was possible for a trade mark to be protected under all these regimes at the same time. Trade mark protection was only excluded under art.1 where the product’s intrinsic value lay in the attractiveness of its shape. Furthermore, it was generally accepted and was confirmed by the Benelux Court of Justice in the *adidas* decision that if the exception applied, it could not be overcome by showing a secondary meaning.⁷

What is a shape?

Before explaining the prior Benelux law with respect to essential value, one aspect calls for discussion, namely: what is a shape? This question is relevant when discussing the *Burberry* cases, since the trade mark at stake was not

a shape mark but a two-dimensional textile pattern. However, the issue of whether the check pattern constituted a shape mark was never contested before the District Court, the Court of Appeal or the Supreme Court in the first *Burberry* case.⁸ The Court of Appeal said that it concerned a shape mark. Therefore, the Benelux Court of Justice in its first *Burberry* judgment took it for granted that the case concerned a shape mark.⁹ In the second *Burberry* case this issue was raised and resolved. The Benelux Court confirmed that the exceptions to the protection of shape marks applied only with respect to 3-D products.¹⁰ In fact there are two issues here, which should not be mixed up. One is that some trade mark registrations do not explicitly state that the mark is a shape mark, or show a two-dimensional drawing of something which in fact is three-dimensional. In these circumstances the owner of the registrations should not be able to circumvent the exception rules.¹¹ This also follows from a decision of the Court of Justice holding that the case law on three-dimensional marks concerning the appearance of a product:

“[A]lso applies where ... the trade mark applied for is a figurative mark consisting of the two-dimensional representation of that product. In such a case, the mark likewise does not consist of a sign unrelated to the appearance of the products it covers.”¹²

The other issue is whether these rules also apply to two-dimensional designs that do not represent a three-dimensional product, such as the Burberry check pattern or a design of curtain material. In his annotation to the *Burberry II* decision, Verkade took the view that there should be no distinction between two- and three-dimensional designs. The same view was expressed by A.G. Mok. One of their reasons was that the rationale for the exceptions to the protection of shape marks (i.e. limiting a cumulation of trade mark and design or copyright rights) applies equally to two- and three-dimensional signs, such as curtain material. This rationale sounds rather convincing but, looking at it a little deeper, the author does not think it is.

Verkade also argued that designs of two-dimensional products can be so aesthetically attractive that they give substantial value to the product.¹³ He uses as an example the appearance of marble or wood which derives from the nature of the product itself. The problem with this type of argumentation is that it boils down to saying that the possible applicability of the rules to two-dimensional designs means that the rules should apply to such designs.

⁵ Max Planck Institute, *Study on the Overall Functioning of the European Trade Mark System* (February 2011) also recognises the Benelux origin of these provisions (see para.2.32). For the history, see also A.M.E. Verschuur, “De wezenlijke waarde van de waar: een waarlijk wonderlijk wezen” *IER* 2012, 603 under 2, as well as Ch. Gielen, “The First Trade Mark Harmonisation Directive” [1992] *E.I.P.R.* 262.

⁶ Translation taken from T. Cohen Jehoram’s article in *Allied and in Friendship: liber amicorum for Teartse Schaper* (2002).

⁷ Benelux Court of Justice December 23, 1985, *NJ* 1968, 258 annotated by Wichers Hoeth.

⁸ See para 3.1 of Supreme Court of the Netherlands October 2, 1987, *NJ* 1989, 90.

⁹ Benelux Court of Justice April 14, 1989, *NJ* 1989, 834 annotated by Wichers Hoeth, *BIE* 1989 p.329 annotated by Steinhauser, *IER* 1998, 30 (*Burberry I*).

¹⁰ Court of Justice December 16, 1991, *NJ* 1992, 596, annotated by Verkade, (*Burberry II*).

¹¹ See District Court Breda March 3, 2004, *IER* 2004/75 (G-Star/Poelman).

¹² *August Storck KG v OHIM* (C-25/05) [2006] *E.C.R.* I-5719 at [29].

