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THE LEGO BRICK IN THE BORDERZONE BETWEEN FORMS OF PROTECTION

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Executive Summary

This thesis is a case study on the attempts of the LEGO¹ Group to achieve legal protection of the Basic LEGO Brick, i.e. the LEGO Group's standard toy building brick with eight bosses on the upper surface. The objective is to illustrate the legal reasoning of different courts in a global perspective and find out how a company such as LEGO uses the courts and intellectual property rights for the purpose of attaining a certain desirable position on the market.

The Basic LEGO Brick has a fascinating legal record. Apparently, it is possible to obtain exclusive rights for the shape of the brick under several intellectual property law regimes. The brick has been considered to be able to obtain exclusive rights as it provides a technical solution for a technical problem and simultaneously as it has a certain design. Consequently, the Basic LEGO Brick is in the borderzone between various forms of protection and this area of law can be somewhat grey and complex.

The standard bricks and the basic building sets have been subject matter for world wide patents. However, in order to maintain market dominance, patents are rarely sufficient. A patent is limited in time and only protects the technical idea. Once the patent expires the market is open for competition. Strong brand loyalty might help the company to keep the market dominance it had due to the patent protection. Never the less, since the LEGO Group's major patent on the Basic LEGO Brick expired, LEGO has persistently tried to block its competitors by claiming that other forms of protection are available for the shape of the bricks. The LEGO Group has argued before courts and decision-making bodies that the features which were claimed in patents to solve a technical problem should be protected by trademark law, copyright law and unfair competition law.

The legal battles have cost the LEGO Group and its major competitors on the market lots of financial resources. LEGO has won a lot of lawsuits but so has its competitors. LEGO seems to have lost most of the lawsuits concerning trademark rights. Some of the LEGO Group's major competitors have challenged the trademark rights LEGO claims that it has by invoking that the LEGO trademark is "functional". However, in most cases the LEGO Group has initiated the court proceedings. LEGO each year handles hundreds of incidents relating to what the Group considers constitute infringements of its IPRs.

A case study allows one to enter deeply into a certain company's product in order to understand all aspects of that product in a legal perspective. In the thesis, the reader will be able to see the on-going dialogue between the LEGO Group and the courts and other decision-making bodies. The laws of different countries have different approaches to the functionality doctrine under trademark law and unfair competition law respectively. Even though there are great disparities between the law regimes in some cases, it is possible to discover similarities as well as differences in how the courts have reasoned and which interests the courts have found to weigh the most. Mostly, the core of the potentiality of protection is whether the shape of the LEGO Brick is too functional.

¹ LEGO® is a registered trademark that belongs to the LEGO Group.

Accordingly, we will follow the LEGO Group in its strategic thinking as well as the arguments of those courts that have considered the LEGO Bricks. From the actions and argumentation it is possible to identify the management strategy the LEGO Group has adopted with a view to strengthen its competitive position and maintain market dominance.

In the thesis the LEGO Brick will also serve as a subject matter for discussion about possible implications on overlapping intellectual property rights. As the LEGO Group has succeeded in protecting it with different intellectual property rights the LEGO Brick is the ideal subject matter for such a discussion.

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Abbreviations

3D TM (CTM)	Three dimensional (Community) trademark
CTM	Community Trademark
CTMR	Council Regulation (EC) No. 40/94 on the Community Trademark
EC	European Community/Communities, Treaty establishing the European Community
ECJ	European Court of Justice
et als.	Et alii – and others (designates multiplicity of plaintiffs or defendants)
EU	European Union
IP/IPR(s)	Intellectual property/intellectual property right(s)
NIR	Nordiskt Immateriellt Rättsskydd, a periodic publication
OHIM	Office for Harmonization in the Internal Market (trademarks and designs)
Para./paras.	Paragraph(s)
PBR	Patentbesvärsrätten (the Appellate Body to PRV)
PRV	Patent och Registreringsverket (the Swedish Patent and Trademark Office)
TM Directive	Council Directive No 89/104/EEC to Approximate the Laws of the Member States relating to Trade Marks
v.	versus - against
WIPO	World Intellectual Property Organisation (under UN)
WTO	World Trade Organisation

1 Introduction

1.1 Background

This thesis is a case study on the legal protection of the Basic LEGO Brick, i.e. the LEGO Group's standard toy building brick with eight bosses on the upper surface. The Basic LEGO Brick has a fascinating legal record. Apparently it is possible to obtain exclusive rights for the shape under several intellectual property regimes. At mere sight the brick appears, for a toy at least, to be quite simple in its design. However, it contains many important features which has taken the LEGO Group more than ten years to develop. Each brick is meant to be part of a building system that offers unlimited construction possibilities. The standard bricks and the basic building sets have been subject matter for world wide patents. As the patents expired the LEGO Group discovered new ways to obtain exclusive rights for the bricks by means of trademark protection, copyright protection and protection against misleading copies. That is what makes the Basic LEGO Brick so interesting to examine in a case study. The brick has been considered to be capable of exclusive rights as it provides a technical solution for a technical problem and simultaneously as it has a certain design. Consequently, the Basic LEGO Brick is in the borderzone between various forms of protection and, as will be seen in the thesis, this area of law can be somewhat grey and complex.

1.2 Definitions

“The Basic LEGO Brick”

The Basic LEGO Brick is one of the bricks in the standard range of LEGO Bricks. This brick is often referred to as “the 2 by 4 inch building brick”, “the LEGO eight-knob brick” or “the 2 x 4 brick” (since it has two rows of four bosses each). It is of rectangular form and provided with eight filled cylindrical bosses in two symmetrical rows on the upper side (or the face opposite to the open face) and three hollow tubes on the inside of the brick. The open face contains a hollow skirt. Since 1958, “LEGO” has been inscribed on the top surface of each boss². For more details, see Section 2.2 below.

“LEGO”

When “LEGO” stands alone in this thesis it refers to the LEGO Group. In December 2004 the “LEGO Company” switched trade name to the “LEGO Group”³. I use “LEGO” and “LEGO Group” in the thesis depending on which alternative that is most practical.

² LEGER ROBIC RICHARD, Lawyers, ROBIC, Patent & Trademark Agents, “Doctrine of Functionality Applies to Unregistered Trademarks, Federal Court of Appeal Rules”, By Stella Syrianos, published in 2003, <http://www.robic.ca/publications/Pdf/142.152.pdf>.

³ The LEGO Groups web page, Press Releases, “From LEGO Company to LEGO Group”, published on December 8 2004, <http://www.lego.com>.

1.3 Purpose of the Thesis

The ambition of this thesis is to provide a case study on legal actions that the LEGO Group has taken in order to obtain exclusive rights for the Basic LEGO Brick.

To focus on one company only or, as in this case, one single product differs a lot from the tradition legal thesis where a law student examines legislation and case-law in a certain area of law with a view to establish the content of existing law (Swe. gällande rätt) in that particular area. I think that the core of a case study is that it allows you to enter deeply into a certain company or product in order to understand all aspects of that product in a legal perspective. All the most probable, a case study brings a deeper understanding for the law and the function of the law concerning protection of the shape of a product. In any event, the main advantage with doing a case study on the Basic LEGO Brick is that I can follow the LEGO Group in its strategic thinking as well as the arguments of those courts that have considered the LEGO Bricks. Even though there are often great disparities between the law regimes, it is possible to discover similarities as well as differences in how the courts have reasoned and which interests the courts have found to weigh the most.

In this thesis, the reader will be able to see the on-going dialogue between the LEGO Group and the courts and other decision-making bodies. The laws of different countries have different approaches to the functionality doctrine under trademark law and unfair competition law respectively and the LEGO Group naturally adapts their argumentation before each court and body in order to increase the likelihood of obtaining legal protection for its bricks. However, it is possible to see a common denominator in the actions chosen by LEGO and thereby discover a strategy which runs all through the history of the legal actions relating to the LEGO Brick.

Consequently, the primary questions at issue in this thesis will be how the LEGO Group has succeeded and failed respectively in obtaining legal protection for the Basic LEGO Brick and what management strategies the LEGO Group has adopted with a view to strengthen its competitive position and maintain market dominance.

The LEGO Brick will also serve as a subject matter for discussion about possible implications on overlapping intellectual property rights. The LEGO Brick is the ideal subject matter for such a discussion since the LEGO Group has succeeded in protecting it with different intellectual property rights. Sometimes LEGO has not been granted the strongest protection but never the less some protection. In some cases it has been the reverse situation. The latter group of courts seem to have balanced the public interests and found that exclusive rights for the LEGO Brick would restrict the competition in an unwanted way.

1.4 Delimitations

The case study will only concern the Basic LEGO Brick (see “Definitions” above) for obvious reasons. The range of LEGO products is almost never-ending and the Basic

LEGO Brick is the most famous of all LEGO toys. Additionally, the Basic LEGO Brick is one of the most interesting products to analyse in a legal thesis since it seems to have great potential for obtaining overlapping protection.

1.5 Method and References

The thesis will not contain comprehensive description of intellectual property law. There is indeed a large amount of material available that describes the law in depth and it would not be of any use to describe the law in detail within the scope of this thesis. None the less a brief presentation of the relevant law will precede each legal action described in the thesis.

As regards the selection of cases it shall be noted that the cases referred to in this thesis do not form a complete list of cases in which the Basic LEGO Brick has been reviewed. My ambition is not to describe and compare different approaches in trademark and unfair competition regimes in order to examine the law in these legal areas. My intention is rather to exemplify with cases in order to be able to demonstrate the strategy upheld by the LEGO Group when trying to obtain exclusive rights for the brick or at least maintain market dominance. Since LEGO each year handles hundreds of incidents relating to what the company considers constitute infringement of its IPRs⁴ it would neither be fruitful nor realistic to provide exhaustive case-law references within the scope of this thesis. In addition, linguistic limitations hinder me from comprising cases that have not been reported in English or Scandinavian languages.

I seek to provide a global perspective even though focus will be primarily on actions aiming at protection for the bricks in Sweden and the EC Community. I intend to refer both to cases from countries with a long-time tradition of intellectual property rights and countries that have developed systems for protecting intellectual property rights quite recently. Some cases have been resolved recently whilst the oldest cases are from the late eighties. The common denominator for the selected cases is that they are representative for demonstrating the management strategies of LEGO and the dialogue between LEGO and the courts.

This approach for selecting cases involve that both well-known cases and unknown cases and furthermore cases that for instance a Scandinavian reader would expect that this case study would comprise, such as the Norwegian LEGO case from 2003⁵, will not be included. However, as already stated, the objective is to illustrate the legal reasoning of different courts in a global perspective and find out how a company such as LEGO uses the courts and intellectual property rights for the purpose of attaining a certain desirable position on the market.

⁴ The LEGO Group's web page, Press Releases, <http://www.lego.com>

⁵ Drammen Tingrett, *LEGO Norge AS/LEGO System AS v. Biltema Norge Drift AS*, Sak nr 02-505 A, judgement of September 22 2003.

1.6 Disposition

Chapter 2 of the thesis contains basic information of the LEGO Group and the development of the LEGO Bricks. For instance, it includes an examination of the LEGO Group's position on the market and its major competitors. The intention of the chapter is to facilitate the understanding for the LEGO Group's litigation approach in relation to the Basic LEGO Brick.

Chapter 3, 4 and 5 illustrates the potential for the LEGO Brick to obtain protection under several intellectual property law regimes. Chapter 3 is an examination of which features of the Basic LEGO Brick that have been subject matter for patent claims and what technical solution the brick provides. Chapter 4 shall be read together with Chapter 5 since both chapters concern protection for non-technical features of the Basic LEGO Brick. However, Chapter 4 only deals with rights that are related to the shape of the product, such as the LEGO word trademark, whilst Chapter 5 deals with the LEGO Group's attempts to obtain protection for the shape of the product as such. You might say that the legal actions described in Chapters 3 and 4 concern protection that has been obtained through registration, i.e. rights that have been claimed on the administrative arena. By contrast, Chapter 5 concerns rights that have been claimed on the business arena. For instance, the LEGO Group has claimed that the Basic LEGO Bricks should be protected under trademark law as a trademark that has acquired distinctiveness⁶ and thus been established on the market. Some of the legal actions are in a grey area in that they concern rights that have been registered by LEGO but then challenged by competitors. I have decided to refer to those actions in Chapter 5 since I believe that it will be easier for a reader to compare the actions concerning the shape of the Basic LEGO Brick if they are gathered.

In Chapter 6 all legal actions, i.e. also the patents, are analysed and commented on. For instance, I return to the examination made in Chapter 3 and consider the functionality of the Basic LEGO Brick. Subsequently, I analyse and compare the trademark actions, the copyright actions and the unfair competition actions.

The litigation strategy of the LEGO Group in connection to the actions described in the thesis will be analysed and discussed in Chapter 7.

Chapter 8, finally, discuss some potential implications on legal systems that enable overlapping protection. Additionally some brief comments will be made regarding the future law.

⁶ A trade symbol has "acquired distinctiveness" when it has been used so extensively by a trader that consumers recognise the symbol as identifying that trader's goods or services.

2 Product Background

In this chapter I will provide some interesting background information of the Basic LEGO Brick which hopefully will facilitate the understanding of the LEGO Group's litigation strategy.

2.1 The LEGO Brick Building System

The LEGO Brick Building System consists of plastic toy building bricks. Each new toy building set that is released is compatible with the rest of the building system. These plastic bricks can be assembled (one brick fixed to the other) by an interlocking mechanism provided by bosses and tubes. Each brick has one or more cylindrical bosses on top of the upper surface and a hollow under side surface with one or more tubes or other projections. The bosses and the tubes respectively enable the bricks to be assembled but not so tightly that they cannot be disassembled. The idea is to assemble the bricks together so as to form stable structures and figures. They operate in a way in which Brick A is being held together with Brick B, which is placed underneath of Brick A, by the bosses on Brick B, while Brick B is bearing on the skirt of Brick A above.

The LEGO Bricks come in different sizes in order for the building system to have an unlimited capability of forming models and in order for the constructions to contain details. The smallest standard brick has one boss on the upper surface and has the size of one-eighth of the Basic LEGO Brick with eight bosses. The building bricks are provided in lots of colours as to enable the builder to use adequate colours when building structures and figures from real life. The most common colours of basic LEGO bricks are red, yellow, blue, black, white, and light grey.

2.2 Design of the Basic LEGO Brick

The Basic LEGO Brick can be described as a rectangular parallelepiped having a length which is double its width and provided with eight bosses in two symmetrical rows on the upper side (or the face opposite to the open face). The brick has a length of 32 mm and a width of 16 mm. The bosses are uniformed, smooth-sided, flat-topped (filled) and cylindrical, where the parallelepiped has specific relative proportions of height, diameter and centre to centre spacing the bosses. The top surface of each boss is marked with the LEGO word trade mark. The open face, or the underside surface, contains a hollow skirt. The open face of the Basic LEGO Brick is disposed with three hollow tubes or cylindrical projections. The Basic LEGO Brick is approximately 9,5 mm high, 16 mm wide and 32 mm long.

The Basic LEGO Brick of today is also provided with a wall inside the cavity. The wall is divided by the middle tube on the underside surface. Additionally, the skirt is nowadays provided with thin vertical stripes which minimize the space just between the bosses of a brick below and the skirt of the upper brick. When I assembled and disassembled bricks

with stripes and bricks without stripes respectively, I found that the stripes increase the stability and the interlocking effect. Nowadays, the LEGO Group actually sells a “brick separator”, a small tool that makes it easier to disassemble LEGO Bricks⁷.

2.3 Development and Release of Series

LEGO did not develop the first plastic construction bricks that were capable of interlock with bosses on the upper surface of the bricks. Such bricks were invented and patented in 1939 by Harry Fisher Page who later introduced the Kiddicraft Bricks to the British market. The Kiddicraft Bricks inspired the LEGO Group to develop its plastic bricks.⁸

The first LEGO company was founded in 1932 by Ole Kirk Christiansen. The company originally made wooden toys during the depression when plastic had not yet been invented. The company made toy cars, trucks, yo-yos, animals and other toys.⁹ The yo-yos were very popular at first but when the demand for them decreased Ole Kirk made wheels for trucks out of them.

In 1949 plastic interlocking bricks called the “Automatic Binding Bricks” were introduced to the Danish market. In 1951, the bricks Automatic Binding Bricks were named LEGO Mursten (Danish), “LEGO Bricks” in English. The bricks had projections on the upper face but no projections within the cavity. The problem with these first LEGO Bricks was that the things that were built with them tended to fall apart. “LEGO System i leg” (“LEGO System in play” in English) was introduced in 1955 as the first building set with LEGO Bricks, toy cars, traffic signs etc. In 1958, the design of the Basic LEGO Brick was developed and patented. At that stage, the interlocking mechanism of the bricks had been improved with hollow tubes on the underside, or within the cavity, of the brick.

At a later stage the LEGO Group developed a toy building set designed for small children. The new building set was marketed under the name DUPLO. The DUPLO Bricks are substantially larger than the ordinary LEGO Bricks in order to enable them to be easily handled by small children. The DUPLO Bricks are similar to the LEGO Bricks, in large-scale, but not identical. The DUPLO Bricks and the LEGO Bricks are differently designed on the underside face. Additionally, the bosses on the top surface of the DUPLO Bricks are not flat-topped but hollow. Despite their size the DUPLO Bricks are compatible with the ordinary LEGO Bricks. The DUPLO Bricks went on sale in 1969.

During the last decades, the building sets have been extended with other items than building bricks. Human figures with posable arms were introduced in 1974 in the LEGO

⁷ The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

⁸ NYTimes.com, by Ian Austen, published on February 2 2005, <http://www.nytimes.com/2005/02/02/business/worldbusiness/02lego.html?ex=1110517200&en=bf689dd2672f361e&ei=5070>; Steen Hansen, Ole: “LEGO och Godtfred Kirk Christiansen”, pages 21 and 29.

⁹ The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

toy building sets. In 1975, “Expert Series” sets appeared which were addressed towards older, more experienced builders. The Danish tourist attraction the LEGO World was introduced in 1978. In the same year, the release of the LEGO “minifig”, small smiling human figures with posable arms and legs, took place. In the 1980’s LEGO expanded its product line by introducing what is often referred to as its “second era” of toys. The bricks were equipped with mechanical parts and battery packs which made models capable of movement. Today, the LEGO Group markets toy sets under the name LEGO “Mindstorms” which involve computer-related bricks which can be programmed by a computer to perform certain procedures.

2.4 Manufacturing LEGO Bricks

The first construction bricks of the LEGO Group were made of wood. After contact with the Windsor Company the LEGO Group bought a plastic injection machine from Windsor. The first plastic material, cellulose acetate, which was used to create the bricks, had problems with discoloration and warping. In 1963 LEGO began to produce bricks of a more stable material, acrylonitrile butadiene styrene, or ABS plastic, which is still used as of 2004. ABS plastic is more resistant to heat, acids, salt, and other chemicals, and in addition it is non-toxic.

When producing LEGO Bricks, ABS plastic is heated to 232 degrees Celsius (450 degrees Fahrenheit) and then injected into a plastic injection mould which is kept at 29,15 degrees (85 degrees Fahrenheit). The pressure used to form the bricks varies from 25 to 150 tons depending on which parts that are being produced. The moulds are kept within less than half a degree of the 29,15 degree specification. As ABS plastic absorbs moisture the entire moulding hall is kept at 50% humidity. The bricks are manufactured within a tolerance of two-hundredths of a millimetre (0.002 mm) or approximately eight ten-thousandths of an inch (0.00008 in).¹⁰ The bricks must have just the right amount of “clutch power”.