¹³ T. Cohen Jehoram, *Industriële Eigendom, 2 Merkenrecht* (Deventer: Kluwer, 2008), para.5.5.3.

This is not very convincing. The point is that the law uses the term “shape” and, although the Explanatory Memorandum to the former Benelux provision clearly refers to three-dimensional objects,¹⁴ the word “shape” in its linguistic and scientific meaning does not seem to be restricted to three-dimensional objects.¹⁵ The General Court seems to have the same opinion. In the *Yoshida v OHIM* decision this court said:

“Article 7(1)(e) ... does not, however, define the signs which must be considered as shapes within the meaning of that provision. It makes no distinction between three-dimensional shapes, two-dimensional shapes, or two-dimensional representations of three-dimensional shapes. Hence, it must be held that Article 7(1)(e) of Regulation No 207/2009 may therefore apply to two-dimensional shapes.”¹⁶

If we accept that two-dimensional signs should also fall under the exceptions, we still do not know what kind of signs we mean. All kinds of device marks consist of what linguistically would be considered as shapes, such as the Nike swoosh, the Martini vermouth label or the logo of Akzo Nobel. No one would raise a defence in trade mark infringement cases that these signs give essential value to the products on which they appear.¹⁷ Such signs are intended not so much to decorate a product but mainly to function as an origin indicator. This is different from the Burberry check pattern, which was originally used not as an origin indicator, but as decoration. The same is true for a wallpaper design. It seems to the author that the substantial value doctrine applies only to such designs. The somewhat comparable aesthetic functionality doctrine under US trade mark law also only applies to decorative designs.¹⁸ As will be argued below, the author’s view is that we could live without such a doctrine.

Substantial value under former Benelux law

As explained above, under former Benelux law the rationale behind the exception was to limit the cumulation of trade mark rights and design rights or copyrights. Although not expressly stated in the Explanatory Memorandum to the Benelux Act, the underlying idea is that what is basically protected by rights limited in time should not also be protectable by rights, such as trade marks, of unlimited duration.¹⁹ This Memorandum only refers to the examples referred to above (crystal vase and

chocolate) and states that signs with an attractiveness value of major importance should not be protected by trade mark rights.

The first case that reached the Supreme Court of the Netherlands concerned the three-dimensional shape of a snack. The Court of Appeal had decided that the essential value of a snack is its taste and crispness but not its shape. It was irrelevant that other snacks had similar tastes. Before the Supreme Court the original defendant argued that the decision was contradictory: if other snacks have similar tastes the essential value for consumers was therefore the shape. The Supreme Court confirmed the judgment of the Court of Appeal, saying simply that the commercial value that was added to a product by a trade mark as a result of its repute does not form part of the product’s essential value.²⁰ This decision did not tell us much about the exact meaning of essential value. The first explanation of it was given by the Benelux Court in its *adidas* decision of 1985.²¹ The referring court wanted to know whether the exception applies as soon as a court concludes that a shape makes the product more elegant or attractive. The Benelux Court ruled that this depends on the type of product. If the product is such that its appearance and design determine the market value to a considerable extent, then the exception applies. In the first *Burberry* decision the Benelux Court added a few words to the criterion given in the *adidas* decision; the court ruled that the exception applies if the market value of the product is determined, to a considerable extent, by the beauty and originality of its appearance and design. The court added that to the extent that the market value of the goods is determined by the appeal arising from the shape’s reputation as a distinctive promotional sign (as opposed to by the shape’s aesthetic attractiveness), this should be disregarded. The case law developed under the *Burberry* doctrine shows that the exception has only been applied in a minority of cases.²²

The rationale under European law

One of the questions in the *Burberry I* case was whether a condition for the applicability of the exception was that the particular shape was protectable as a design or by copyright. This question was probably inspired by the statement in the Explanatory Memorandum to the Benelux Act that the relevant provisions were intended to limit the concurrence of protection under trade mark law and under copyright or design law. The Benelux Court of Justice decided that it was of no relevance whether or not

¹⁴ See Ch. Gielen and L. Wichers Hoeth, *Merkenrecht* (W.E.J. Tjeenk Willink, 1992), nos 402–405.

¹⁵ See Wikipedia (June 25, 2013): “The shape (Old English: gescēap, created thing) of an object located in some space is a geometrical description of the part of that space occupied by the object, as determined by its external boundary — abstracting from location and orientation in space, size, and other properties such as colour, content, and material composition. Mathematician and statistician David George Kendall writes: “In this paper ‘shape’ is used in the vulgar sense, and means what one would normally expect it to mean ... We here define ‘shape’ informally as ‘all the geometrical information that remains when location, scale ... and rotational effects are filtered out from an object.” D.G. Kendall, “Shape Manifolds, Procrustean Metrics, and Complex Projective Spaces” (1984) 16(2) *Bulletin of the London Mathematical Society* 81.

¹⁶ *Yoshida Metal Industry v OHIM* (T-331/10), May 8, 2012, pending before the CJEU under number C-340/12.

¹⁷ Although this did happen in the case of infringement of the adidas-three stripes mark (see Benelux Court of Justice December 23, 1985, *NJ* 1968, 258 annotated by Wichers Hoeth).

¹⁸ See Anthony L. Fletcher, “Defensive Aesthetic Functionality, Destructing the Zombie” [2011] *Trademark Reporter* 1691.

¹⁹ Although the Benelux Court in December 23, 1985, *NJ* 1968, 258 ruled that it is of no relevance whether or not the object is protected by design or copyright law.

²⁰ Supreme Court of the Netherlands November 11, 1983, *NJ* 1984, 203, annotated by Wichers Hoeth, (Wokkels).

²¹ Benelux Court of Justice December 23, 1985, *NJ* 1986, 258, annotated by Wichers Hoeth, *BIE* 1986, 208 annotated by Van Nieuwenhoven Helbach (*adidas*).

²² See for such cases: *Kort begrip van het intellectuele eigendomsrecht*, 10th edn, no.278, note 167.

the shape was protectable as a design or by copyright since the provision did not aim at regulating the concurrence of trade mark rights and other intellectual property rights. According to this court, the provision was intended to protect the freedom of competitors to give the same shape to their products in order to increase the value of those products.

This is interesting because it brings us quite close to the rationale given by the European Court of Justice for the refusal to protect certain shape marks. In the *Philips v Remington* case the court said:

“The rationale of the grounds for refusal of registration laid down in Article 3(1)(e) of the Directive is 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. Article 3(1)(e) is thus intended to prevent the protection conferred by the trade mark right from being extended, beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark.”²³

This rationale seems to apply only to the refusal to protect shapes which result from the nature of the products or which are necessary to obtain a technical result. It seems logical to keep technology and functionality free for other competitors and not to stifle competition by granting monopolies thereon by way of trade mark rights. However, the author does not find this rationale particularly convincing when it comes to refusing protection for shapes “which give substantial value to the goods”. Why is it necessary for the Burberry check design or G-Star’s Elwood jeans design²⁴ to be available for use by other companies on the grounds that consumers only buy Burberry’s and G-Star’s products because the designs are so particularly or substantially attractive? It seems to the author that aspects such as beauty, prettiness or decorative aspects do not relate to the functional characteristics of the products. The Max Planck Study²⁵ also concludes that the rationale given in the *Philips v Remington* case does not really apply to the substantial value exception.²⁶ Does this mean that if a product’s shape is the *only* (note the emphasis on “only”) reason for

purchasing it, the shape should not be protected at all? In other words (and leaving aside copyright and design law) should such shapes remain free from trade mark rights? The answer is yes, but as soon as such shapes *also* (note the emphasis on “also”) function as trade marks, the answer is no. The author therefore fully agrees with what is said in the Max Planck Study:

“[T]his does not mean that the competition concerns which underlie the first two subsections of Article 7 (1) (e) CTMR and Article 3 (1) (e) TMD are completely meaningless with regard to products the commercial value of which resides entirely or predominantly in their shape. If that is the case, they should remain excluded from protection. That result can be achieved by applying Article 7 (1) (b) or (c) CTMR and Article 3 (1) (b) or (c) TMD, based on the consideration that as long as the product is bought for its appearance without the appearance having become an indication of commercial origin, the shape is not to be regarded as distinctive. That principle could also be set out expressly, by stipulating that shapes determining the commercial value of the goods are excluded from protection, unless the shape has become distinctive through use.”²⁷

This reasoning seems to have been inspired by the case law of the German Federal Supreme Court (see, for example, the *Fronthaube* decision), in which it has been held that the exception:

“[S]teht demnach dem Markenschutz einer ästhetisch wertvollen Formgebung nur dann entgegen, wenn der Verkehr allein in dem ästhetischen Gehalt der Form den wesentlichen Wert der Ware sieht und es deshalb von vornherein als ausgeschlossen angesehen werden kann, dass der Form neben ihrer ästhetischen Wirkung zumindest auch die Funktion eines Herkunftshinweises zukommen kann.”²⁸

The author’s conclusion so far is that the substantial value exception should be eliminated or, if maintained, should be applied only in exceptional cases. It would be preferable to work exclusively with the doctrine of distinctiveness. In other words, a shape such as that of a crystal vase or a work of applied art will be excluded from trade mark protection because the shape is in most such cases inherently not distinctive. However, as soon as such a shape becomes distinctive it should be entitled

²³ *Philips v Remington* (C-299/99) [2002] E.C.R. I-5475; [2002] 2 C.M.L.R. 52 at [8].

²⁴ The three-dimensional trade mark of the outward appearance of the Elwood jeans has been declared invalid by the Court of Appeal of The Hague, because the design gives substantial value to these jeans; Court of Appeal, The Hague, September 13, 2011, *BIE* 2012/5, p.44, *IER* 2012/ 1, p.23 annotated by Verschuur.

²⁵ Max Planck Institute, *Study on the Overall Functioning of the European Trade Mark System* (February 2011), para.2.32; see also http://ec.europa.eu/internal_market/indprop/tm/ [Accessed January 2, 2014].

²⁶ This point was raised by the owner of the trade mark for the Bang & Olufsen loudspeaker, and the General Court in *Bang & Olufsen v OHIM* (T-508/08) [2012] E.T.M.R. 10 referred to what the Advocate General had said in his opinion in the *Philips v Remington* case: “the immediate purpose in barring registration of merely functional shapes or shapes which give substantial value to the goods is 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.” This rationale is not convincing since nothing prevents shapes from being the subject of both design right or copyright on the one hand and trade mark rights on the other hand. Trade marks rights can in principle survive design rights or copyrights as long as they are still valid trade mark rights, which means distinctive signs.

²⁷ See Max Planck Institute, *Study on the Overall Functioning of the European Trade Mark System* (February 2011), para.2.34.

²⁸ BGH May 24, 2007 [2009] GRUR 9 (*Fronthaube*). The citation can roughly be translated as follows: “The exception can only then prevent the protection of an aesthetically valuable shape, when the public only sees the substantial value of the goods in the aesthetic content of the shape and when it can therefore be viewed from the outset as impossible that the form in addition to its aesthetic effect can at least get the function of an indication of origin.”

to trade mark protection because there is no good reason to deprive it of such protection simply because the shape has an extra value in terms of attractiveness or prettiness.²⁹ The author does not believe that competitors have a real and pressing need to use such shapes that function as a trade mark.