LEGO manufactures approximately 20 billion (2×10^{10}) bricks per year or about 2,3 million bricks per hour. LEGO Bricks are manufactured in Denmark and Switzerland and then finished and packed for retail in USA, Denmark, Switzerland, South Korea and the Czech Republic. The moulds are produced in Germany and Switzerland and they are accurate to two-thousandths of a millimetre. LEGO manage to keep a high level of quality by using injection moulds that are precision-machined and with small capacity. The moulds often cost tens of thousands of dollars. The moulds are equipped with sensors to detect fluctuations in pressure and temperature that can lower the level of quality of the resulting brick. Human inspectors thoroughly check the results. Worn-out moulds are encased in the foundations of buildings to prevent them from falling into the hands of competitors. According to the LEGO Group the manufacturing processes are so accurate that only 18 bricks out of every million fail to meet its strict standards. The precision and accuracy in the manufacturing process seems to be in line with the LEGO motto: “Det bedste er ikke for godt” (Danish). Usually the motto is translated into

¹⁰ The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

English as follows: “Only the best is good enough”. A word-by-word translation would however be “The best is not too good” in which “not too good” could mean that LEGO prefers to perform better than the best. The accuracy in the manufacturing process enables that newly produced bricks are capable of interlocking together with bricks produced 30 to 40 years ago.¹¹

2.5 Position on the Market

2.5.1 Company Structure

The LEGO Group is a privately held, family-owned company that is based in Billund, Denmark. The Group has subsidiaries all over the world and is run by Kjeld Kirk Kristiansen, Kirk Christiansen’s grandson. Today the Group has approximately 8000 employees whereas half of them work in Denmark. The amount of employees has decreased since 1997 when LEGO had 9 500 full-time employees¹².

The company structure of the LEGO Group is as follows: All companies are hold 100% by the Christiansen family, the international LEGO Group consists of 52 entities (by 2001) situated in 33 countries, the Group has 4 holding companies whereas two of them are situated in Denmark and two are situated in Switzerland, LEGO Holding A/S now owns both the Danish and the Swiss parts of the Group.¹³ KIRKBI A/S is a financing and investment company that is 100 % owned by the Christiansen family. KIRKBI is often called “the LEGO Group Bank”¹⁴ and the company stands for many of the legal actions taken in order to defend the rights of the LEGO Group.

2.5.2 Market Position

LEGO claims not to have had a loss since the Company was founded. The turnover of the holding company LEGO Holding A/S in Billund, Denmark, was 5, 257 billions SEK in year 2000. In 1999 the turnover was 6,393 billions SEK and in 1998 it was 620 millions SEK. The company’s assets amounted to 7,418 billions SEK in 2000 and the sales that year were 4,178 billions SEK.¹⁵ The turnover of LEGO System A/S, a company of the Group that has been in charge of many disputes concerning the Basic LEGO Brick, was 3,419 DKK in 2003 and the share capital of the company in that year was 47,5 millions DKK¹⁶.

¹¹ The LEGO Group’s web page, <http://www.lego.com>.

¹² The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

¹³ The LEGO Groups web page, Press Releases, <http://www.lego.com>; The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

¹⁴ Steen Hansen, Ole: “LEGO och Godtfred Kirk Christiansen”, page 52.

¹⁵ Kompass - Ett företag inom Bonnier Affärsinformation, a CD.

¹⁶ Kompass - Ett företag inom Bonnier Affärsinformation, www.kompass.se.

LEGO holds the leading position on the market for construction toys in the world. United States is the single largest market for the products and there LEGO holds the leading position and Mega Bloks is the No. 2 player¹⁷. Some even classify the US market for construction blocks as a form of oligopoly¹⁸. About 90 percent of U.S. preschools and kindergartens use LEGO products¹⁹. The LEGO Group's own surveys showed that from 1977 to 1983 approximately 40 percent of all families in the United States with children 14 years of age or younger owned LEGO products²⁰. LEGO has an advantage over new competitors considering the costs of required advertising and costs for promoting a name to match the LEGO brand. LEGO has had such a strong influence on the toy construction market that people associate its interlocking bricks and potentially any interlocking bricks with the LEGO trade name. As of 2004 the LEGO Group was the fourth-largest toy manufacturer in the world. A few years ago the LEGO Brick was acclaimed "Toy of the Century" by Fortune Magazine and the British Association of Toy Retailers²¹. According to the LEGO Group the group has by 2004 sold 320 billions toy building bricks, i.e. 53 bricks per person on earth²². About 97 percent of all LEGO products have been sold outside Denmark to 137 markets²³. A LEGO set is sold somewhere in the world every 7 seconds and if all sets that have been sold during the past 10 years were laid end to end, they would reach from London, England, to Perth, Australia²⁴. In fact, the arrival of competitors in the market for construction toys has done little to damage the sales of the LEGO Group²⁵. The LEGO Group however has to face competition from other kinds of toys.

LEGO Sverige (Sweden) AB alone spends approximately 20 million SEK on marketing each year²⁶. The LEGO Group is often very creative in its advertising. One slogan the LEGO Group has used is: "LEGO is new toy every day." The slogan tells the consumer of the core idea of the LEGO Brick Building System as well as of the toy's major advantage. LEGO also uses for instance animated films in order to reach out to its customers. One film shows how lots of LEGO Bricks are being assembled, disassembled,

¹⁷ NYTimes.com, by Ian Austen, published on February 2 2005, <http://www.nytimes.com/2005/02/02/business/worldbusiness/02lego.html?ex=1110517200&en=bf689dd2672f361e&ei=5070>.

¹⁸ "LEGO and the Market for Children's Building Blocks", by Eric McCoy & Daniel Tuttle, Economics 200 Honors, Fall 2002, found on March 29 2005, <http://eller.arizona.edu/~reiley/econ200/SamplePapers/EricDan.pdf>.

¹⁹ Harvard Business School, Working Knowledge, "Toy Story: Educational Products Paying Off", by Susan Young, published on April 5 2004, <http://hbswk.hbs.edu/item.jhtml?id=4035&t=marketing>.

²⁰ United States District Court D. New Jersey, case *Tyco Industries, Inc. v. Lego Systems, Inc.*, judgement of Aug 26 1987.

²¹ The LEGO Group's "Company Profile 2004".

²² The Swedish Market Court (Marknadsdomstolen), case *LEGO System A/S v. Biltrema Sweden AB*, MD 2004:23, judgment of October 1 2004.

²³ The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

²⁴ The LEGO Group's "Company Profile 2004".

²⁵ "LEGO and the Market for Children's Building Blocks", by Eric McCoy & Daniel Tuttle, Economics 200 Honors, Fall 2002, found on March 29 2005, <http://eller.arizona.edu/~reiley/econ200/SamplePapers/EricDan.pdf>.

²⁶ The Swedish Market Court, Marknadsdomstolen, case *LEGO System A/S v. Biltrema Sweden AB*, MD 2004:23, judgment of October 1 2004.

reassembled etc for 15 seconds. The Group is still most famous for its building bricks and therefore mainly use the bricks in its advertising. That is also why the shape of the Basic LEGO Brick, the most well-known LEGO Brick, has been so strongly defended by LEGO.

2.5.3 Competitors

The LEGO Group in reality competes solely with companies producing interlocking plastic building bricks. The number of companies in the market is relatively small. However, LEGO has had a number of competitors over the years. Several companies have produced and introduced to the market interlocking toy building bricks that are nearly identical to the LEGO Bricks. Some competitors have entered the market and left too but some are quite fierce and are not afraid to initiate court proceedings against LEGO in order to challenge the IPRs LEGO claims that it has. Best-Lock and Mega Bloks are two of the major competitors that eagerly fight for market shares on the toy construction market.

Mega Bloks Inc. was previously operating under the name Ritvik Holdings Inc. Mr. and Mrs. Victor and Rita Bertrand founded the company Ritvik in Québec in 1967. The company started by making toys for pre-school children and in the early 80s it began to produce toy building bricks for small children. The bricks were very successful in Canada. Mega Bloks began to market smaller bricks for older children in 1989. Mega Bloks has grown from the Bertrands' small business to become a publicly-traded company that manufactures in Canada and exports its toys to over 100 countries. It is the largest Canadian toymaker in terms of employees (over 1000) and is ranked in the top ten toy manufacturers in North America. The Mega Bloks trademarks MEGA BLOKS and MICRO MEGA BLOKS are used for instance on the packaging and in the marketing.²⁷

Tyco Toys (or Tyco Industries), which was later acquired by Mattel, has been the LEGO Group's counterpart in several court actions. Whilst the LEGO Group was the fourth-largest toy manufacturer in terms of sales in 2004 Mattel was *the* largest toy manufacturer in the same year.

Another competitor is Best-Lock, a privately owned company founded in 1997, which has offices in the United States, Europe and Asia. Best-Lock produces bricks that are able to interlock with LEGO Bricks and the company sells its products in 36 countries.

The LEGO Group refuses to produce war toys and military toys²⁸. A peace gun in plastic and a few guns were produced with the LEGO Group's first plastic injection machine. That is about all the war toys the LEGO Group has ever produced.²⁹ The LEGO Group even avoided making green bricks for a long time since the company feared that the

²⁷ Respondent's factum, pursuant to Rule 42 of the Rules of the Supreme Court of Canada Court File No. 29956, in case *KIRKBI AG and LEGO Canada Inc. v. Ritvik Holdings Inc/Gestions Ritvik Inc. (now operating as Mega Bloks Inc.)* before the Supreme Court of Canada.

²⁸ The LEGO Group's web page, <http://www.lego.com>.

²⁹ Steen Hansen, Ole: "LEGO och Godtfred Kirk Christiansen", page 20.

bricks would be used to build military vehicles and use the LEGO Bricks as a war toy. LEGO does however manufacture a line of armed 'Indians', knights and pirates and exploited the Star Wars success.³⁰ Some competitors however produce and sell war toys.

³⁰ Wikipedia, the free encyclopaedia on the web, subject: LEGO, found on March 21 2005, <http://en.wikipedia.org/wiki/LEGO>.

3 The Technical Solution of the LEGO Bricks

In this chapter I will describe the technical solution of the LEGO Bricks. The technical solution and all the features that provide for the technical result have been protected by world-wide patents. The Basic LEGO Brick contains the following features: bosses disposed on the upper side of the brick, tubes inside of the brick, sides, hollow body, the overall shape and colouring. By analyzing the patent specifications relating to the Basic LEGO Brick it is possible to see which features of the Brick that are technical and which features that are non-technical. Herein this document, technical features refers to features or elements of the brick that aims at achieving a technical result. Non-technical features refer to features of the brick that mainly serve other purposes than aiming at a technical solution.

3.1 Basic Information on Patents

A patent is a monopoly right granted by a national patent office to an inventor of a product or process. A patent enables a patent holder to block others from exploiting his or her invention. Patent protection is granted in order to encourage inventors to disclose technological advances into the public domain. The exclusivity provides an incentive for innovation and a reward for creative and innovative effort. Patents expire after maximum twenty years and when the patent elapses everybody may use the invention.

In order to obtain patent protection for an invention, the invention must fulfil certain criteria. The invention must be new (novelty is deemed by considering the state of the art at that date) and it must include an inventive step (the invention must move the science on and not be obvious to anyone skilled in the art). The invention must also be of technical character. An invention is “technical” if it is in a field of technology. The term “technical” is considered to embrace toys and thus toys can be inventions. Additionally, the invention must solve a technical problem with technical means.

3.2 Patents Relating to the Basic LEGO Brick

The LEGO standard toy building sets have been subjected to several parallel patents. The patents relating to the Basic LEGO Brick have long expired. In Sweden, the most recent patent protecting the Basic LEGO Brick expired in 1975.

Below follows the examination of three British patent specifications. The first two of the below described patents were not applied for by the LEGO Group but by Harry Fisher Page who was never involved in LEGO. Harry Fisher Page went on to found the Kiddicraft Bricks which were never really successful on the British market. Due to the round nooks and high bosses it was difficult to build things with the Kiddicraft Bricks. Those bricks inspired Ole Kirk Christiansen and Godtfred Kirk Christiansen to make their first plastic building bricks. Prior to exporting its bricks to Britain in the early 60's, the LEGO Group asked the company behind the Kiddicraft Bricks if they would disapprove. The Kiddicraft owners did not mind the LEGO Bricks being introduced to

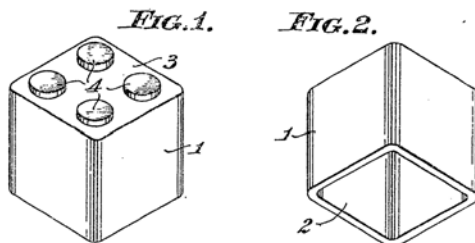
the British market since they had stopped producing their bricks around year 1950. Anyway, the LEGO Group bought all rights to the Kiddicraft Bricks in 1981.³¹

In my point of view it is beneficial to examine all three patent specifications in order to demonstrate the technical development of the building bricks. The patent specifications all describe product patents (so called design patents in US).

3.2.1 Patent Specification No. 529,580

The British Patent No. 529,580 was applied for in 1939 by Harry Fisher Page. The patent describes an invention consisting of a toy building set with a plurality of hollow bricks which are open at one face and provided with symmetrically disposed bosses or projections on the face opposite to the open face. The bosses are disposed as to engage within the inner surfaces of the lateral walls of a superimposed brick and to prevent lateral movement.

The brick disclosed in the patent specifications and the accompanying drawings is of cubical form with round nooks and has four bosses on the upper side, i.e. the face opposite to the open face (the underside). Each boss of this cubically formed embodiment is arranged within a square quarter section of the cube face. The bosses are disposed at the corners of an imaginary square. The disposition of the bosses is such that any substantial lateral movement will be prevented and concurrently the bricks can be assembled or disassembled easily.



Figs. 1 and 2 of U.K. Patent No. 529,580

3.2.2 Patent Specification No. 587,206

The British Patent No. 587,206 was applied for in 1944 by Harry Fisher Page and constitutes a modification or improvement of the prior Patent Specification No. 529,580. This patent also describes an invention of a toy building set with a plurality of hollow bricks which are open at one face and provided with bosses or projections on the opposite face.

³¹ Steen Hansen, Ole: "LEGO och Godtfred Kirk Christiansen", pages 21 and 29.

This invention comprises a building brick with two longitudinal rows of bosses, where there are more than two bosses in each row, symmetrically disposed on the upper side. The number of bosses in each row shall be in correspondence with the length of the brick. The bosses are arranged in transverse pairs. The overall dimension over each pair of bosses closely approximates to the width of the cavity in the brick. This arrangement confers the advantage of preventing relative lateral displacement of the bricks since the bosses achieve interlock when they engage into the cavity in superimposed identical bricks. All of the bosses are uniformly spaced apart in both longitudinal and transverse directions and the length of the cavity approximates to the overall length over each longitudinal row.

Claim 3 contains a building brick with the aforesaid elements and is of rectangular form having a length which is double its width. The rectangular brick is said to have four bosses in each longitudinal row. Also in this patent the accompanying drawings illustrates bricks with round nooks. It is clear from the drawing that the bricks described in the present invention are compatible with the bricks described in the prior Specification No. 529,580.

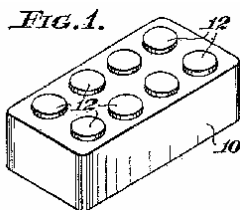


Fig. 1 of U.K. Patent No. 587,206

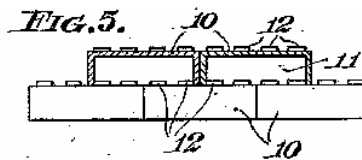


Fig. 5 of U.K. Patent No. 587,206

3.2.3 Patent Specification No. 866,557

Patent No. 866,557³² was applied for in 1958 by INTERLEGO AG, a Swiss corporation belonging to the LEGO Group of Companies. The prior Patents Nos. 587,206 and 529,580 comprised building bricks provided with outwardly extending bosses or projections only on the upper side, in the present Specification referred to as “primary projections”. The present Patent Specification describes hollow toy building bricks provided not only with primary projections but also with inwardly extending projections, i.e. “secondary projections”, within the cavity of the bricks.

The technical problem to be solved by the present invention according to the inventor is “the problem of providing improved coupling means for interlocking adjacent blocks in a variety of combinations”³³. Hence the principal object of the invention is to provide improved coupling means for holding the bricks together when they are being assembled

³² The British Patent Specification No. 866,557 corresponds to the Swedish Patent Specification No. 226,906.

³³ The British Patent Specification No. 866,557, page 1, line 67.

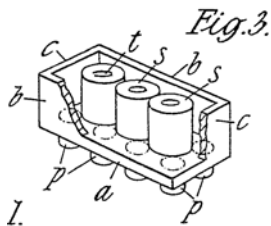
in various ways. According to the inventor, merely juxtaposing the primary and secondary projections cannot solve this problem. Rather the relative dimensions and positions of the primary and secondary projections must be interrelated in a specific manner, which the present invention provides for:

“...according to the main characterising feature of the invention the primary projections are uniformly spaced apart in both longitudinal and transverse directions so that a pair of adjacent primary projections in one row and the corresponding pair of primary projections in the other row may be circumscribed by a square at the four corners of which they are situated and the positions and dimensions of the secondary projections s relatively to the positions and dimensions of the primary projections p are such that, in a pair of like blocks assembled exactly one upon the other, the lateral faces of at least two primary projections of one block will be a friction fit against the lateral faces of an adjacent pair of secondary projections of the other block, or between the lateral faces of such an adjacent pair of secondary projections or between the lateral face or faces of at least one secondary projection and a wall or walls of the other block.”³⁴

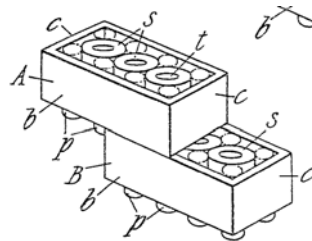
The projections can be of various shapes but, according to the inventor, in a preferred embodiment both the primary and the secondary projections are of cylindrical shape³⁵. When the cylindrical shape is being used, the specification expresses that it is possible to define the diameter of the secondary projections by the diameter of the primary projections and the width of the cavity of the hollow brick by a specified equation:

$$Ds = \sqrt{2} w - Dp (1 + \sqrt{2})^{36}$$

Figures 1 to 5 of the accompanying drawings show bricks which are identical to the Basic LEGO Brick. All the elements of the Basic LEGO Bricks are disclosed both in the patent claims and the accompanying drawings of the present patent specification. The figures 1, 4 and 5 show two Basic LEGO Bricks when they are assembled in various ways.



**Fig. 3 of U.K. Patent
No. 866,557**

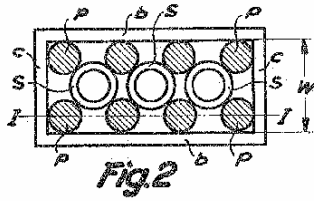


**Fig. 5 of U.K. Patent
No. 866,557**

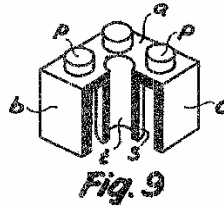
³⁴ The British Patent Specification No. 866,557, page 1, line 74 – page 2, line 15.

³⁵ The British Patent Specification No. 866,557, page 2, line 20 ff.