Some case law

The aforementioned conclusion is also based on the difficulties which the application of the substantial value exception encounters in case law.³⁰ Let us again take the example of the Elwood jeans. G-Star's trade mark was invalidated by the Court of Appeal based on its assessment that for consumers it is only relevant that jeans look nice. According to the court, the fact that other elements, such as material, quality or colour, also play a role does not alter the fact that the attractiveness of the appearance of the shape will predominantly determine the market value. This assessment is not convincing. When purchasing a pair of jeans a consumer can choose between lots of different jeans that all look nice or are attractive. The choice of this or that particular shape can be determined by a combination of several elements and/or by the fact that a particular design has become very popular either because of the materials used and the construction of the jeans or simply because a lot of other people wear them or they fit well.³¹

The author has similar concerns about the decisions on the famous TRIPP TRAPP children's chair in the *Stokke v Hauck* case. The Supreme Court of the Netherlands referred the case to the European Court of Justice with questions regarding the interpretation of "the shape which results from the nature of the goods themselves" and the substantial value criterion.³² The Court of Appeal had declared the shape mark in that case invalid on the basis of what the author sees as a combination of these two exceptions. With respect to the substantial value criterion, the Court of Appeal simply referred to what it had said previously about the attractiveness of a shape when discussing copyright and concluded that the TRIPP TRAPP chair has "a (very) attractive appearance. This gives substantial value to the chair".³³ In the author's opinion, this reasoning is thin and the combination of aesthetic and utilitarian factors makes it difficult to exactly understand why the exception applies. The simple fact that the shape is very attractive does not explain why consumers are buying the chair (leaving aside utilitarian reasons).

The same is true for the decisions about the shape of *Bang & Olufsen* loudspeakers. The General Court had to decide twice on the validity of the trade mark for this loudspeaker. In the first decision (on distinctiveness), the court held that it is:

"[A] shape having a particular appearance which, having regard also to the aesthetic result of the whole, is such as to retain the attention of the public concerned and enable it to distinguish the goods covered by the trade mark application from those of another commercial origin"³⁴

In the second decision (on the application of the substantial value test), the court came to the conclusion that the shape gives substantial value to the goods because "the whole creates a striking design which is remembered easily", and, further on, "the design is an element which will be very important in the consumer's choice even if the consumer also takes other characteristics of the goods at issue into account". The court also said "that design is an essential element of its branding and increases the appeal of the product at issue, that is to say, its value", and finally:

"[T]hat the aesthetic characteristics of that shape are emphasised first and that the shape is perceived as a kind of pure, slender, timeless sculpture for music reproduction, which makes it an important selling point."³⁵

The author has considerable doubts regarding the above reasoning as the basis for excluding the design as a trade mark. First, it can credibly be argued that the main reason for buying a particular set of loudspeakers is their quality and that a pleasing design is certainly relevant, but not decisive. The second problem with applying the substantial value criterion as a ground for refusing trade mark protection is that the perception of the sign by the average consumer himself is not a decisive element, because the assessment has to be made based on the own ideas of the competent authorities or courts.³⁶ The author would be inclined to argue that in a great number of cases the producer's emphasis on the attractiveness of a product's design is part of the branding of the product and should not form a reason to exclude it from trade mark protection. On the contrary.

Summing up

In the author's opinion, these cases show that the substantial value exclusion is arbitrary and difficult to apply. Assuming that the rationale given by the Court of

²⁹ In this context I refer to the aesthetic functionality doctrine under US trade mark law. Trade mark protection is barred if it appears that a design produces a benefit other than source identification. As long as a design functions as a trade mark, the attractiveness of the shape does not bar it from being protected. See for a recent and critical overview: Sarah Hopkins, "Aesthetic Functionality: a Monster the Court Created but Could Not Destroy" [2012] *Trademark Reporter* 1126.

³⁰ Interestingly, T. Limperg, *Bescherming van vormgeving tegen plagiaat* (1971), p.175 already predicted a sea of difficulties and doubts in applying this criterion. He was definitely right!

³¹ See similar critical notes by A.M.E. Verschuur in her annotation to this decision in *IER* 2012/1, p.28.

³² HR, April 12, 2013 [2013] RvdW 590; *Hauck GmbH & Co KG v Stokke A/S* (C-205/13), Request for a preliminary ruling from the Hoge Raad der Nederlanden.

³³ Court of Appeal, May 31, 201 *IER* 2012/3, p.10 annotated by Seignette, para.5.3.

³⁴ *Bang & Olufsen v OHIM* (T-460/05) [2007] E.C.R. II-4207; [2008] E.T.M.R. 46.