³⁶ The British Patent Specification No. 866,557, page 2, line 29.



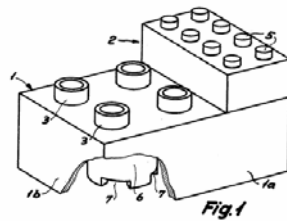
**Fig. 2 of U.K. Patent
No. 866,557**



**Fig. 9 of U.K. Patent
No. 866,557**

3.2.4 The DUPLO Bricks

Also the DUPLO Brick has been subject matter for patents. There is no need for me to go into the details. Below is an image from the accompanying drawing to the Canadian Patent Specification No. 880,418 showing that the DUPLO Bricks are compatible with the LEGO Bricks. The tube showed inside the cavity of the DUPLO Bricks does not look the same as the tubes of the DUPLO Bricks that are for sale today.



**Fig. 1 of Can. Patent No. 880,418
(DUPLO Bricks) (expired 1988)**

4 Non-technical Elements of the Basic LEGO Brick

In order to maintain market dominance patents are rarely sufficient. A patent is limited in time and only protects the technical idea. Patent protection can often be complemented with for instance brands and trademarks that are related to the product. Branding is extremely important for a company that has a temporary monopoly on a product. Once the patent expires the market is open for competition. Strong brand loyalty might help the company to keep the market dominance it had due to the patent protection.

In this chapter I will illustrate other planned (registered) rights of the LEGO Group, e.g. the Group's trade name and some of its trademark registrations. I will also discuss copyright and design protection in view of the Basic LEGO Brick.

It should be noted that this chapter will only concern the strategy of the LEGO Group as regards trademarks that has been claimed on the administrative arena, i.e. registered trademarks and not trademark rights based on usage. In addition, this chapter does not concern the potentiality for trademark protection of the shape of the Basic LEGO Brick. Actions aiming at trademark protection for the shape will be examined in Chapter 5.

4.1 Company Name

At first Ole Kirk Christiansen's company was called "Billund Maskinsnedkeri og tømrerforretning". It was in 1934 that the LEGO Group's trade name LEGO was coined by the Company founder Ole Kirk from the Danish phrase leg godt, meaning "play well". "Lego" also means "I put together" in Latin but Christiansen is said to have been unaware of that fact when he thought up the name.³⁷

A trade name is also a brand. Frank Banke Troelsen of Brand Development says that the Company has the goal of becoming the strongest brand in the awareness of families with children. According to the independent research institute Young & Rubicam the LEGO Group was the sixth best known brand in the world among families with children in the 0 - 11 age group in 2003. LEGO held the same position in 2000. In the same survey Young & Rubicam reported that Coca Cola held the leading position, followed by Kellogg's and Disney, no. 4 M&M's and no. 5 Fisher Price.³⁸ Others say that LEGO has maintained its position in the top five toy brands for the last twenty years³⁹.

In Sweden for example, trade names are protected under the Swedish Trade Names Act⁴⁰. The Act provides for businessman to acquire exclusive rights to a trade name through registration or establishment on the market. Trade names must distinguish the business from that of others. Pursuant to Sections 3 and 4 the exclusivity involves that a

³⁷ Steen Hansen, Ole: "LEGO och Godtfred Kirk Christiansen", page 16.

³⁸ The LEGO Groups web page, Press Releases, published on December 10 2003, <http://www.lego.com>.

³⁹ Harvard Business School, Working Knowledge , "Toy Story: Educational Products Paying Off", by Susan Young, published on April 5 2004, <http://hbswk.hbs.edu/item.jhtml?id=4035&t=marketing>.

⁴⁰ Swe. Firmalag SFS 1974:156.

businessman may not use a trade name that is confusingly similar to the registered or established trade name of another businessman.

4.2 Trademarks

Trademarks are words or symbols (signs) used in relation to goods and services in order to distinguish the owner's goods and services from those of another. Trademark law restrains others from using the owner's mark to their goods and services. Trademark protection can be obtained through registration but it can also be based on use and goodwill. For more details, see Section 5.2.2.

The LEGO Group has registered several wordmarks, e.g. *LEGO*®, *DUPLO*® and *LEGOLAND*®. The LEGO Group has also registered several logotypes including "LEGO" as CTMs (Community trademarks)⁴¹. The LEGO brand name has become so synonymous with their toy bricks that many use the words "Lego" or "Legos" to refer to the bricks themselves, and even to any plastic bricks similar to LEGO bricks, although the LEGO Group discourages such dilution of their trademark name. If a trademark becomes diluted it is no longer protectable since it is not distinctive anymore. In order to protect and preserve its word mark, the LEGO Group urge people to always refer to their bricks as "LEGO Bricks or Toys" and not "Legos". The LEGO Group provides instructions for how to write and use the LEGO brand name. For instance the Group urges people to always write the brand in capitals and when the LEGO brand is used as a noun it should not stand alone. It must always be accompanied by another noun and the first time the LEGO brand name is used in a heading and in the following text it should be accompanied by the registration symbol ®. Since the LEGO Group has carved out an own niche it can be difficult to preserve the brand so that it does not become generic, i.e. that the product as such is called lego or legos. Writing the brand in capitals also prevents dilution of the trademark.

According to the LEGO Group the Basic LEGO Brick has been granted protection through trademark registration in some countries. LEGO succeeded to register its brick in for instance France and Switzerland. As we will see below those registrations have later been challenged before courts. LEGO has also succeeded in registering the Brick as a CTM⁴². However, the Cancellation Division of OHIM recently declared the CTM invalid for "construction toys"⁴³. As already held, I have decided to gather all cases and decisions relating to the Basic LEGO Brick trademark in Chapter 5 in order to provide coherence and uniformity in the thesis.

⁴¹ See e.g. CTM No. 2829463 (figurative mark).

⁴² CTM No. 107 029 (3D TM).

⁴³ Decision of 30 July 2004, OHIM reference number: 63 C 107029/1.

4.3 Other Forms of Protection

4.3.1 Design Protection

In most design law regimes design protection gives a right holder the exclusive right to use the design in commercial production and marketing.

The Community legislator has harmonised the laws of the Member States regarding designs by adopting the EC directive 98/71/EC (Design Directive). It is possible to apply for design protection in all EU countries at OHIM (Community Design) under the provisions of Council Regulation No. 6/2002 on Community Designs⁴⁴. The regulation gives the right holder a possibility to maintain the design protection for up to 25 years. The designer has a “grace period” of 12 month from having publicly exposed the design till he/she applies for the protection. Protection is available also for unregistered designs in case the conditions for protection are fulfilled.

Regulation No 6/2002

Article 4

Requirements for protection

1. A design shall be protected by a Community design to the extent that it is new and has individual character.

...

Article 8

Designs dictated by their technical function and designs of interconnections

1. A Community design shall not subsist in features of appearance of a product which are solely dictated by its technical function.

2. A Community design shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to or placed in, around or against another product so that either product may perform its function.

3. Notwithstanding paragraph 2, a Community design shall under the conditions set out in Articles 5 and 6 subsist in a design serving the purpose of allowing the multiple assembly or connection of mutually interchangeable products within a modular system.

Community Design is available for a shape of a product and in particular the product line patterns, contours, colours, forms, surface or material. It is only the normally visible shape of the product that can be protected. The design must be new (compared to previously known designs), distinctive (“individual character”) and it must result from some kind of human creation.

Design protection was not available in for instance Sweden when the LEGO Bricks were introduced on the market. Neither is design protection available for the Basic LEGO Brick today since, individual character or not, the design would not meet the novelty criterion. Thus we can only speculate on whether the LEGO Bricks would be eligible for design protection in Sweden if they were developed today.

⁴⁴ Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs.

Under the Regulation on Community Designs, the character of a design can be ornamental or functional. It is however not possible to protect a technical solution under design law. It follows from Article 8 (1) of the Design Directive that the scope of protection does not comprise features of a product that exclusively follows from what is necessary to achieve a technical result. Hence protection for functional shapes is possible under design law provided that the shape is not exclusively functional. One can assume that the functionality doctrine under the Design Directive would be given the same interpretation as under the TM Directive by the ECJ. The rationale of Article 8 (1) of the Design Directive must be similar to that of Article 3 (1) (e) (ii) of the TM Directive, see Section 5.2.2 below.

4.3.2 Copyright

Copyright is an exclusive right to control original literary, dramatic, artistic and musical works. Also those who have made works that relate to the original works are granted exclusivity (“related rights” or “certain rights neighbouring copyright”). In order for something to constitute a work within the meaning of the Swedish Copyright Act⁴⁵ it must have certain originality. The originality criterion varies depending on the type of work.

There are no requirements for registration since copyright is formless, i.e. copyright is automatic when a work satisfies the conditions for protection. Thus, when someone has created a work worthy of protection, copyright to that work arises.

Copyright protection is available for “industrial designs” (also known as “works of applied art”). Compared to other creations it takes more for industrial designs to be considered sufficiently original for protection. Also, it must be borne in mind that technical solutions can never be protected under copyright law as it protects the expression and not ideas or motifs.

The Berne Convention⁴⁶ is an international convention which provides obligations for the Members of the Convention to protect the rights of authors in their literary and artistic works within the Berne Convention Union. See further Section 5.3.1.

In a trademark case before the public courts of Swedish (see Section 5.2.4 below), the LEGO Group itself asserted that copyright protection ought not to be available for the LEGO Bricks in that they were not sufficiently original:

”Upphovsrättsligt skydd är uteslutet av den anledningen att byggklotsarna inte utgör verk i upphovsrättslagens mening. Härför krävs nämligen ett större mått av självständighet, originalitet och individuell särprägel än vad klotsarna uppvisar.”⁴⁷

⁴⁵ The Swedish Act on Copyright in Literary and Artistic Works (Law No. 729, of December 30, 1960, and later amendments).

⁴⁶ The Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886 and subsequent revisions and amendments.

⁴⁷ The Swedish Supreme Court, case *LEGO System A/S v. Dan B*, NJA 1987 page 923.

In China, a federal court of appeal confirmed the LEGO Group's copyright protection for some of the LEGO Group's toy building sets that were produced 1976 - 1990. See the case below at Section 5.3.2.

5 The Legal Battles

5.1 The LEGO Group's Position on Protecting Its IPRs

In this chapter I will demonstrate how the LEGO Group has argued before courts and decision making bodies that the features which were claimed in patents to solve a technical problem should be protected by trademark law, copyright law and unfair competition law. Each year the legal department of the LEGO Group handles hundreds of incidents involving infringement of IPRs⁴⁸. Poul Hartvig Nielsen, who is Head of Legal Services at LEGO, has said:

“We have, over the years, seen ourselves as being copied, although others say they are imitating. Since the late 60's, we have been very cautious about our intellectual property rights and have tried to police them”.⁴⁹

And:

“We shall continue to defend our business interests via our trademarks, patents, designs, copyrights and various other intellectual property rights as we have also done in the past. Also it is very vital to us that we are able to safeguard our consumers from imitations, which tend to cause confusion.”⁵⁰

Peter Strandgaard of the LEGO Legal Department, who is in charge of intellectual property rights lawsuits in Europe, has said⁵¹:

“Numerous imitators over the years have attempted to exploit the LEGO Group's familiar and established brand by selling copy products. We have frequently been contacted by users who were angry at having been misled - having bought a product which in no way lived up to the high quality standard maintained by the LEGO Company.”

“We don't mind competition - but it has to be fair. We regard blatant imitation of our products as unfair competition because the imitator has undertaken no independent product development and has borne none of the development costs. We are pleased there is one fewer copy product on the market but there are lots of them out there - and unfortunately we shall probably never be able to prevent all new imitators continuing to try their luck on the market.”

The LEGO Group often pays for having the copies destroyed. The ash from burnt copy products can be used in the production of cement and moulds that have been handed over from competitors are melted down at ironworks⁵².

⁴⁸ The LEGO Group's web page, Press Releases, <http://www.lego.com>.

⁴⁹ NYTimes.com, By Ian Austen, published on February 2 2005, <http://www.nytimes.com/2005/02/02/business/worldbusiness/02lego.html?ex=1110517200&en=bf689dd2672f361e&ei=5070>.

⁵⁰ The LEGO Group's web page, Press Releases, “German decision postponed”, published on December 3 2004, <http://www.lego.com>.

⁵¹ The LEGO Group's web page, Press Releases, published on January 22 2003, <http://www.lego.com>.

⁵² The LEGO Group's web page, Press Releases, published on January 22 2003, <http://www.lego.com>.

5.2 Trademark Actions

5.2.1 Paris Convention

Under the Paris Convention for the protection of industrial property the undersignors undertake to protect trademarks registered in one of the countries of the Paris Convention Union. This follows from Article *6bis* of the Paris Convention. Article *6quinquies* (B) contains those grounds for refusal of trademark protection that are acceptable in accordance with the Paris Convention. Pursuant to Article *6quinquies* (B) (2) marks which are devoid of any distinctive character and which consist exclusively of signs which designate for instance the intended purpose of the goods may be denied protection. The Paris Convention does not contain a ground for refusal of protection that exactly corresponds to Article 3 (1) (e) (ii) (see below under “Community Trademark Law”, Section 5.2.2.). The wording of the provisions of the Paris Convention is quite broad and leaves huge discretion to the members of the Paris Convention Union in the implementation of their obligations.

Article *6quinquies*

B. Trademarks covered by this Article may be neither denied registration nor invalidated except in the following cases:

2. when they are devoid of any distinctive character, or consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, of the goods, or the time of production, or have become customary in the current language or in the bona fide and established practices of the trade of the country where protection is claimed; ...

5.2.2 Community Trademark Law

The Council of the EC Community has taken steps to harmonise the national trademark laws of the EU Member States in order to eliminate the risk that fundamental disparities in national legislation is distorting the competition on the Common Market. Council Directive 89/104/EEC⁵³ to Approximate the Laws of the Member States Relating to Trade Marks (the TM Directive) was adopted in 1988. For the establishment of a Community trademark system the Council adopted Regulation 40/94 EEC⁵⁴ on Community Trademark (CTMR) in 1993.

A CTM can only be obtained by registration at the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain, Article 6 of CTMR. The Council Regulation renders possibilities for a trademark holder to register a trademark in order to obtain trademark protection which is effective in the whole territory of the EU. However, if there is an obstacle for the mark to be registered in one of the Member States it cannot be registered as a CTM⁵⁵.

⁵³ First Directive 89/104/EEC of the Council, of 21 December 1988, to Approximate the Laws of the Member States Relating to Trade Marks (OJ EC No L 40 of 11.2.1989, p. 1).

⁵⁴ Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (consolidated version).

⁵⁵ Koktvegaard, Mogens and Levin, Marianne: ”Lärobok i immaterialrätt”, 7th edition, page 313.

Under Article 2 of the TM Directive a trademark may consist of any sign capable both of being represented graphically and of distinguishing the goods or services of one undertaking from those of other undertakings. Never the less some marks shall not be registered owing to an absolute ground for refusal. The grounds for refusal to register signs consisting of the shape of a product are expressly listed in Article 3 (1) (e) of the TM Directive. The ECJ has established that the list of grounds for refusal is exhaustive which is clear from the seventh recital of the preamble of the TM Directive⁵⁶. Under Article 3 (1) (e), second indent, of the TM Directive or Article 7 (1) (e) (ii) of CTMR signs which consist exclusively of the shape of goods which is necessary to obtain a technical result shall not be registrable. Acquired distinctiveness through use of the mark excludes some absolute grounds for refusal but not the aforesaid ground. In accordance with Article 51 of CTMR, a CTM that has been registered in breach of Article 7 shall be declared invalid subsequent to an application to OHIM or on the basis of a counterclaim in infringement proceedings.

Council Directive 89/104/EEC

Article 3 - Grounds for refusal or invalidity

1. The following shall not be registered or if registered shall be liable to be declared invalid:
 - e. signs which consist exclusively of:
 - the shape which results from the nature of the goods themselves, or
 - the shape of goods which is necessary to obtain a technical result, or
 - the shape which gives substantial value to the goods; ...
2. A trade mark shall not be refused registration or be declared invalid in accordance with paragraph 1 (b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.

CTMR

Article 7: Absolute grounds for refusal

1. The following shall not be registered:
 - (e) signs which consist exclusively of:
 - (i) the shape which results from the nature of the goods themselves; or
 - (ii) the shape of goods which is necessary to obtain a technical result; or
 - (iii) the shape which gives substantial value to the goods; ...
3. Paragraph 1 (b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.

⁵⁶ ECJ, C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd.*, para. 74.

According to Article 10 of the EC Treaty⁵⁷ all Member States of the EU are obliged to comply with Community law. The principle of supremacy of EC law involves that Community law takes precedence when there is a conflict between Community law and domestic law, however framed. Hence national courts must ensure effectiveness of Community law and may not apply domestic provisions in contradiction with Community law. Accordingly, the case-law of the European Court of Justice (ECJ) is binding for the national courts. Case *Philips/Remington*, which involves how to interpret Article 3 (1) (e) of the TM Directive, will thus affect the trademark laws of the Member States to the extent they differed.

Case-law of the ECJ

C-299/99 Philips/Remington

Philips sued Remington for infringement of its trademark and Remington counter-claimed that the trademark registered by Philips should be revoked. The trademark that was registered by Philips was a graphic representation of the shape and configuration of the head of an electric shaver with three circular heads with rotating blades in the shape of an equilateral triangle. As questions were raised relating to the interpretation of the TM Directive, the Court of Appeal (England and Wales) referred questions to the ECJ for a preliminary ruling⁵⁸.

In this case the ECJ declared that the grounds for refusal in Article 3 of the TM Directive must be interpreted in the light of the public interest underlying each of them⁵⁹. The ECJ subsequently established that the purpose of Article 3 (1) (e) is to prevent a trademark holder from being granted a monopoly on technical solutions or functional characteristics of a product⁶⁰. The public interest behind Article 3 (1) (e) was considered to be that a shape whose essential characteristics perform a technical function and were chosen to fulfil that function may be freely used by all⁶¹. Individuals should not be able to acquire everlasting exclusive rights relating to technical solutions⁶². Furthermore, the ECJ found that it was irrelevant for the application of Article 3 (1) (e), second indent, whether there were other shapes which could achieve the same technical result, since nothing in the wording of the provision allowed that conclusion⁶³. Accordingly, “signs which consist exclusively of ... the shape of goods which is necessary to obtain a technical result” shall mean that “[w]here the essential functional characteristics of the shape of a product are attributable solely to the technical result, Article 3 (1) (e), second indent, precludes

⁵⁷ Treaty Establishing the European Community

⁵⁸ United Kingdom implemented Council Directive 89/104/EEC by means of the new Trade Marks Act 1994.

⁵⁹ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*, para. 77

⁶⁰ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*, para. 78

⁶¹ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*, para. 80

⁶² ECJ, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*, para. 82

⁶³ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd*, para. 81

registration of a sign consisting of that shape, even if that technical result can be achieved by other shapes”⁶⁴.

C-53/01 – C-55/01 Linde AG, Windward Industries Inc, Rado Uhren AG

In this case the ECJ confirmed some of the statements it had made in the case of *Philips/Remington*. The ECJ confirmed that Article 3 (1) (e) is a preliminary obstacle liable to prevent a sign consisting exclusively of the shape of a product from being registrable⁶⁵. Once again the ECJ stated that the rationale of Article 3 (1) (e) of the TM Directive is that a trademark holder is prevented from obtaining a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors⁶⁶.

5.2.3 Community Trademark Registration

Cancellation Division of OHIM

Decision of the Cancellation Division of 30/07/2004

At first the OHIM considered it possible to register the Basic LEGO Brick in accordance with CTMR. The Cancellation Division of OHIM recently declared the CTM invalid for “construction toys”⁶⁷. The Basic LEGO Brick was registered as a 3D TM on October 19 1999. The CTM registration showed a picture of a red Basic LEGO Brick and the shape of the brick was registered for various goods in class 9 and for the following goods in class 28: “games and playthings; gymnastic and sporting articles; decorations for Christmas trees. The CTM was registered together with the mentioning of “acquired distinctiveness”.

Mega Bloks Inc., a Canadian company, filed third party observations against the acceptance of the mark on 21 October 1999. Mega Bloks previously had filed an application for declaration of invalidity without success. In the present case Mega Bloks argued that the CTM was not inherently distinctive and that it had not acquired distinctiveness. Further Mega Bloks was of the view that the shape of the brick was necessary to achieve a technical result and that it had been described and claimed in patent specifications. Mega Bloks held that the subject matter for the CTM was the optimal shape for a toy building brick and that alternative shapes were less functional and more costly. LEGO argued that the shape was not necessary to achieve a technical result and that there were a great number of equally advantageous alternative shapes. Moreover LEGO alleged that the shape was not only functional but also designed to obtain eye appeal. LEGO denied that the shape was disclosed or claimed in the patents.

⁶⁴ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd*, para. 83

⁶⁵ ECJ, joined cases C-53/01 – C-55/01, *Linde AG*, para. 44.

⁶⁶ Joined cases C-53/01 – C-55/01, *Linde AG*, para. 72.

⁶⁷ Cancellation Division of OHIM, Decision of July 30 2004, ref: 63 C 107029/1.

Before reaching a decision the Cancellation Division *ex officio* stayed proceedings till the case *Philips/Remington*⁶⁸, which at the time was a pending case before the ECJ, was resolved. Having regard to the judgement of the ECJ, the Cancellation Division found that the shape registered by LEGO had been dictated by technical considerations and that the interlocking mechanism involved a technical result. The colour red, which was claimed in the registration, was not considered to add distinctiveness to the mark. The mark remains registered for “games and playthings, except construction toys” and the other goods for which it was registered prior to the decision of the Cancellation Division.

First of all, the Cancellation Division pointed out that the mark as first registered consists of the goods “playthings” themselves. In the registration, only the upper side face of the brick was disclosed. However, it had been disclosed in the material submitted to the Cancellation Division that projections and a hollow skirt on the underside face of the brick interacted with the upper side face projections of a like brick underneath the former brick so as to hold the bricks together. The Cancellation Division concluded that the fact that the preferred embodiment of the invention is to use bricks with tubes⁶⁹ automatically means that the bosses must have a particular diameter and configuration so as to interlock in an optimal way.

Subsequently, the Cancellation Division concluded that all the various features of the Basic LEGO Brick perform particular functions. The fact that the features of the brick had been disclosed in patent claims previously was not considered to exclude trademark protection *per se*. The Cancellation Division stated that various IPRs, provided fulfilment of the conditions, can protect the same intellectual property item. That patent protection does not exclude CTM registration follows from Article 14 (2) and Article 106 (2) CTMR. However, prior patent specifications were considered to be relevant for the purpose of examining whether the shape of the mark is necessary to obtain a technical result, and if registration was to be excluded for that reason in accordance with Article 7 (1) (e) (ii) CTMR.

With regard taken to the above mentioned British patent specifications (including Harry Fisher Page’s patents), the Cancellation Division concluded that all features of the shape of the mark, i.e. the mark as a whole, is necessary to obtain a technical result, i.e. the interlocking solution. For instance, the Cancellation Division took into consideration that it had been disclosed in patent 866,557 that a cylindrical shape of the primary and secondary projections is preferable⁷⁰ and that the accompanying drawings showed bricks identical to the mark. Furthermore, the Cancellation Division stated that even though the height of the bosses had not been disclosed in the patent specifications a particular diameter of tubes with regard to the diameter of the bosses and the width of the cavity of the hollow brick and their relation to each other was disclosed in patent 866,557. In addition, the Cancellation Division took the view that the relative height of the bosses does influence the clutch power in that if they were too low, the bricks would have less interlocking effect, and if they were too high, it would be difficult to disassemble the

⁶⁸ ECJ, case C-299/99, *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd.*

⁶⁹ The British Patent Specification No. 866,557, page 2, line 20 ff.

⁷⁰ The British Patent Specification No. 866,557, page 2, line 20 ff.

bricks. As regards the shape of the Basic LEGO Brick the Cancellation Division thought that it was obvious that when the bosses represent a symmetric configuration, the size and shape of the brick will necessarily follow the same symmetric configuration. The Cancellation Division further considered it to be necessary in accordance with the lever-law for the height of the bricks to be in relative proportion to the height of the bosses and that “[v]ery flat bricks could only be separated by using one’s fingernails”⁷¹. The conditions of Article 7 (1) (e) (ii) CTMR were considered to be fulfilled. The essential features of the shape were attributable solely to the technical result.

The Cancellation Division followed the reasoning of the ECJ in case *Philips/Remington* regarding the “necessary” criterion. It was irrelevant if there were other shapes which would allow the same technical result to be obtained. At para. 83 of the *Philips/Remington* judgement the ECJ stated: “Where the essential functional characteristics of the shape of a product are attributable solely to the technical result, Article 3(1)(e), second indent, precludes registration of a sign consisting of that shape, even if that technical result can be achieved by other shapes”. The Cancellation Division stated in its judgement that “the test is whether if the respective element was absent, the technical result would not be obtained, and if the respective element was altered substantially, the technical result would also alter substantially”⁷².

In conclusion, the Cancellation established the following:

“Indeed, all the various elements of the shape of which the mark consists, namely the knobs, their number, their diameter, their height, their symmetrical placement on the upper side of the brick, the height, width and length of the brick itself, are all essential for the result achieved, and are all necessary to achieve it. The same applies for the juxtaposition of these elements in the mark and therefore to the shape as a whole, as it is precisely the way in which the various elements are configured and interact with each other, that the result is achieved.”⁷³

Nota bene the last sentence of the quotation which will be discussed in next chapter. Hence the Cancellation Division took the view that all the elements of the shape, i.e. the shape as a whole, are necessary to perform a technical function. What matters, the Cancellation Division declared, was whether the features of the shape perform a technical function and were chosen to fulfil that function, and if those features were protected by trademark protection competitors would be held back from utilising that technical result. The stability and versatility of the interlocking mechanism was a technical result according to the Cancellation Division. In order to make that conclusion the Cancellation Division used the conditions for protection under patent law.

The Cancellation Division made some interesting statements concerning the borderline between trademarks and patents. The Cancellation Division stated that a patent is limited in time and that that should not be circumvented by seeking trademark protection, and further that when a patent expires it should not be possible to substitute that protection by invoking trademark protection.

⁷¹ Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, para. 40.

⁷² Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, para 47.

⁷³ Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, para. 49.

As mentioned above, the shape was registered for “games and playthings”. The mark was of course not necessary to obtain a technical result in connection to other products than “construction toys” why there was no problem in having the shape registered with a disclaimer for those products. The LEGO Group has appealed the decision to the Boards of Appeal of the OHIM⁷⁴.

5.2.4 Sweden

According to Section 1 and 2 of the Swedish Trademarks Act⁷⁵ an exclusive right in a trademark as a special symbol for the purpose of distinguishing goods which are made available in the course of a business activity can be acquired by means of registration or without registration when the mark has been established on the market.

Since the adoption of the TM Directive the Swedish Trademarks Act has two provisions that deal with functionality. Section 5 and Section 13 second paragraph do not correspond word by word. Section 5 states that protection shall be denied for such parts of a mark that “mainly” serve at making the product more utilitarian. Section 13 second paragraph states that a mark may not be registered if it consists “exclusively” of a shape which is necessary to obtain a technical result. Section 13 second paragraph is a direct result from the implementation of the TM Directive and shall correspond to Article 3 (1) (e) of the TM Directive which is a mandatory ground for refusal. Previously Section 5 concerned both registered trademarks and trademarks that had been established on the market. Since the TM Directive only regulates trademark registrations Section 13 second paragraph cannot directly concern trademarks that have been established on the market. When Sweden implemented the TM Directive Section 5 remained unchanged. Never the less Section 5 must be interpreted in the light of Section 13 second paragraph. Otherwise there would be different prerequisites for registered marks and marks that have been established on the market. The starting point for the Swedish Trademarks Act is protection on equal terms. Additionally Section 5 must be interpreted in the light of the Community law since the Community law takes precedence over domestic law. Since the ECJ issued its judgement in case *Philips/Remington* it is clear that Article 3 (1) (e) (ii) shall mean that trademark protection is precluded where the essential functional characteristics of the shape of a product are attributable solely to the technical result. The Trademarks Committee (Swe. Varumärkeskommittén) has presented a proposition for a new Trademarks Act where Section 13 second paragraph will be placed under Section 3 as a fourth paragraph and it will apply for registered trademarks as well as established trademarks⁷⁶.

Pursuant to Article 15 of the Trademarks Act the exclusive right in a trademark acquired through registration does not include such elements of the mark which cannot by

⁷⁴ The LEGO Group’s web press release of July 30 2004, <http://www.lego.com/>; OHIM, appeal number: R0856/2004-1, date of receipt: 20/09/2004, appellant name: LEGO Juris A/S, appellant number: 206059.

⁷⁵ Law No 644 of December 2, 1960, SFS 1960:644; WIPO, English Law Translations, collection of national intellectual property laws, <http://www.wipo.int/clea/en/index/jsp>.

⁷⁶ SOU 2001:26, Ny varumärkeslag och ändringar i firmalagen, pages 426 ff and 435.

themselves be registered and, in case of likelihood of uncertainty as to the scope of the exclusive right, the elements may be explicitly excluded from the registration. It should be noted that the disclaimer-rule aims only at defining the scope of protection and shall not be seen as a restriction as such. The provision has no correspondence in the TM Directive.

The Trademarks Act

Section 5

The exclusive right in a trade symbol does not extend to such parts of the symbol which mainly serve at making the goods or their packaging more practical or otherwise serves purposes other than that of being a trade symbol.

Section 13

A trademark may be registered only if it is distinctive. A mark which, exclusively or with only minor changes or additions, indicates the kind, quality, quantity, use, price or geographical origin of the goods or the date of their production shall not in itself be deemed to be distinctive. In the assessment of whether a mark is distinctive consideration shall be given to all circumstances and in particular to the scale and the time of the use of the mark.

A symbol consisting exclusively of a shape which results from the nature of the goods or of a shape which is necessary to obtain a technical result or of a sign which gives a substantial value to the goods may not be registered as a trademark.

Article 15

An exclusive right in a trademark acquired through registration does not include such elements of the mark which can not by themselves be registered.

Where a mark contains such an element and there are special reasons to assume that the registration of the mark may cause uncertainty about the scope of the exclusive right, this element may be explicitly excluded from the registration.

Where it is later shown that an element of a mark which has been excluded from the protection, has become eligible for registration, a new registration may be effected of this element of the mark or of the entire mark without such an exception.

The Supreme Court of Sweden

In this case the Supreme Court established how to interpret Section 5 of the Trademarks Act. Since the adoption of the TM Directive many lawyers have questioned the LEGO case as a precedence concerning Section 5. There are however close points of similarity between the reasoning of the ECJ in case *Philips/Remington* and the reasoning and opinions of the Swedish Supreme Court in this case. The judgement will be more comprehensively discussed in Chapter 6 of the thesis.

NJA 1987 page 923 LEGO System A/S v. Dan B

In 1982 the LEGO Group claimed before the public courts of Sweden that its trademark rights were infringed by Dan B who sold bricks which were close to identical to the

bricks of LEGO. LEGO argued that since there were alternative shapes to the Basic LEGO Brick the shape was not functional to such an extent that it should be precluded from trademark protection according to Section 5 of the Trademarks Act. LEGO was of the view that if a shape can be modified and the technical result remains (the so called “variation criterion”) the shape is not functional within the meaning of Section 5. LEGO further argued that the shape mainly consisted of non-functional elements. Dan B on the other hand argued that the shape of the brick was exclusively dictated by function. According to Dan B the form and size of the brick was due to functional considerations and so was the number of bosses. Furthermore Dan B alleged that the interlocking solution had been disclosed in patents and that the brick had the optimal shape in order to achieve that technical result.

The court of first instance, Tingsrätten, considered the Basic LEGO Brick to have acquired distinctiveness through usage and applied the variation criterion in order to determine whether the shape was mainly due to functional considerations. Tingsrätten concluded that since the shape could be varied without losing its functionality the mark was eligible for trademark protection. Dan B appealed the decision to the Appellate Court, Hovrätten, and a majority of the Appellate Court confirmed the judgement.

The matter was finally before Högsta Domstolen, the Swedish Supreme Court. The Supreme Court held that such parts of the shape of a product that mainly performs a technical function are precluded from trademark protection⁷⁷. The Basic LEGO Brick was ruled by the Supreme Court not to qualify for trademark protection. Even though the design and form of the brick was considered to have acquired distinctiveness through usage, the shape had mainly been chosen by functional considerations. The Supreme Court held that the form of the brick and the interlocking-mechanism, represented by the bosses on the upper surface of the brick, solely aimed at a technical result. The Supreme Court made it clear that the fact that a shape which aims at a technical result can be varied more or less without losing the intended function is irrelevant. The Court opined that a technical solution that is not protected by a patent must be available for everybody to use even if there are alternative technical solutions. Therefore a shape which as a whole is mainly dictated by form cannot be subjected for exclusive rights regardless of if it has acquired distinctiveness. The only feature of the LEGO Bricks that was not due to functional considerations was the range of colours in which the bricks were produced. The colours were however considered to lack of distinctiveness. Accordingly, the Supreme Court concluded that the LEGO Brick mainly served purposes other than that of being a trade symbol.

Patentbesvärsträtten

The LEGO Group’s Application for Trademark Registration

After the new Trademarks Act had been adopted in 1994 the LEGO Group filed an application for a registration of a figurative trademark including the shape of the Basic

⁷⁷ The Swedish Supreme Court, case *LEGO System A/S v. Dan B*, NJA 1987 page 923.

LEGO Brick. Patentbesvärsträtten⁷⁸ (PBR) referred to *case NJA 1987 page 923* where the Supreme Court of Sweden had established that the shape of the Basic LEGO Brick was not eligible for trademark protection. PBR suggested that LEGO should be granted trademark protection for the mark however with a disclaimer for the shape of the Basic LEGO Brick. LEGO then chose not to register the mark and accordingly the application was dismissed.⁷⁹

This case has been a matter of dispute since PBR upheld the Supreme Court's interpretation of Section 5. Many lawyers have considered that the TM Directive ought to provide a less restrictive view of which marks that are capable of registration than which follows from the ruling of the Supreme Court in the LEGO case. The view of the PBR was especially controversial subsequent to that OHIM accepted the shape of the Basic LEGO Brick as a CTM. The decision of PBR is most likely less controversial since the ECJ issued its judgement in the Philips/Remington case and since OHIM declared the CTM registration invalid for "construction toys"⁸⁰.

5.2.5 France

In France ownership of a trademark can only be acquired by registration. The registration is effective during a term of 10 years and it may be renewed any number of times. In accordance with the TM Directive, a sign which exclusively consist of the shape imposed by the nature or function of the product or which give the product its substantial value are precluded from protection under French trademark law. Such marks are not regarded as distinctive and they cannot acquire distinctiveness by use.

The Trademarks Act

Art. L. 711-2. The distinctive nature of a sign that is capable of constituting a mark shall be assessed in relation to the designated goods or services.

The following shall not be of a distinctive nature:

- (a) signs or names which in everyday or technical language simply constitute the necessary, generic or usual designation of the goods or services;
- (b) signs or names which may serve to designate a feature of the product or service, particularly the type, quality, quantity, purpose, value, geographical origin, time of production of the goods or furnishing of the service;
- (c) signs exclusively constituted by the shape imposed by the nature or function of the product or which give the product its substantial value.

Distinctive nature may be acquired by use, except in the case referred to in item (c).

⁷⁸ The Boards of Appeal of PRV, the Swedish Patent and Trademarks Office.

⁷⁹ PBR, April 26, 1994, Application No. 87 07 100 (LEGO).

⁸⁰ Decision of 30 July 2004, ref: 63 C 107029/1.

The Trial Court of Nanterre

*KIRKBI A/S and others v. RITVIK TOYS EUROPE S.A.R.L.*⁸¹

In December 1992, KIRKBI brought action in the Trial Court of Nanterre in the Paris district of “La Défense” against the defendants on the grounds of infringement of its 3D TM and unfair competition. The LEGO Group manufactured and distributed LEGO toy building bricks in France that were not protected by patent or design rights. The defendant had introduced the Mega Bloks Bricks, compatible with the LEGO Bricks, to the French market.

Initially, the court declared invalid the LEGO Group’s registration of a 3D TM consisting of the Basic LEGO Brick. The LEGO Brick could not be registered under French trademark law since the form and function of the brick had merged and the shape was primarily dictated by technical imperatives disclosed in long-expired patents.

KIRKBI argued that the shape of the Basic LEGO Brick had acquired secondary meaning⁸² in France. The court considered that it was established that the brick had acquired secondary meaning but in accordance with its abovementioned reasoning the court held that it did not matter whether the defendant could have designed its bricks differently.

Further, the Trial Court established that the unfair competition grounds of the LEGO Group’s complaint should be dismissed. The court concluded that the Mega Bloks Bricks would not likely cause confusion with the LEGO Bricks as the previous products had its own distinctive containers, packaging, trademarks and colour range.

5.2.6 Switzerland

Switzerland is not a member of the EU. Under Article 2 (a) of the Swiss Trademarks Act⁸³, trademark protection is not available to signs that belong to the public domain unless they have acquired secondary meaning (acquired distinctiveness by usage) in relation to the goods or services for which they are claimed. Article 2 (b) contains grounds for refusal of registration in order to keep certain shapes in the public domain with respect to shape trademarks. These grounds for refusal do not have an independent meaning since they simply repeat in respect of product shapes what is already provided for generally in Article 2 (a). In Switzerland, shapes of goods or packaging that are technically necessary are considered to be of vital importance for the commerce and therefore must be free for all to use. Shapes that follow from the nature of the goods are

⁸¹ Trial Court of Nanterre, case *KIRKBI A/S et als v. RITVIK TOYS EUROPE S.A.R.L.*, judgement of May 10 1994; ROBIC, Patent and Trademark Agents www.robic.ca, found on March 9 2005, <http://www.robic.ca/publications/Pdf/142.050.pdf>.

⁸² “Secondary meaning” is the concept as that of “acquired distinctiveness”.

⁸³ Swiss Federal Act 232.11 on the Protection of Trademarks and Indications of Origins on Goods and Services from August 28, 1992 (as of May 13, 1997).

either technically necessary or void of any distinctiveness. An objection under Article 2 (b) cannot be overcome by having acquired secondary meaning.

Trademarks Act (SR 232.11)

Art. 1 Definition

1 The trademark is a mark capable of distinguishing the goods or services of a company from the goods and services of another.

2 In particular, trademarks can be words, letters, numbers, illustrations, three dimensional forms or combinations of such elements or with color.