³⁵ *Bang & Olufsen v OHIM* (T-508/08) [2012] E.T.M.R. 10 at [68]-[74].

³⁶ *Lego Juris A/S v OHIM* (C-48/09) [2010] E.T.M.R. 63 at [76].

Justice in *Philips v Remington* cannot convincingly be applied to the substantial value exclusion, the question remains whether the exclusion serves the immediate purpose of limiting the granting of eternal monopolies through trade mark rights where other rights are limited in time.³⁷ The author has the following thoughts regarding this fear. The first one is that copyright and design rights, on the one hand, and trade mark rights, on the other hand, are not mutually exclusive by law.³⁸ Therefore, during the lifetime of a copyright or design right there is nothing that precludes its cumulation with a trade mark right. That is not the case with patents, since patent rights and trade mark rights are considered to be mutually exclusive. Secondly (and this is a practical issue), most products with attractive designs will not survive the term for protection under copyright or design law, so that the fear is not very realistic. Thirdly, as long as the trade mark is being used and serves as an indication of origin there should be no obstacle to granting protection against the likelihood of confusion, even if the protection proves to be eternal.³⁹

Going back to the Benelux Court of Justice's *Burberry I* decision discussed above: at the time of that decision, the Benelux Office accepted all designs and three-dimensional signs for registration. There were no absolute grounds for refusal. The approach to shape marks

has since become much more restrictive. Most of them do not meet the distinctiveness test and are refused registration. The example given in the Explanatory Memorandum to the former Benelux Trade Mark Act of a sign that would fall under the substantial value criterion (the shape of a crystal vase) would now be rejected as a trade mark because of a lack of distinctiveness. But even the example given of a product that could be protected simultaneously as a trade mark and under copyright or design rights—namely, the shape of a chocolate product (at that time considered not to have a real influence on the intrinsic value of the product)—would probably not be accepted as a trade mark. Therefore, it seems that there is now less need for an additional absolute ground for refusal next to lack of distinctiveness. Indeed: such shapes can become trade marks by showing a secondary meaning. Do we then still need an extra absolute ground which prevents such shapes from ever becoming trade marks? The author's conclusion is no, since from a competition point of view there is no real and compelling need for competitors to be able to use a design like the Burberry check or the Elwood jeans design after the copyright or design rights therein have expired.

It is the author's conclusion that the substantial value doctrine should be abolished.⁴⁰

³⁷ See *Bang & Olufsen* [2012] E.T.M.R. 10 at [65].

³⁸ This was also expressed in the Explanatory Memorandum to the original Benelux Trade Mark Act, cited in section "Substantial value—history" above.

³⁹ See also Verschuur, "De wezenlijke waarde van de waar: een waarlijk wonderlijk wezen" *IER* 2012, 603.

⁴⁰ In the US too, there is quite some criticism as to the existence of the aesthetic functionality doctrine, although in the US a design or shape can be protected under trade mark law upon showing a secondary meaning. See the article by Theodore C. Max, "Coloring Outside the Lines in the Name of Aesthetic Functionality: Qualitex, Louboutin, and How the Second Circuit Saved Color Marks for Fashion" [2012] *Trademark Reporter* 1081. He refers to a quotation from Professor Tom McCarthy's book *Trademarks and Unfair Competition* (Clark Boardman Callaghan, 1996), para.7:81, at p.7-270: "'Aesthetic functionality' is an oxymoron. Ornamental aesthetic designs are the antithesis of utilitarian designs ... 'Aesthetic functionality' may be a theory in search of a rationale." See also Hopkins, "Aesthetic Functionality: a Monster the Court Created but Could Not Destroy" [2012] *Trademark Reporter* 1126. I also entirely agree with what Thomas McCarthy in his book on trade mark law says (at para.7.81): "'Aesthetic functionality' is an inappropriate response to a valid concern. The concern is over features that are merely ornamental and therefore not perceived by customers as indicia of origin-trademarks. However, trademark law has long had a rule to meaning."