Art. 2 Absolute Grounds for Exclusion

The following are excluded from trademark protection:

- a. trademarks belonging to the public domain, unless the mark has asserted itself as a trademark for the goods or services for which it is claimed;
- b. Forms, that amount to the essence of the goods, and forms of the goods or packaging that are necessary for technical reasons;
- c. misleading trademarks;
- d. trademarks that violate public order, good manners or valid law.

According to case-law from the Swiss Federal Court of Lausanne⁸⁴ shapes that follow from the nature of the goods themselves cannot gain trademark protection as they are regarded as a prerequisite for the product to function. Furthermore, technically necessary shapes, i.e. where there are no feasible alternative shapes for other actors on the market to use, are not eligible for trademark protection. Technically influenced shapes that confer a technical advantage but are not the only way of achieving the technical result can only be registered if they are inherently distinctive or if they have acquired secondary meaning. Shapes that have technical side-effects, i.e. shapes that are technically useful but are not primarily determined by their technical use, may enjoy trademark protection unless they belong in the public domain, then they require acquired secondary meaning to be registered.

The Swiss Federal Court of Lausanne

*Mega Bloks Inc. v. LEGO Systems A/S*⁸⁵

LEGO held five Swiss trademark registrations for the shape of its toy building bricks. Before the Commercial Court of Zurich, Mega Bloks challenged the validity of the five trademark registrations. One of the marks was a 3D TM including the shape of the Basic LEGO Brick. Mega Bloks argued that the mark had been invalidly registered on the ground that it was devoid of distinctiveness and applied that the mark should be declared

⁸⁴ Bundesgericht, Swiss Federal Court, Lausanne (First Civil Chamber), case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, judgement of July 2 2003, paras. 13 – 17.

⁸⁵ Bundesgericht, Swiss Federal Court, Lausanne (First Civil Chamber), case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, judgement of July 2 2003; World Trademark Law Report, published on October 15 2004, <http://www.meyerlustenberger.ch/doks/legoshape.pdf>.

invalid. Mega Bloks argued that the shape corresponded to the usual and expected shapes for toy building bricks and were therefore excluded from trademark protection under Article 2(b) of the Trademarks Act.

The Commercial Court followed the arguments put forward by Mega Bloks and established that the shape of the Brick was purely functional and thus could not be protected under trademark law. The shape of the brick, the arrangement, the shape and the size of the bosses were all regarded as results from the envisaged use of the construction bricks. The shape was considered to correspond to the usual and expected shapes for toy construction bricks. Accordingly, the Commercial Court made an interim decision involving that the mark was invalid. LEGO appealed to the Supreme Court.

The Swiss Federal Supreme Court overturned the decision of the lower court and remanded the case in July 2003. First of all, the Supreme Court made some general statements regarding trademark law that were of interest for the purpose of resolving the present case. The Supreme Court held that regarding shape trademarks there is an additional ground for refusal of registration provided for in Art. 2(b) of the Trademarks Act and that ground for refusal cannot be overcome by the acquisition of secondary meaning⁸⁶. According to the Supreme Court, that provision concretises the absolute necessity to keep certain shapes free of monopoly. Shapes of products that are technically necessary are “indispensable for the commerce”⁸⁷ and:

“The protection granted under trade mark law may not lead to monopolise, for an indefinite period of time, technical doctrines that are free from monopolies under patent law or to monopolise essential shapes that characterise goods of certain types.”⁸⁸

The first question the Supreme Court dealt with was whether the shape of the Basic LEGO Brick was excluded from protection because it constitutes the nature of the goods (Art. 2(b)). In order to answer that question the Supreme Court held that it was required to separate the functional features of the goods that correspond to the general expectations of the public from the shape of the specific product. In brief terms, what the public expects belongs to the public domain and may be used by any competitor.

The Supreme Court considered that the lower court had correctly concluded that a rectangular solid shape corresponded to what the public generally expected for toy building bricks. That other shapes of construction bricks were possible could not change that conclusion. However, the addition of bosses went beyond what the public expected since the public would not necessarily expect toy building bricks to be capable of interlock. The Supreme Court held that assemblable toy bricks could have other shapes than the simple rectangular form and hence the public would not necessarily expect assemblable bricks with a rectangular solid shape. Accordingly, the shape was not excluded from trademark protection for that reason.⁸⁹

⁸⁶ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, paras. 9 and 12.

⁸⁷ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, para 10.

⁸⁸ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, para. 9.

⁸⁹ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, paras. 22 – 25.

The second question to be answered was whether the shape was technically necessary to achieve the interlocking effect. The Supreme Court held that the variation criterion must be applied in order to establish whether the shape is necessary to achieve the technical result. In the opinion of the Supreme Court there were many possible configurations that could solve the technical problem of the assembling together of toy bricks. For instance tops with other forms or parallel elevations on the whole length of the brick could be used, according to the Supreme Court. Moreover the Supreme Court held that the shape of the Basic LEGO Brick would amount to a technically necessary shape if trademark protection would force competitors to choose a less practical or less solid shape or a shape which involves higher manufacturing costs instead of an “obvious and effective shape”⁹⁰.

The lower court had only considered the most obvious boss shape but had not considered whether the cylindrical shape of the bosses were “necessary” to enable bricks to be assembled. The lower court had already concluded that there were alternative shapes to the cylindrical filled bosses. The question of reasonable alternatives was to be answered by the lower court and hence the Supreme Court remanded the case to the Commercial Court.

However, according to the Supreme Court, a rectangular toy building brick with cylindrical bosses (to the extent they were not technically necessary) were not unusual or unexpected and was thus not inherently distinctive. In addition the Supreme Court considered that the shape of the Basic LEGO Brick was at least technically influenced⁹¹. Consequently, the shape could only be registered if it had acquired a secondary meaning (i.e. acquired distinctiveness by usage). That too was an issue for the Commercial Court to examine.

Since the Commercial Court in its latter decision limited the examination of reasonable alternatives to bricks that were compatible with the LEGO Bricks, LEGO again appealed to the Federal Supreme Court. The Supreme Court established that alternative shapes were reasonably feasible even if they were not compatible with the LEGO Bricks.

5.2.7 Canada

If a shape of a product can be considered to be a “distinguishing guise”, it is a trademark as defined in Section 2 of the Trademarks Act. There is no doctrine of functionality expressed in that provision. Section 13 of the Act concerns registration of trademarks and that provision expresses the impossibility to register functional marks.

Pursuant to Section 7(b) (“the law of passing off”) under the Canadian Trademarks Act it is possible to bring action against a trader who passes off his goods as if they were the goods of another. Passing off is an exploitation of another’s goodwill. It means that a trader gives consumers the impression that his goods are those of another trader who has an established goodwill. There must be a balance between protecting the proprietor’s

⁹⁰ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, para 30.

⁹¹ Swiss Federal Court, case 4C-46/2003, *LEGO System A/S v. Mega Bloks Inc.*, para 33.

goodwill and protecting the legitimate interests of competitors, and finally but no means least protecting the interests of consumers.

The Trademarks Act

When distinguishing guises registrable

Section 13

- (1) A distinguishing guise is registrable only if
- (a) it has been so used in Canada by the applicant or his predecessor in title as to have become distinctive at the date of filing an application for its registration; and
 - (b) the exclusive use by the applicant of the distinguishing guise in association with the wares or services with which it has been used is not likely unreasonably to limit the development of any art or industry.

Effect of registration

- (2) No registration of a distinguishing guise interferes with the use of any utilitarian feature embodied in the distinguishing guise.

Not to limit art or industry

- (3) The registration of a distinguishing guise may be expunged by the Federal Court on the application of any interested person if the Court decides that the registration has become likely unreasonably to limit the development of any art or industry.

Prohibitions

Section 7

No person shall

- (a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;
- (b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;
- (c) pass off other wares or services as and for those ordered or requested;
- (d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to
 - (i) the character, quality, quantity or composition,
 - (ii) the geographical origin, or
 - (iii) the mode of the manufacture, production or performance of the wares or services; or
- (e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada.

The Federal Court of Appeal

*KIRKBI AG and LEGO Canada Inc v Ritvik Holdings*⁹²

The last Canadian patent on the Basic LEGO Brick expired in 1988. Since 1991 Ritvik has been selling toy building bricks under the brand MEGA BLOKS which are compatible with and substantially identical to the LEGO Bricks. KIRKBI and LEGO

⁹² Federal Court of Appeal, Canada, *Kirkbi AG and LEGO Canada Inc., v. Ritvik Holdings Inc./ Gestions Ritvik Inc.*, judgment of July 14 2003.

Canada, both members of the LEGO Group of Companies, commenced a trademark infringement action in a Federal Court against Ritvik under Section 7(b) of the Trademarks Act claiming that Ritvik was passing off its product as a LEGO product. LEGO claimed that it had acquired trademark protection for the appearance of the upper surface of its brick.

According to Canadian doctrine, a trademark on a product shape cannot be a primarily functional feature of that product (the “doctrine of functionality”). The Federal Court established that the appearance of the LEGO Bricks had become distinctive but that function dictated form. The shape was considered to be primarily functional in that the mark was a functional element of the LEGO Bricks, contributing to the “clutch power” that could be said to be the essence of the LEGO brick building system. The trial judge concluded that all the features of the brick are dictated by function, and the shape of the top surface of the Basic LEGO Brick is purely utilitarian. The LEGO Group’s claim was dismissed.⁹³

In the Court of Appeal LEGO argued against the rejection of protection for primarily functional, unregistered marks. LEGO claimed that the “doctrine of functionality” should only apply to marks registered under the Trademarks Act. LEGO argued that since the doctrine was only expressed in Section 13 of the Act and not in Section 2 it should not be considered to be applicable on its unregistered trademark.

Two questions were to be answered by the Appellate Court: 1) is the shape of the Basic LEGO Brick primarily functional? and 2) can a mark which is primarily functional be a trademark within the meaning of the Trademarks Act?

The Court of Appeal found that the Canadian public was confused as to the commercial origin of the MEGA BLOKS products. However, the majority of the judges (2:1) took the view that a primarily functional element of a product cannot act as a trademark. The Court considered Section 13 to support the position that the doctrine of functionality invalidates a mark which is primarily functional. The Court also referred to case-law where the policy underlying the functionality doctrine, i.e. to avoid obtaining patent protection through means of trade marks, had been upheld. Further the Court concluded that the upper surface of the brick was considered to serve an obvious function for the brick and that the mark was purely functional in nature save for the “LEGO” inscription on the top surface of each boss. As a result, the LEGO Brick could not be eligible for trademark protection.

Moreover, the Court of Appeal considered that all the essential features of the mark (the LEGO Indicia) had been subject matter for patent protection:

⁹³ Federal Court of Canada, Trial Division, *KIRKBI AG and LEGO Canada Inc. v. Ritvik Holdings Inc./Gestions Ritvik Inc.*, judgment: May 24 2002, paras. 48 – 49 and 163.

“In fact, the expired LEGO patents, as set out in the facts section of these reasons, describe the principal features of the alleged trade-mark in issue. The patents sound remarkably like the LEGO Indicia which the Appellants attempt to argue is a trade-mark.”⁹⁴

The Court of Appeal opined that the LEGO Group was only attempting to extend the 50 year monopoly it had already had over its bricks and that if LEGO was granted protection for the Basic LEGO Brick under trademark law LEGO would obtain a patent-like monopoly even though the patents were long expired.

“The Appellants held this monopoly for over 50 years, and, in my opinion, this action was just another attempt to extend patent protection through the guise of a trade-mark.”⁹⁵

The Appellate Court also confirmed some rules from the doctrine that I would like to outline as follows. Any combination of elements that forms a part of a product and that is primarily designed to perform a function (other than simply acting as a trademark) is not a trademark in which rights are enforceable. The opposite result would prevent others from exploiting the functional elements of that product. “Peripheral” or “secondary” functionality is allowed. The existence of a prior patent that covers the feature claimed to be a trademark is evidence that the feature is primarily functional. The finding of whether a mark is primarily functional is a question of fact. The policy underlying the functionality doctrine is “to ensure that no one directly or indirectly achieves the status of patent holder through the guise of a trade-mark”.

On April 29, 2004 the Supreme Court of Canada granted leave to the LEGO Group to appeal its case against MEGA BLOKS Inc⁹⁶.

5.2.8 United States of America

In the United States trademarks may be protected by both federal law and states’ statutory and/or common laws. Under the American federal trademark law, i.e. the Lanham Act, the federal trademark statute adopted in the US in 1946 and the Trademark Law Treaty Implementation Act from the October 30, 1998.⁶¹ a trademark is defined as a trade sign “including any word, name, symbol, or device, or any combination thereof”. The first user of the mark has the exclusive right to register and use it and to prevent other competitors from using it in the course of their commercial operations. For protection under the Lanham Act, 15 U.S.C. Sections 1051 – 1127, registration is required at the Patent and Trademark Office. Under state common law trademarks are protected as part of the law of unfair competition and registration is not required.

The functionality doctrine has been applied in US trademark law for more than half a century. “[F]unctionality is a ground for challenge an incontestable trade mark registrations” according to Article n 4 of the Trademark Treaty Implementation Act.

⁹⁴ Federal Court of Appeal, Canada, *KIRKBI AG and LEGO Canada Inc., v. Ritvik Holdings Inc./ Gestions Ritvik Inc.*, judgment of July 14 2003, para. 46.

⁹⁵ Federal Court of Appeal, Canada, *KIRKBI AG and LEGO Canada Inc., v. Ritvik Holdings Inc. / Gestions Ritvik Inc.*, judgment of July 14 2003, para. 93.

⁹⁶ The Washington Times (United Press International), found on March 9 2005, <http://www.washingtontimes.com/upi-breaking/20040429-051745-4155r.htm>.

There is no time-limit for trademark registrations to be challenged on the functionality ground. The objective underlying the “functionality” requirement is to prevent trademark law from allowing one actor to control a utilitarian feature of a product shape. This has been established by the US Supreme Court in case *Qualitex v. Jacobson Products Co*⁹⁷. The Supreme Court declared:

“It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation”.

The Supreme Court further stated that if functional features of a product shape could be protected by means of trademark a monopoly over such features could be obtained without regard to whether they are patentable and furthermore the monopoly could last forever since the trademark protection can be renewed perpetually.⁹⁸

The United States Court of Appeals

Tyco Industries Inc. v. LEGO System Inc. and INTERLEGO AG

When the patents relating to the Basic LEGO Brick expired in the United States, Tyco Industries Inc, a New Jersey company later acquired by Mattel, began marketing and selling building bricks which were compatible with the LEGO Bricks. At the time of the action Tyco had produced and distributed toys in the United States for 50 years. Tyco began to sell the brick in 1984 under the trademark TYCO SUPER BLOCKS and TYCO PRE SCHOOL SUPER BLOCKS (for younger children). Tyco had copied the physical appearance of the standard LEGO Bricks almost exactly. On purpose Tyco had designed the tubes and bosses of its bricks so as to feel looser and be easier to disassemble.

In 1987 Tyco Industries Inc brought a declaratory judgment action relating to trademark infringement and unfair competition against LEGO. LEGO counterclaimed for trademark infringement and for unfair competition under the Lanham Act. LEGO alleged that the Basic LEGO Brick was protectable under common trademark law and that Tyco’s copying constituted unfair competition in violation of the Lanham Act and of the New Jersey Law of Unfair Competition.

The District Court⁹⁹ held that LEGO could be entitled to protection from unprivileged imitation by competitors if it could demonstrate that the Basic LEGO Brick had achieved common law trademark status. In order to establish an unprivileged imitation LEGO had to show that the imitated feature was non-functional, had acquired a secondary meaning, and that the consumers were likely to be confused as to the commercial origin of the copy product.

⁹⁷ United States Supreme Court, case *Qualitex Co. v. Jacobson Products Co.* (93-1577), 514 U.S. 159 (1995).

⁹⁸ Findlaw.com, US Trademark Law, www.findlaw.com.

⁹⁹ United States District Court D. New Jersey, case *Tyco Industries Inc. v. LEGO Systems Inc. and INTERLEGO A.G.*, judgement of August 26 1987.

Regarding the issue of functionality the District Court held that where a shape of a product contains both functional and non-functional features a court may resolve conflicting interests of free competition and trademark protection by determining whether numerous, equally acceptable alternative shapes are available to competitors. The District Court however considered that alternative shapes were of no relevance in the present case since the shape of the Basic LEGO Brick did not comprise any arbitrary, decorative or other non-utilitarian features. The District Court took the view that the tubes and boss system was the obvious engineering choice e.g. since it enabled positioning errors to be self-correcting. Furthermore cylindrical tubes and bosses were considered to be the easiest shapes to manufacture except for hollow bricks. According to the District Court the Basic LEGO Brick and its features served a purpose other than identification and the District Court expressed that:

“... without incorporating at least some substantial non-functional elements, the Lego 2 x 4 block cannot seek the protection of trademark law.”

Never the less the District Court dealt with the issue of alternative shapes and took into consideration the testimonies of legal witnesses submitted by the plaintiff and the defendant. It seems like the District Court believed it was doubtful that acceptable alternative shapes existed.

However, in accordance with established case-law the District Court held that even in case a feature is functional and accordingly may be copied the imitator may be required to take steps to diminish the risk of confusion, if the product has acquired secondary meaning. The District Court held that in accordance with case-law it was not required to show that the secondary meaning arises solely from non-functional features since such a requirement would be difficult, if not impossible, to satisfy. The District Court found that the Basic LEGO Brick had acquired secondary meaning but none the less there was insufficient evidence of confusion.

A United States Court of Appeal affirmed the judgement¹⁰⁰. LEGO appealed the judgement of the Court of Appeal to the United States Supreme Court which refused to hear the appeal¹⁰¹.

5.3 Actions aiming at Copyright Protection

5.3.1 Bern Convention

The Berne Convention for the Protection of Literary and Artistic Works aims at protecting rights of authors in their literary and artistic works within all members of the Convention. Signors to the Berne Convention are obliged to protect works of literature and art originated from other member states of the Convention (Art 5). For the purpose of

¹⁰⁰ United States Court of Appeals, case *Tyco Industries, Inc. v. LEGO Systems Inc. and INTERLEGO A.G.*, NO. 87-5845, judgement of June 2 1988.

¹⁰¹ Supreme Court of the United States, case *LEGO Systems Inc. and INTERLEGO A.G. v. Tyco Industries Inc.*, judgement of November 14 1988.

the Convention the concept of “literary and artistic works” include “works of applied art” (Art. 2). The term of protection is a matter for the members to determine, however, at least a term of 25 years must be granted.

5.3.2 China

China is a party to the Berne Convention and the country has also adopted the Regulation of Implementing International Copyright Convention of China. The Regulation grants foreign works of applied art protection in China for 25 years from the date when the works were made within the union of the Bern Convention. The requirements for industrial designs to be qualified as works of applied art are: 1) practical applicability; 2) artistic quality; 3) originality; and 4) reproducibility. In order for an infringement to be at hand there must be sufficient similarity between the original work and the copy product.

Beijing High People’s Court

INTERLEGO AG v. Keago (Tianjin) Toy Co. Ltd. & Beijing Fuxing Shopping Centre

In September 1999 INTERLEGO AG, a Swiss company that belongs to the LEGO Group, brought a lawsuit against defendants Kegao (Tianjin) Toy and Beijing Fuxing Shopping Centre for copyright infringement. The Chinese company Keago was producing and marketing 53 kinds of toy building bricks that were substantially similar to the LEGO products. Keago had made slight alterations in the designs of the building sets. Beijing Fuxing Shopping Centre was selling the building bricks produced by Keago and exporting them, even to Denmark. Kegao argued before the trial court that the LEGO Group’s bricks were only parts of toy brick building sets. As parts of a product the LEGO Bricks could not be works of applied art. Further Kegao argued that it had acquired design patent rights to some of the accused bricks.

In December 2001 INTERLEGO won the lawsuit at the First Intermediate People’s Court of Beijing. The trial court granted LEGO Bricks protection under the Bern Convention as constituting works of applied art. The bricks to which INTERLEGO claimed copyrights were designed by LEGO System AS during the period 1976 to 1990¹⁰². The court established that 50 pieces out of 53 pieces of LEGO Bricks submitted by INTERLEGO to the court met with the requirements for industrial designs to be qualified as works of applied art, 1) practical applicability; 2) artistic quality; 3) originality; and 4) reproducibility. 33 pieces out of the 50 pieces of the LEGO Bricks were considered to be infringed. The rest of the pieces were not considered to be substantially similar. The court ruled that the defendants should stop manufacturing and selling the infringing products, hand over the manufacturing moulds to the court for destruction, publish an apology in Beijing Daily, and pay financial compensation to INTERLEGO.

¹⁰² World Patent & Trademark News, Vol. 5 Issue No. 1, found on March 9 2005, http://www.wptn.com/crights_vol5is1/crights_001_vol5is1.htm.

Both Keago and INTERLEGO appealed to the federal appeals court. In December 2002 the appellate court resolved the case and upheld the ruling of the trial court¹⁰³. Regarding the issue of “dual protection”, the appellate court took the view that Chinese law does not rule out dual protection under the copyright law and patent law to foreigner’s works of applied art. Consequently, the LEGO Bricks could be subject to copyright protection even though they had also been subject matter for patents in China.

The decision is considered to be a landmark decision since the high court confirmed dual protection for industrial designs as works of applied art under the patent law and copyright law simultaneously. The Chinese Supreme Court considers the decision in *INTERLEGO AG v. Tianjin Toy* to be one of the 10 most important judgments relating to intellectual property in China in 2002¹⁰⁴.

5.3.3 Australia

Federal Court of Australia

*INTERLEGO A.G. and Another v. Croner Trading Pty Limited*¹⁰⁵

This case concerned copyright and design issues regarding drawings of “third generation” LEGO Bricks. There was also an issue of unfair competition. Instead of going into the details of the case I would like to depict the Australian Court’s reasoning regarding the issue of functional design.

Croner Trading imported and sold in Australia products manufactured by Tyco Industries Inc., United States. LEGO claimed that that the importation and sale by Croner of the Tyco products was in breach of the 1968 Copyright Act. LEGO claimed copyright in certain artistic works, being design drawings, which had been reproduced in a material form in the production of the Tyco product. The second plaintiff (LEGO Australia) belongs to the LEGO Group and is incorporated in New South Wales, Australia.

The question at issue was whether the drawing constituted design “capable of being registered” under the Designs Act 1906. Copyright protection was excluded for designs that were capable of being registered under the Designs Act. The LEGO Group argued that the figures in the design drawings were not capable of being registered.

¹⁰³ Beijing High People’s Court, case *INTERLEGO AG v. Keago (Tianjin) Toy Co. Ltd. & Beijing Fuxing Shopping Centre*, judgement of December 18 2002; article found on November 24 2004, <http://www.ccpit-patent.com.cn/News/2003041001.htm>; World Trade News, January 22 2003, <http://www.angelfire.com/space/goalshot/20030122.htm>; Forbes.com, by Dan Ackman, published on November 2 2003, http://forbes.com/2003/02/11/cx_da_0211china_print.html.

¹⁰⁴ The LEGO Group’s web page, Press Releases, published on October 1 2004, <http://www.lego.com>.

¹⁰⁵ Federal Court of Australia, New South Wales District Registry, case *INTERLEGO AG and another v. Croner Trading Pty Limited*, judgement of 24 February - 16 December 1992.

Section 218(2) of the Copyright Act from 1968 provided:

“Copyright does not subsist by virtue of this Act in an artistic work made before the commencement of this Act which, at the time when the work was made, constituted a design capable of being registered under the Designs Act 1906, or under that Act as amended and in force from time to time, and was used, or intended to be used, as a model or pattern to be multiplied by an industrial process.”

Section 17 of the 1906 Act provided for registration of any new or original design. LEGO argued that the design was not new or original when it came into existence. The Court established that the phrase “capable of registration” refers to the possession of the characteristics of a “design” within the meaning of the designs law. Further LEGO argued that the design was dictated solely by the function of the brick, it only represented the “fundamental form” of an article and not a “particular individual appearance” and that such a design was not capable of being registered under the Designs Act.

The LEGO Group’s first argument was that the shape only represented the fundamental form for that kind of article.

Where the design is for a shape it is not possible to compare the finished article with a real original article since a design for a shape can only be applied to an article by making the article in that shape. The finished article must therefore be compared with an imaginary original article. The imaginary original article must have the simplest and commonest known shape of that type of article. For every kind of article there must be certain general characteristics of shape which are essential in order for the article to work and fulfil its function. The design by its application must have produced some visible alteration or embellishment upon this fundamental form. If an article does not appear to the eye to contain any characteristics over and above the fundamental shape there is no design within the meaning of the designs law.

It is a well-established principle that the design must have eye appeal, i.e. must be apparent in the finished article. The shape be sufficiently certain and identifiable before it can be treated as a design. The Federal Court referred to a case before the High Court where the principle had been expressed as follows:

”Specificity of shape and configuration must be conveyed by a registrable design; features of a design which do no more than convey the idea of a general shape appropriate to the function which the article is intended to perform and which are consistent with a variety of particular shapes in articles copying those features are not amenable to protection by the Act.”

The Court in the present case applied the principle and stated that the shape in the drawings conveyed specificity of shape and configuration and thus did not only convey the idea of a general shape.

The LEGO Group’s second argument was that the shape was solely dictated by function.

Section 4 of the 1906 Designs Act (before the 1981 amendments)

'Design' means an industrial design applicable, in any way or by any means, to the purpose of the ornamentation, or pattern, or shape, or configuration, of an article, or to any two or more of those purposes.

In accordance with case-law a design which is dictated solely by function is not a "design" within the meaning of this definition. A mere mechanical device is a shape in which all the features are dictated solely by the function or functions which the article has to perform. The Court in the present case stressed that it is no objection to the registration of a design that it serves a functional purpose, so long as its shape is not dictated solely by function. The Court expressed that design law does not grant a monopoly on a particular function but on a shape that is not dictated solely by function.

The Court considered that there was confusion in the case as of the concept of function and shape. LEGO had argued that the presence of the bosses on the bricks was dictated by function, but it had not established that the shape of those studs was solely dictated by function. Even if the presence of the bosses was solely attributable to the functional purpose they serve, that did not rule out that there is any element of design in the many varied shapes and styles of bosses that exist. Counsel for LEGO stated that there might be 20 or 30 possible shapes for the bosses, but claimed that each would be functional. The Court considered that if that was the case it did not necessarily mean that the particular shape adopted was dictated solely by function. Potential variety points to the opposite conclusion, the Court concluded from established case-law.

LEGO in this case also submitted that Mr Gray, the Chief Executive of Tyco, had made a statement before courts in the United States involving that Tyco could not produce a brick which would work like a LEGO Brick without making it look like a LEGO Brick. The Court considered this statement to be of no interest in the case.

The decisive question at issue was whether there was some feature of the shape which was not dictated solely by function and was apparent to the eye. If so, every feature of the shape was not functional. The Court took the view that the following relevant features of the shape were not dictated by function: the proportions of the bricks and bosses, the shape of the bosses, the number and arrangement of the bosses and the sharpness of the edges of the bricks. Accordingly, the Court came to the conclusion that the shape of the LEGO Brick had elements apparent to the eye beyond those necessary for it to function as an interlocking brick in a toy building brick set. The 1968 Copyright Act did not apply to the shape in the drawings because it was capable of registration as a design under the 1906 Act.

5.4 Actions against Unfair Competition

5.4.1 Paris Convention

The intention of the Paris Convention is to secure effective protection for industrial property within the member states of the Convention. The member states undertake to grant equal protection for the intellectual property of its own nationals and nationals of the other member states. Repression of unfair competition is one of the objectives underlying the Convention. Article 10*bis* aims at assuring effective protection against unfair competition and the article expressly prohibits some acts of unfair competition. All kinds of acts that can create confusion with the goods or activities of a competitor are included in the concept of Article 10*bis* 3.1. The means for creation of confusion seems to be irrelevant: "...by any means...".

Article 10*bis*

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

5.4.2 Community Law

Since misleading advertising can lead to distortion of competition within the Common Market the EU legislator has adopted two directives in order to approximate the domestic laws on this area. Directive 84/450/EEC¹⁰⁶ on the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising (Marketing Directive) is a minimum directive¹⁰⁷. The purpose of the Marketing Directive is to protect consumers, businessmen and the interest of the public in general against misleading advertising and its unfair consequences. According to Article 2 (2) of the Marketing Directive misleading advertising is any advertising which in any way deceives or is likely to deceive the consumers and which, by reason of its deceptive nature, is likely to affect their economic behaviour or that injures or is likely to injure a competitor. In order to determine whether advertising is misleading all its features must be taken into account and in particular for example information about commercial origin or rights of

¹⁰⁶ Council Directive 84/450/EEC of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising (published in Official Journal of the European Communities L 250, 19.9.84, p. 17).

¹⁰⁷ Minimum directives do not preclude the Member States from having provisions with a view to ensuring more extensive protection on the area concerned.

the advertiser, Article 3. Advertising may be regarded misleading in terms of content as well as in the presentation of the message. The Member States undertake to provide adequate and effective means for the control of misleading advertising in the interests of consumers, competitors of the professional concerned and the general public. Directive 97/55/EC¹⁰⁸ amended the Marketing Directive so as to include comparative advertising but it did not add something new as regards misleading advertising for the purpose of this thesis. The Community has not harmonised the laws of the Member States regarding protection against servile imitations (or slavish imitations) except for Council Regulation No. 6/2002 on Community Designs¹⁰⁹ that provide for protection for a product against servile imitation during the first 3 years.

5.4.3 Sweden

The Swedish Marketing Act¹¹⁰ is not primarily an act on unfair competition. The Marketing Act aims at promoting the interests of the consumers as well as the interests of the trade and industry in connection to marketing of products and services. Furthermore the objective of the Marketing Act is to counteract marketing which is unfair to consumers and businessmen. In Sweden the concept of "marketing" embraces also the sale of products and services. Thus when the Market Court prohibits the marketing acts of a businessman also sale of the marketed products will be prohibited.

The starting point in Sweden is that it is allowed to copy works and products that are not legally protected by intellectual property rights systems. However, Section 8 of the Swedish Market Act serves as a complement to the intellectual property right regimes by providing possibilities to take actions against misleading copies. Whether the original products constitute IPRs or not is irrelevant for the assessment under Section 8. Section 8 satisfies Sweden's obligations under the Paris Convention. The underlying purpose of Section 8 is not to protect the exclusivity of the proprietor but to protect consumers and other businessmen against misleading advertising. It follows from the principle of interpretation in conformity with treaties (Swe. principen om fördragskonform tolkning) that the Swedish law provision shall be interpreted in the light of Article 10 bis 3.1 of the Paris Convention.

The core of Section 8 is the danger of confusion. According to Section 8, a businessman may not in its marketing use copies which are misleading by the fact that they easily can be mistaken for being the well-known and distinctive products of a different businessman. However, it is not prohibited to market copies that have been designed in a certain way primarily in order to achieve functionality. Hence the shape of the imitated product must not be dictated by function in order for the proprietor to obtain protection under Section 8. The criteria for obtaining protection against misleading copies are separate from the

¹⁰⁸ Council Directive 97/55/EC of 6 October 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising (published in Official Journal of the European Communities L 290, 23.10.97, p. 18).

¹⁰⁹ Council Regulation No. 6/2002 of 12 December 2001 on Community Designs.

¹¹⁰ SFS 1995:450; WIPO, collection of national intellectual property laws, English Law Translations, translator James Hurst, <http://www.wipo.int/clea/en/index/jsp>.

criteria for obtaining trademark protection. The legislative intention is however that the doctrine of functionality under Section 8 of the Marketing Act shall be in correspondence with the doctrine of functionality under Section 5 and Section 13 second paragraph of the Swedish Trademarks Act. Protection under Section 8 requires that the original product is distinctive and well-known and furthermore that there is a danger of confusion as to the commercial origin of the products. In fact, the marketing measure must aim at creating confusion.

The Marketing Act

Misleading Imitations

Section 8

When marketing a businessman may not use imitations which are misleading as they can easily be confused for another businessman's known and characteristic products. However, this does not apply to imitations the design of which primarily serve to make the product functional.

The Swedish Market Court

The Market Court is mainly responsible for competition law under the Act on Competition, unfair competition acts under the Marketing Act and certain acts related to consumer protection. The judgements of the Market Court cannot be appealed. The assessment concerning protection against misleading copies must be made on a case by case basis. Therefore each order of the Market Court is independent and a plaintiff cannot gain protection in general against misleading copies.

LEGO System A/S v. Biltema Sweden AB

LEGO claimed before the Market Court¹¹¹ that the COKO Bricks that Biltema used in its marketing activities could be confused with the LEGO Group's distinctive and well-known bricks and thereby consumers could be misled about the commercial source of the bricks. LEGO argued that the shape of its bricks had acquired distinctiveness in Finland. LEGO also submitted that the Basic LEGO Brick had been accepted as a 3D CTM. The COKO Bricks and other COKO products were on display for sale in Biltema's stores, mail-order catalogues and web-pages. LEGO alleged that many of the pictures Biltema used in its marketing did not contain information about the commercial origin of the products. The COKO brand was missing on half of the packages and some pictures showed bricks without packaging. LEGO claimed that the Market Court should order Biltema to stop marketing the products.

Biltema defended its position and argued that it is not prohibited to copy the LEGO Bricks since they lack of distinctiveness and the shape as a whole has been dictated by functional considerations and the technical result. It was irrelevant according to Biltema if there were alternate shapes available. Biltema alleged that the size and form of the

¹¹¹ The Swedish Market Court, Marknadsdomstolen, case *LEGO System A/S v Biltema Sweden AB*, MD 2004:23, judgment of October 1 2004.

bricks was not only utilitarian but optimal. Further Biltema considered that the form (cylindrical), height, diameter and juxtaposition of the bosses and the tubes had been chosen to achieve optimal interlocking effect. Biltema also put forward that the OHIM had declared the CTM invalid for construction toys. Accordingly, Biltema considered that Section 8 of the Marketing Act was neither applicable for the LEGO Bricks nor the COKO Bricks. In addition, Biltema argued that the danger of confusion is only relevant during the distribution of the products. Biltema argued that the case had a connection to Community law and considered that the Market Court should refer questions concerning the interpretation of Article 3 (a) of the Marketing Directive to the ECJ for a preliminary ruling.

First of all it shall be noted that the Market Court declined Biltema's request for a preliminary ruling concerning the interpretation of the Marketing Directive. Any domestic court may refer questions to the ECJ under Article 234 EC if it considers that a preliminary ruling is necessary to enable it to give judgement. However courts of last instance, i.e. courts against whose decisions there is no juridical remedy under national law, are obliged to refer questions of interpretation the ECJ if a preliminary ruling is necessary in order to give judgement. According to the doctrine of *acte clair*, established in *CILFIT Srl* (case 283/81)¹¹², there is no need to refer a question to the ECJ if the matter is irrelevant, materially identical to a question that has been the subject to a preliminary ruling already, or so obvious as to leave no scope for reasonable doubt.

The Market Court considered the LEGO Bricks to be basically of a functional design taking into consideration the interlocking mechanism represented by the bosses on the upper surface. The Market Court established that competitors are free to market bricks with the same technical solution, i.e. bricks provided with bosses for an interlocking possibility, and bricks that can be used interchangeably with the LEGO Bricks. However, the Market Court found that the LEGO Bricks as well contain certain aesthetic and capricious¹¹³ features, e.g. that the bricks have been proportioned in order to achieve an attractive shape. The Market Court further established that the LEGO bricks are well-known by their design and form and have acquired distinctiveness by usage. A risk for confusion was considered to be at hand since the COKO Bricks were closely to identical to the LEGO Bricks as regards shape, dimensions and colours. The Market Court held that there was a risk for confusion both regarding the marketing activities which included packages and regarding the marketing activities which excluded packages. In light of the above, the Market Court ruled that others are prohibited from marketing toy bricks which are not by their design, decoration or otherwise clearly distinguished from the LEGO Bricks.

5.4.4 Finland

Finland is a party to the Paris Convention. Section 8 of the Swedish Marketing Act has no correspondence in the Finnish Unfair Business Practice Act. None the less, as we will see below, the Finnish Market Court has given the Finnish Act basically the same content

¹¹² ECJ, case 283/81, *CILFIT Srl v. Ministero della Sanità*.

¹¹³ A capricious element is an embellishment which has no functional purpose.

by means of interpretation. Note however that there seems to be no doctrine of functionality in the Finnish unfair competition law. In this case the Market Court seems to have been content with the establishment that the LEGO Bricks were known on the Finnish Market.

The Market Court of Finland

The jurisdiction of the Finnish Market Court extends to market law, competition law and public procurement.

LEGO System A/S and Oy Suomen LEGO Ab v. Biltema Soumi Oy

In this case LEGO brought an action against Biltema under the Unfair Business Practices Act and sought a declaration that the COKO Bricks were the result of servile imitation of LEGO Brick¹¹⁴. Also in Finland the COKO products were on display for sale in Biltema's stores, mail-order catalogues and web-pages. Several of the pictures Biltema used in its marketing did not contain information about the commercial origin of the products. The COKO brand was missing on half of the packages and some pictures showed bricks without packaging. LEGO claimed that the Market Court should order Biltema to stop marketing and selling the copy products.

The LEGO Group had sold and marketed toy bricks in Finland since 1959. LEGO argued that the Basic LEGO Brick was well-known on the Finnish market and that the distinctive features of the brick had been chosen to achieve eye appeal. LEGO held that the size, form and colouring were not necessary requirements for the utility of the product. There were alternate shapes that could achieve the same technical result. Such alternate shapes would not be less functional or more expensive to produce. The COKO Bricks were servile imitations of the LEGO Bricks and had mainly been marketed without packages. The COKO brand which did not appear in all pictures could easily escape the eye. Thus Biltema had not tried to minimise the danger of confusion. LEGO also claimed that there was a risk of post-sale-confusion due to the resemblance between LEGO Bricks and COKO Bricks. The LEGO Group also submitted a stated opinion from the Opinion Board of the Central Chamber of Commerce dated 1990. The stated opinion involved that the LEGO Bricks were well-known and that bricks produced by Byggis were servile imitations and the marketing of the Byggis products was in violation of unfair business practices. The LEGO Group was allowed to use the stated opinion in future disputes.

It was not disputed that the LEGO Bricks were well-known on the Finnish Market. Biltema however considered that the original product was not characteristic and distinguishing. The arguments Biltema put forward to support its defence were mainly the same as in the case before the Swedish Market Court. Biltema considered it to be necessary also in this case (this case was resolved a year prior to the Swedish case) to refer questions of interpretation concerning Article 3 of the Marketing Directive to the ECJ for a preliminary ruling.

¹¹⁴ The Market Court of Finland, case *LEGO System A/S and Oy Suomen LEGO Ab v. Biltema Soumi Oy*, judgement of April 11 2003, (No. 84/2003) and of May 2005.

Like the Swedish Market Court the Finnish Market Court considered that it was not necessary to refer questions of interpretation to the ECJ. The Finnish Market Court held that the case did not concern a provision of Community law.

The Market Court concluded that there was a close resemblance between the COKO Bricks and the LEGO Bricks. The Market Court held that in accordance with consistent case-law imitation as such was not in violation of unfair competition law. However the imitator was required to take steps in order to minimise the danger of confusion concerning the commercial origin of the copy product. For instance labelling of the product or its packaging with the producer's brands or trademarks could prevent the danger of confusion. The LEGO Bricks were regarded as being known on the Finnish Market. The Market Court concluded that the COKO Brand was hardly noticeable in the pictures and that some pictures did not contain a brand or trademark at all that could inform a consumer of the manufacturer. There was a danger of confusion since the COKO Bricks were identical to the LEGO Bricks and since it did not follow from the marketing that the manufacturer was not the same. Accordingly, Biltema had violated good business practices by marketing imitations without clearly distinguishing them from the LEGO products. Biltema was prohibited from continuing to market its bricks in accordance with the provisions of the Unfair Business Practices Act. Still, the Market Court took the view that it could not prohibit the selling of the COKO products.

LEGO appealed to the Supreme Court concerning its claim that also the actual sale of the COKO products should be prohibited. The Supreme Court¹¹⁵ stated that marketing should be interpreted broadly and that the concept should embrace also the actual sale of the goods and that the Market Court should not have assessed differently the sale and the active sales promotion of the goods. The Supreme Court further said that the Unfair Business Practices Act has the objective of protecting businessmen from unfair practices in marketing of products as well as in other business activities. In order for this protection to be effective there cannot be a too restrictive interpretation of the definition in Section 6 of the Act. The Supreme Court also based its decision on Article 10bis of the Paris Convention. The Supreme Court remanded the case back to the Market Court.

In May 2005 the Market Court reached a final decision on the sales issue. Now, the judgment extends to a sales ban for the COKO products so long as they are not sufficiently distinguished from the LEGO Bricks in the marketing. Furthermore, the Market Court found that Biltema had abused the goodwill of the LEGO Group.¹¹⁶

5.4.5 Denmark

The Danish LEGO case below concerns both trademark protection and protection under unfair competition law. I chose to present the whole case under the unfair competition

¹¹⁵ The Finnish Supreme Court, Case HD:2004:32, judgement of March 29 2004.

¹¹⁶ The LEGO Group's web page, Press Releases, "LEGO Group wins lawsuit in Finland", published on May 4 2005, <http://www.lego.com>.

section of the thesis since it facilitates the illustration of the reasoning of the Danish Court.

Signs capable of trademark protection are all signs which are capable of being represented graphically, according to Section 2 paragraph 1 of the Danish Trademarks Act. Article 3 (1) (e) of the TM Directive was implemented into the new Danish Trademarks Act (Varemaerkeloven)¹¹⁷ of 1991. The provision is to be found in Section 2 second paragraph and it corresponds word by word with the provision of the TM Directive, except that the Danish provision states that it is not possible to “acquire” instead of “shall not be registered”. It is not clear from the judgement in the LEGO case whether the judgement was based on Section 2 paragraph 2 of the new Trademarks Act or on Section 5 of the Trademarks Act from 1959.

Section 2 paragraph 2

Der kan ikke erhverves varemrkeret til tegn, som udelukkende består af enten en udformning, som følger af varens egen karakter, en udformning af varen, som er nødvendig for at opnå et teknisk resultat, eller en udformning, hvorved varen får en vzsentlig vzrdi.

Section 1 of the Danish Marketing Act enables protection against misleading copies. Protection is possible if the similarity is not due to technical considerations. As we will see in the case below, imitation is prohibited if the shape can be varied without losing the technical solution, and conversely, imitation is allowed if alternate shapes are not possible.

The Danish Court Sø- og Handelsretten

LEGO Danmark A/S and Others v. Byggis Distribution AB and Others

LEGO had registered several trademarks in Denmark and this case concerned whether the registration of the Basic LEGO Brick as a figurative mark also provided protection for the brick shape in its three dimensional form. Byggis began to market bricks that were close to identical to the LEGO Bricks as regards form, dimensions and colouring. The LEGO Group sued Byggis claiming trademark protection under the trademark law and protection against misleading copies under unfair competition law.

LEGO alleged that its trademark registration No. 1855/1960 which depicted a figurative mark provided protection also for the product shape since the product shape had been established on the Danish market. Byggis on the other hand argued that the trademark should not cover the product shape since it had been dictated by functional considerations and followed from the nature of the goods themselves.

Regarding the question of unfair competition LEGO alleged that Byggis’s marketing of confusingly similar bricks was in violation of Section 1 of the Marketing Act. There were numerous alternate configurations that could obtain the same technical result, LEGO claimed. There was no need for Byggis to choose the exact same configuration as that the

¹¹⁷ The Danish Trademarks Act, Varemaerkeloven, L 3411 6.6.1991.

LEGO Group had chosen. The position of Byggis regarding this issue was that the LEGO Bricks were not protectable under Section 1 of the Marketing Act since they were of a functional design and furthermore that the possibility of alternate configurations was highly limited.

Sø- og Handelsretten¹¹⁸ concluded that the shape of the LEGO Brick was not eligible for trademark protection since it was not sufficiently characteristic and the features were not capable of distinguishing the goods:

”Retten finder ikke, at der i udformningen af Lego-klodsen er sådanne karakteriserende, selvstændigt tegnbærende elementer, der kan bevirke, at Lego-klodsen (grundformen 2 x 4) som sådan er blevet et varemærke med den virkning, at andre er afskåret fra at sælge dermed forvekslelige klodser”.

The court findings are not clearer than that as regards the trademark aspect. Never the less, Sø- og Handelsretten found that the LEGO Bricks should have protection under the Marketing Act against very close copies whenever the similarity was not due to technical considerations. The LEGO Brick was considered to be well-established on the Danish market owing to many years of marketing. Since the patents on the subject matter of the Basic LEGO Brick were expired the court stated that the technical solution must be free for all actors on the market to apply. However, since the shape could be varied without losing the technical solution, Byggis could have designed its bricks to be more distinguished from the LEGO Brick. Accordingly, Sø- og Handelsretten ruled that Byggis’s marketing measures were in violation of the Marketing Act.

5.4.6 Germany

Under German unfair competition law, a product may be protected as a product series if it creates a demand for supplemental products of the same kind.¹¹⁹

The Civil Division of the Federal Court of Justice

The Civil Division of the Federal Court of Justice is a Federal Supreme Court that is responsible for unfair competition law, design law, trademark law and more.

LEGO v. Best-Lock Europe Ltd., 2004, not final

The LEGO Group brought an action against Best-Lock and based its claim on trademark law, design rights and unfair competition law. The LEGO Group has registered a 3D TM for the shape of the Basic LEGO Brick in Germany. Best-Lock was selling bricks that were similar to, and compatible with, the LEGO Bricks.

¹¹⁸ Sø- og Handelsretten, case *LEGO Danmark A/S and others v. Byggis Distribution AB and others (LEGO II)*, judgement of June 23 1993, No. UfR 1995.92 SH.

¹¹⁹ Freshfields Bruckhaus Deringer, “Duration of product protection under unfair competition law”, found on March 9 2005, <http://www.freshfields.com/practice/ipit/publications/newsletters/ip-update/10748.pdf>.

The Federal Supreme Court held in a decision dating from 1964 that the LEGO Brick was protected by fair trading copyright protection as a product series under the aspect of “insertion into a non-proprietary series”. The decision was confirmed in another decision by the Federal Supreme Court in 1992. This form of protection has been called the “LEGO Doctrine”. Basically the doctrine involves that products that are compatible with LEGO Bricks cannot be marketed in Germany.

In this latest case the Supreme Court ruled that the LEGO Group’s protection had lapsed¹²⁰. Supplementary fair trading copyright protection was not possible for the LEGO Brick Building System after 50 years.¹²¹ The Court made no statement of whether the rules for protection of product series under unfair competition law should still be valid. The Court simply held that a 50 year period of protection of the LEGO Bricks under unfair competition law was enough and protection could no longer be justified. The rules has been criticised a lot since they grant producers of product series monopolies¹²².

There is no final judgment on the case yet since it is also based on design and trademark law and those claims will be decided on by the Court of Appeal in Hamburg. Since the lower court had allowed the claim of unfair competition law it had not considered the claims that were based on trademark law and design rights. The Supreme Court therefore remanded the case back to the lower court after it had clarified the issue of unfair competition. However, the Supreme Court gave some indication on its opinion regarding the trademark issue. The Supreme Court said that the lower court should consider carefully whether trademark protection of the shape of the LEGO Brick could be justified if it was not justified to grant evergreen protection under unfair competition law.

5.4.7 France

The Trial Court of Nanterre

KIRKBI A/S et als v. RITVIK TOYS EUROPE S.A.R.L

Unfair competition was also claimed in the proceedings in the French case mentioned above. The Trial Court¹²³ established that the unfair competition grounds should be dismissed since the Mega Bloks Bricks would not likely cause confusion with the LEGO

¹²⁰ Bundesgerichtshof in Karlsruhe, the Civil Division of the Federal Court of Justice, case *LEGO v. Best-Lock Europe Ltd.*, judgment of 2 December 2004 – I ZR 30/02; Spielwarenmesse Nürnberg, Branch news (Engl.), published on December 8 2004,

http://www.spielwarenmesse.de/index.php?id=1040&L=1&backPID=1039&tt_news=196#196; Freshfields Bruckhause Deringer, “Duration of product protection under unfair competition law”, found on March 9 2005, <http://www.freshfields.com/practice/ipit/publications/newsletters/ip-update/10748.pdf>.

¹²¹ NYTimes.com, By Ian Austen, published on February 2 2005, <http://www.nytimes.com/2005/02/02/business/worldbusiness/02lego.html?ex=1110517200&en=bf689dd2672f361e&ei=5070>.

¹²² Freshfields Bruckhause Deringer, “Duration of product protection under unfair competition law”, found on March 9 2005, <http://www.freshfields.com/practice/ipit/publications/newsletters/ip-update/10748.pdf>.

¹²³ Trial Court of Nanterre, case *KIRKBI A/S et als v. RITVIK TOYS EUROPE S.A.R.L.*, judgement of May 10 1994; ROBIC, Patent and Trademark Agents www.robic.ca, found on March 9 2005, <http://www.robic.ca/publications/Pdf/142.050.pdf>.

Bricks as the companies had their own distinctive containers, packaging, trademarks and colour range. The only restriction on the marketing of similar construction bricks by the competitors would be recognized in relation to how the product is marked and packaged.

5.4.8 Italy

The marketing of “servile imitations” is prohibited in Italy pursuant to Article 2598(1) of the Civil Code. The Article implies that a copier is obliged to seek to make changes in order to distinguish the copy product from the original product in the mind of the consumer. The owner of the imitated product can only obtain protection against servile imitation for imitated features that do not have a functional effect.

The Court of Cassation

LEGO System A/S and LEGO SpA v. Tyco Industries Inc. and Arco Falc Srl

The LEGO Group manufactured and distributed LEGO Bricks in Italy that were no longer protected by patent rights. Tyco Industries produced toy building bricks that were compatible with the LEGO Bricks, and its Italian distributor Arco Falc commenced proceedings against LEGO before the Court of Milan, seeking a declaration that it was lawful to market the product. The LEGO Group resisted Arco Falc’s lawsuit and counterclaimed for a declaration that marketing such products was an infringement of its rights and was an act of unfair competition. LEGO sought relief from the court that Arco Falc and Tyco breached the provisions of Article 2598(1) of the Italian Civil Code (unfair competition) and that they should be prohibited from marketing the products in question further without changing the bricks so as to avoid creating confusion in the mind of the consumer.

The Court of Milan ruled that Arco Falc’s marketing of the Tyco products was not an act of unfair competition. The Milan Court of Appeal took the expired patents into consideration and found that the features of the Basic LEGO Brick that provided interlocking capability were functional. The positioning of the projections was regarded as the essential factor in that it allowed the bricks to be fixed to each other and to function as components in a construction. Consequently, since the shape was no longer protected by patents competitors should be free to use it. Moreover, in the view of the Milan Court of Appeal, the copying of the functional features was not an example of servile imitation under Article 2598(1) of the Civil Code. Even though the products of the two companies were identical there was no risk of confusion due to the use of different packaging and trademarks.

LEGO appealed to the Supreme Court of Cassation¹²⁴. The Court of Cassation allowed the appeal and remanded the case back to the Court of Appeal for reconsideration.

¹²⁴ Corte di Cassazione, Supreme Court of Cassation (First Civil Division), case *LEGO System A/S and LEGO SpA v. Tyco Industries Inc. and Arco Falc Srl*, judgment of October 15 1997.

Before the Court of Cassation, LEGO maintained the position that Arco Falc and Tyco infringed the provisions of Article 2598 of the Italian Civil Code and that the trademarks on the packaging did not suffice to avoid confusion between the products. LEGO also claimed that the lower court should have required Arco Falc to include a differentiation within the product itself so that post-sale-confusion would be avoided. Further LEGO argued that the lower court had erred in that it had not considered the possibility of alternate shapes.

The Court of Cassation stated that the lower court had not delivered a correct judgement when it had solved the problem of confusion between products by reference to the differentiation in the packaging. The Court of Cassation held that differentiation in the marking of the products does not cancel out servile imitation of a product¹²⁵. The lower court had missed the purpose of the prohibition pursuant to Article 2598(1) of the Italian Civil Code. The Court of Cassation held that a functional or technically necessary shape could be freely imitated if it is not protected by patent rights, but it is not legal to copy the functional shape so that the respective products are indistinguishable on the market. Only where it would be impossible to introduce alterations without compromising the function it is lawful to offer a copy product without any distinguishing features, the Court of Cassation established. Regarding the solution of the Milan Court of Appeal, the Court of Cassation said¹²⁶:

“Such a conclusion would not only permit the copier, as is his right, to take advantage of the idea of the other, but also *to take advantage of the other's commercial goodwill.*”

“While the law must seek to avoid the perpetuation of a monopoly beyond the life-time of a patent, it may not however, as a matter of principle, permit what is no more nor less than the siphoning off of the profits of another's investment. Should it condone such a position it would end up by stifling competition.”

The Court of Cassation further held that a copier is obliged to make changes which, while not having a functional effect, are capable of distinguishing the copy product from the original product in the mind of the consumer. Hence it is necessary to consider whether a functional shape also contains identifiable characteristics which may not be copied without an act of servile imitation. The lower court had omitted to establish if it would be possible to add distinguishing features to the product concerned which would not have affected the function but would have sufficed to avoid an exact copy of the original. The case was remanded to the Court of Appeal for determining whether the degree of differentiation would avoid confusion.

¹²⁵ Corte di Cassazione: Supreme Court of Cassation (First Civil Division), case *LEGO System A/S and LEGO SpA v. Tyco Industries Inc. and Arco Falc Srl*, judgment of October 15 1997, para. 5.

¹²⁶ Corte di Cassazione: Supreme Court of Cassation (First Civil Division), case *LEGO System A/S and LEGO SpA v. Tyco Industries Inc. and Arco Falc Srl*, judgment of October 15 1997, para 3.

Settlement between LEGO and a Competitor

Not all actions end in a court's judgement. There are plenty of examples of settlement agreements between LEGO and its competitors. Here is a case that started with court proceedings and ended with a settlement agreement¹²⁷.

Following an action in 2002 in an Italian court, the LEGO Group stopped an Italian manufacturer from making copies of LEGO products under the name Klip. Klip products have been sold in several countries since 1993 under the name Klip Classic and Klip Maxi. They were compatible with LEGO products. The two companies reached a settlement where the Italian manufacturer agreed that its remaining stocks of products and its product moulds should be transported to Billund and there be destroyed. The imitator's trademarks are also being surrendered to the LEGO Group to prevent their being used by a third party. Several tons of the copy product was burned.

5.4.9 Austria

Under Article 2(1) of the Austrian Unfair Competition Act (Gesetz gegen den unlauteren Wettbewerb)¹²⁸ an injunction can be sought against misleading advertising. Under the Act, misleading advertising is defined as information that is likely to mislead relating to business matters, for instance regarding the origin of particular goods or services. Article 1 of the Act contains a ban on immoral advertising. The provisions of the legislation have been given its real content by the interpretations in court rulings.¹²⁹

The Supreme Court of Justice

*LEGO v. Distributor of B***** Building Blocks*

The LEGO Group manufactured and distributed LEGO toy building bricks in Austria that were not protected by patent or design rights. The plaintiff brought proceedings for unfair competition against the defendant and alleged that the defendant manufactured and marketed similar bricks in breach of the Act against Unfair Competition. The bricks of the defendant were quite compatible with the LEGO Bricks. The defendant maintained that its actions were not in breach of the unfair competition law since its packaging carried notices in black letters on a yellow background stating: "This series of building blocks is not a LEGO product". The catalogues for the defendant's themed toy building sets also carried the notice: "B***** is a standardised construction system of the B***** company and should not be confused with other construction systems". The defendant's play sets were all marked with the company's own trademark and company name. LEGO obtained an injunction at first instance involving that the defendant must cease the sale

¹²⁷ The LEGO Group's web page, Press Releases, published on January 22 2003, <http://www.lego.com>.

¹²⁸ Gesetz gegen den unlauteren Wettbewerb, BGBl 448/1984, as amended.

¹²⁹ Misleading Advertising (title), found on April 18 2005, <http://europa.eu.int/youreurope/nav/et/citizens/factsheets/at/consumerprotection/misleadingadvertising/en.html?print=true>.

and distribution of its products. This decision was upheld by the Provincial Court of Appeal.

The defendant made a further appeal to the Supreme Court. The Supreme Court allowed the appeal and discharged the injunction¹³⁰. The Supreme Court held that the notices that the defendant had placed on the packaging showed that the defendant's products were not marketed on the basis that they were the products of LEGO and they were clearly marked with the statement implying that LEGO was not the manufacturer of the products. Further, the Supreme Court held that given the substantial cost of purchasing the defendant's products, consumers would be likely to carefully consider the packaging before deciding to purchase. Owing to the labelling on the packaging the defendant did not breach the Act against Unfair Competition. The defendant should not be held responsible for the use to which the purchaser puts the product as long as the defendant does not advertise that his product is suitable for interchanging and supplementing the products of LEGO.

¹³⁰ Oberster Gerichtshof (Austria), Supreme Court of Justice, case 4 Ob 196/00B, *LEGO v. Distributor of B***** Building Blocks*, judgement of 24 October 2000, where reported [2001] E.T.M.R. 80.

6 Analysis of the Legal Actions

In this chapter I will discuss thoroughly the measures LEGO has taken in order to protect its famous toy. I will also comment on the actions taken by LEGO and on the dialogue between LEGO and the courts or the decision-making bodies.

6.1 Technical Elements of the Basic LEGO Brick

6.1.1 Patents

The LEGO Group has apparently been able to patent all of the essential features of the Basic LEGO Brick: hollow body, hollow parallel sided bricks, cylindrical bosses disposed on the upper side of the brick, cylindrical tubes inside of the brick, and the way in which all the features are proportioned. What was new with the patent application filed by INTERLEGO was mainly the secondary projections and sharp nooks.

In Harry Fisher Page's Patent No. 529,580 a brick of cubical form with a plurality of bosses on the upper side surface is claimed. Harry Fisher Page's patent claims in Patent No. 587,206 include a brick similar to the Basic LEGO Brick. The brick described is twice as long as wide and has four bosses in two longitudinal rows. The brick in the specification is however completely hollow contrary to the Basic LEGO Brick which has three tubes inside the cavity. The tubes, or the so called "secondary projections", were introduced in Patent No. 866,557. The problem for the invention to solve was that of providing improved coupling means for holding the bricks together when they are being assembled. The relative dimensions and positions of the primary and secondary projections should be organized in a specific manner. A cylindrical shape of the primary and the secondary projections is preferable according to the inventor. In the drawings a brick nearly identical to the Basic LEGO Brick save for the LEGO inscription on the top surface of the bosses is illustrated.

Since 1958, LEGO has made some small improvements of its Basic Brick, see Section 2.2. The further development is probably a result of the LEGO motto: "Det bedste er ikke for godt" ("Only the best is good enough" in English)¹³¹.

The only features of the Basic LEGO Brick that have never been claimed in patents are the exact size of the brick. The brick has a length of 32 mm and a width of 16 mm and the brick is 9,5 mm high. The brick is only described in the patent as having a length double its width.

¹³¹ The FAQ for the rec.toys.lego newsgroup, Subject: LEGO frequently asked questions (FAQ), found on March 18 2005, <http://www.multicon.de/fun/legofaq.html>.

6.1.2 Functionality and Technical Considerations

As we have seen there are numerous cases in which the functionality of the Basic LEGO Brick has been reviewed. In this section of the analysis I will set out from the cases and analyse whether the shape is functional or not.

The Cancellation Division of OHIM, the Swedish Supreme Court and the Canadian Court of Appeal all established that all features of the brick, save for the inscription of LEGO on the top surface of the bosses and the colouring, were functional.

The French Trial Court held that the shape was primarily dictated by technical imperatives disclosed in patent specifications.

The U.S. District Court (confirmed by the U.S. Court of Appeal) stated that the shape of the Basic LEGO Brick did not comprise any arbitrary, decorative or other non-utilitarian features. The District Court took the view that the tubes and boss system was the obvious engineering choice since such configuration was optimal in respect of clutch power and was the easiest shape to manufacture except for hollow bricks.

In the Australian case the LEGO Group itself argued that the bosses on the bricks were dictated by function. The Australian Court took the view that the proportions of the bricks and bosses, the shape of the bosses, the number and arrangement of the bosses and the sharpness of the edges of the bricks were functional.

The Swedish Market Court considered that the interlocking mechanism represented by the bosses on the upper surface was functional. Never the less the Market Court held that the LEGO Bricks as well contained certain aesthetic and arbitrary features, e.g. that the bricks has been proportioned in order to achieve an attractive shape.

It seems logical that when construction bricks are assembled they must have just the right amount of interlocking capability, or “clutch power”, in order to stay together until disassembled. If construction bricks are too easy to disassemble the result will be that the creations are unstable and conversely if the bricks are too difficult to disassemble the creations might be hard to pull apart.

The LEGO Bricks are manufactured with an accuracy of 2/1000 of a millimetre¹³² in order to obtain the intended clutch power and the manufacturing processes are so accurate that only 18 bricks out of every million fail to meet the LEGO Group’s standards. All in line with the LEGO motto: “Det bedste er ikke for godt”.

The precision in the manufacturing of course contributes to the clutch power but accuracy does not help much if the shape of the bricks would be so that the underside of one brick could not interact sufficiently with the upper side of the brick beneath. The tubes inside the bricks, invented by LEGO in 1958, provided more places for the bosses to grip and as

¹³² The LEGO Group’s Company Profile 2004 (English version), <http://www.lego.com/info/pdf/compprofileeng.pdf>.

a result brought enormous improvement to the clutch power. The addition of walls inside of the bricks and thin vertical stripes has also improved the clutch power in that they minimize the space just between the bosses of a brick below and the skirt of the upper brick.

On comparison the Kiddicraft Bricks, mentioned previously, were no success on the market. With such high bosses the Kiddicraft Bricks had too low clutch power.

The Cancellation Division seems to have investigated the clutch power of the LEGO Bricks in detail¹³³. Firstly the Cancellation Division concluded that it had been disclosed in Patent Specification No. 866,557 that the tubes and the bosses are preferably of a cylindrical shape. The Cancellation Division went on to say that a particular diameter of tubes with regard to the diameter of the bosses and the width of the cavity of the hollow brick and their relation to each other was disclosed in patent 866,557. Additionally, the Cancellation Division took the view that the relative height of the bosses does influence the clutch power in that if they were too low, the bricks would have less interlocking effect, and if they were too high, it would be difficult to disassemble the bricks.

It is interesting also that LEGO has held that merely juxtaposing the primary and secondary projections could not solve the technical problem of providing bricks with improved coupling means. Rather the relative dimensions and positions of the primary and secondary projections have to be interrelated in a specific manner (see Chapter 3 above).

As is apparent from the above discussion, the bosses and tubes and their relative proportions are functional (in a technical sense) and the patents could be seen as evidence of that these features has been dictated by functional. Some courts use the variation criterion in order to determine whether a shape is functional but it must be borne in mind that the existence of alternate shapes does not make these features of the LEGO Brick less functional.

The LEGO Bricks comes in different sizes. The smallest standard brick has one boss on the upper surface and has the size of one-eighth of the Basic LEGO Brick with eight bosses. The Basic LEGO is 32 mm long, 16 mm wide and 9,5 mm high.

As regards the shape of the Basic LEGO Brick the Cancellation Division thought that it was obvious that when the bosses represent a symmetric configuration, the size and shape of the brick will necessarily follow the same symmetric configuration¹³⁴. Furthermore the Cancellation Division thought that it was necessary in accordance to the lever-law for the height of the bricks to be in relative proportion to the height of the bosses. In addition the Cancellation Division expressed that very flat bricks would require the use of fingernails when pulling bricks apart¹³⁵.

¹³³ Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, paras. 36-38.

¹³⁴ Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, para. 39.

¹³⁵ Cancellation Division of OHIM, Decision of 30 July 2004, ref: 63 C 107029/1, para 40.

Again a comparison can be made to the Kiddicraft Bricks. These bricks had rounded nooks and that has been considered to be less utilitarian when making wall structures and models in general. The LEGO Bricks are provided with very sharp nooks which simultaneously makes the creations more stable and more attractive.

Even though no exact brick size has been claimed in the patents it is a concern since the size chosen is quite the optimal size. It would be more difficult to build things with smaller bricks. They would be less easy to handle and especially to disassemble. Larger bricks on the other hand would be less convenient when building things that require details to be formed. Larger bricks would limit the amount of creations that reasonably can be built and thereby limit the possibilities of the brick builder to be creative. This is also shown by the fact that LEGO has developed the DUPLO Bricks that LEGO says are intended for the use of small children. I believe that the size of the DUPLO Bricks has been chosen for two reasons; firstly, they can hardly be swallowed if a small child puts the brick into his or her mouth and secondly, the larger bricks are much more easily to handle and build with for a small child. The size chosen for the DUPLO Bricks speaks for the fact that the size chosen for the LEGO Bricks is suitable for older children and adults to build with.

Obviously other sizes would be possible but in view of the foregoing considerations the chosen size must more or less be the preferable. Hence the size has been dictated by function.

Some even argue that the colour range chosen by LEGO has been dictated by function since it enables the brick builder to make creations from real life and so forth. I think that is a bit far-fetched. Besides, colours must be distinctive in order to be protected by trademark law and most trademark regimes are restrictive in granting exclusivity for colours.

In the end result, I find that all relevant features of the Basic LEGO Brick are functional and have been chosen in order to achieve a certain technical result, i.e. perfect clutch power. Some of the LEGO Group's competitors hold that the LEGO Bricks have the optimal shape for construction toys. I will not make any comments on that but in any event the LEGO Bricks have a functional shape and the existence of other more optimal shapes would not make the LEGO Bricks less functional. As stated above, the variation criterion can be used in order to determine whether a shape should be regarded as being functional under a country's trademark law but the existence of alternate shapes can never make a functional shape less functional in the technical sense.

6.2 Fighting a Legal Battle

Since the LEGO Group's major patent on the Basic LEGO Brick expired it has persistently tried to protect the shape of the brick by claiming other intellectual property rights. The legal battles have cost the LEGO Group and its major competitors on the market lots of financial resources. LEGO has won a lot of lawsuits but so has its competitors. Sometimes LEGO has not been granted the strongest protection but never

the less some protection. In some countries LEGO has failed both on obtaining trademark protection and protection against unfair competition. Some courts seem to have balanced the public interests and found that exclusive rights to the LEGO Brick would restrict the competition in an unwanted way.

Several courts and decision-making bodies have refused to register the Basic LEGO Brick as a trademark and/or have refused protection under unfair competition law. Some, however, have granted the brick protection. As we have seen, the courts of Sweden refused to grant trademark protection but never the less granted protection against misleading copies under marketing law. The result was the same in Denmark. Other states that have refused to grant trademark protection for the Basic LEGO Brick are e.g. Canada and France.

6.2.1 Summary of Cases

In order to recapture some information from the previous chapter I will start the case analysis by summing up the cases. As we have seen the LEGO Group has argued before courts and decision making bodies that the features which were claimed in patents to solve a technical problem should now be protected by trademark law, copyright law and unfair competition law.

The Cancellation Division of OHIM found that the shape had been dictated by technical considerations and that the interlocking mechanism involves a technical result. The Cancellation Division used patents for the purpose of examining whether the shape of the mark was necessary to obtain the technical result. With regard taken to the patents the Cancellation Division took the view that all features of the shape performed particular functions and were necessary to obtain the technical result. So long, LEGO has only been able to register the mark with a disclaimer for construction toys. The decision has been appealed to the Boards of Appeal of the OHIM.

The LEGO Group failed with its trademark infringement claim before the Swedish Supreme Court since the shape was regarded as being primarily functional and aimed at a technical result. It was irrelevant whether the shape could be varied without losing the intended function since the shape could not act as a trademark. When LEGO in 1994 tried to register the shape subsequent to the adoption of a new trademark regulation, Patentbesvärsträtten referred to case *NJA 1987 page 923* and took the view that the mark could only be registered with a disclaimer.

The Swedish Market Court considered the LEGO Brick to be basically of a functional design and that competitors are free to market bricks with the same technical solution and bricks that are compatible with the LEGO Bricks. However, the Market Court took the view that the LEGO Brick as well contained non-functional and arbitrary features. Thus others should be prohibited from marketing toy bricks which are not by their design, decoration or otherwise clearly distinguished from the LEGO Bricks. There was a risk for confusion both regarding the marketing activities which included packaging and regarding the marketing activities which excluded packaging.

The Danish court Sø- og Handelsretten refused to grant the shape of the Basic LEGO Brick trademark protection. Competitors should also be free to apply the same technical solution since the patents had expired. However the shape should have protection against very close copies whenever the similarity was not due to technical considerations. The court concluded that the shape could be varied without losing the technical solution and therefore the imitation was prohibited. The competitor should have designed its bricks to be more distinguished from the LEGO Brick. Apparently the court thought that the similarity in this case was not due to technical considerations.

The German Federal Supreme Court considered that the LEGO Bricks could no longer, after 50 years, be protected under unfair competition law. The Supreme Court remanded the case back to the lower court to clarify the trademark and design right issues. However, the Supreme Court seemed to be of the opinion that LEGO should not be granted evergreen trademark protection when it was not justified to grant LEGO evergreen protection under unfair competition law.

In Finland the Market Court concluded that Biltema violated good business practices by marketing toy building bricks that created risk of confusion with the LEGO Bricks. Biltema had not taken required measures in its marketing to distinguish the copy products from the LEGO products.

Sometimes LEGO has failed both on obtaining trademark protection and on claims of unfair competition acts in a country. The French court declared invalid the LEGO Group's registered 3D TM consisting of the Basic LEGO Brick. The form and function of the brick had merged and the shape was primarily dictated by technical imperatives disclosed in patent specifications. It did not matter whether the defendant could have designed its bricks differently. Further, the bricks of the competitor would not likely cause confusion with the LEGO Bricks as the previous products had its own distinctive containers, packaging, trademarks and colour range.

The Austrian court ruled that there was no act of unfair competition since the packaging of the competitor carried notices stating that LEGO was not the manufacturer. The court considered that the substantial cost of the competitor's bricks would make the consumer consider the packaging before buying.

In China, LEGO Bricks were granted protection under the Bern Convention as works of applied art. From that case it is clear that toy building bricks can obtain copyright protection and patent protection simultaneously in China. The copyright protection of a foreigner's work of applied art is only granted a term of 25 years in China. 50 pieces out of 53 pieces were ruled to meet with the requirements for copyright protection and that indicates that the Basic LEGO Brick would be protected by copyrights in China in case there was a longer term of protection.

The United States courts rejected the LEGO Group's claim about trademark infringement since LEGO had failed to prove that the competitor had imitated an aesthetic quality of

its products. The courts considered that the Basic LEGO Brick exclusively consisted of functional features and thus could not be protected under common trademark law.

The Canadian Court of Appeal held that the upper surface of the Basic LEGO Brick served an obvious function for the brick and that the mark was purely functional in nature except for the “LEGO” inscription on top of each boss. All essential features of the brick were regarded as primarily functional elements of the product and therefore the brick could not act as a trademark. The matter is however not resolved yet since the Supreme Court has granted leave to LEGO to appeal the case.

The first instance court in Switzerland established that the shape of the Basic LEGO Brick was merely functional and thus could not be protected as a trademark. The Supreme Court held that a shape of a product which has acquired distinctiveness is not “technically necessary” if there are reasonable alternatives for designing the product. The question was then whether prohibiting the use of the shape would force competitors to choose a less practical or less solid shape or a shape which leads to higher manufacturing costs. The court remanded the case back to the lower court for reconsideration.

The Italian Court of Cassation considered that the lower courts had failed to consider whether the differences between the plaintiff’s and the defendant’s packaging were sufficient to overcome the risk of servile imitation. The Court of Cassation held that it is not lawful to copy a functional shape so that the respective products are indistinguishable on the market and that a copier is obliged to make changes which, while not having a functional effect, are capable of distinguishing the copy product from the original product in the mind of the consumer. It was not an act of unfair competition to market bricks identical to the LEGO Bricks as long as they were not claimed in advertising to be compatible with the LEGO Bricks. The case was remanded to the Court of Appeal for reconsideration.

The Australian Court considered that the shape of the Basic LEGO Brick was capable of being registered as a design. The Court took the view that the following relevant features of the shape were not dictated by function: the proportions of the bricks and bosses, the shape of the bosses, the number and arrangement of the bosses and the sharpness of the edges of the bricks. Thus the shape had elements apparent to the eye beyond those necessary for it to function as a toy building brick. The result was that LEGO could not obtain copyright protection since capability of design rights excluded copyright.

6.2.2 Trademark Protection

LEGO seems to have lost most of the lawsuits concerning trademark rights. Some of the LEGO Group’s major competitors challenge the trademark rights LEGO claims it has by invoking that the LEGO trademark is “functional “. In most cases it is however the LEGO Group that has initiates the court proceedings.

6.2.2.1 Interpretation of the TM Directive

Technical or functional considerations do not prevent trademark protection. It is no concern whether a trademark includes such elements, but a trademark right can never confer protection for such functions. However, if the sign consists exclusively of a shape of goods which is necessary to obtain a technical result the mark is denied registration on the basis that there is a need to keep them free for general use. The European Court of Justice has established in the leading case *Philips/Remington* that the provision in Art 3 (1) (e) (ii) of the TM Directive “is intended to preclude the registration of shapes whose essential characteristics perform a technical function, with the result that the exclusivity inherent in the trade mark right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution...” and further that it is irrelevant whether there are alternative shapes available.

Case Philips/Remington

78 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.

79 As regards, in particular, signs consisting exclusively of the shape of the product necessary to obtain a technical result, listed in Article 3(1)(e), second indent, of the Directive, that provision is intended to preclude the registration of shapes whose essential characteristics perform a technical function, with the result that the exclusivity inherent in the trade mark right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution they wish to adopt in order to incorporate such a function in their product.

80 As Article 3(1)(e) of the Directive pursues an aim which is in the public interest, namely that a shape whose essential characteristics perform a technical function and were chosen to fulfil that function may be freely used by all, that provision prevents such signs and indications from being reserved to one undertaking alone because they have been registered as trade marks (see, to that effect, *Windsurfing Chiemsee*, paragraph 25).

81 As to the question whether the establishment that there are other shapes which could achieve the same technical result can overcome the ground for refusal or invalidity contained in Article 3(1)(e), second indent, there is nothing in the wording of that provision to allow such a conclusion.

82 In refusing registration of such signs, Article 3(1)(e), second indent, of the Directive reflects the legitimate aim of not allowing individuals to use registration of a mark in order to acquire or perpetuate exclusive rights relating to technical solutions.

83 Where the essential functional characteristics of the shape of a product are attributable solely to the technical result, Article 3(1)(e), second indent, precludes registration of a sign consisting of that shape, even if that technical result can be achieved by other shapes.

It is clear from that judgement that Community law is restrictive regarding granting functional trademarks protection. The ECJ established that “consist exclusively of” aims

at the situation where the “essential” functional characteristics of the shape aim at a technical result. The ECJ established that the term “necessary” shall not be interpreted as meaning that the shape is the only shape in order to achieve a technical result but that the shape aims at a technical result. Thus it is irrelevant if there are other shapes available for the competitors. In my opinion such a rule is crucial in order for a doctrine of functionality to be effective. In the absence of such a rule there would eventually be fewer and fewer shapes available that can obtain a certain technical result. Trademark law should not confer an evergreen monopoly for technical solutions or functional features of products. The ECJ is clearly of the opinion that the accurate way to protect a technical solution is to obtain a patent that is limited in time (para. 82 of the judgement) and I agree with that opinion. The interpretation of the legislative intention of Article 3 (1) (e) has been confirmed in the joined cases 53/01 – C-55/01 *Linde AG, Windward Industries Inc, Rado Uhren AG*.

The decision made by the ECJ in the *Philips/Remington* case does not leave much space for doubts in future disputes in Europe regarding the possible trademark infringement of the Basic LEGO Brick. By its interpretation of Article 3 (1) (e) (ii) of the TM Directive in *Philips/Remington* the ECJ has generated a restrictive case-law regarding trademark protection of shapes which relates to technical solutions. After this judgement it must be difficult for LEGO to convince European courts that they should grant LEGO trademark protection for the shape of the brick.

6.2.2.2 Community Trademark

As we have seen, the Cancellation Division of OHIM applied the ruling and reasoning of the ECJ in case *Philips/Remington* in its decision concerning the LEGO Group’s registration of the Basic LEGO Brick as a CTM. The Cancellation Division examined the above mentioned British patent specifications (even Harry Fisher Page’s patents) and concluded that all features of the shape of the mark, i.e. the mark as a whole, was necessary to obtain a technical result, i.e. the interlocking solution. The stability and versatility of the interlocking mechanism was a technical result according to the Cancellation Division.

The Cancellation Division took the view as regards the shape of the Basic LEGO Brick that it was obvious that when the bosses represent a symmetric configuration, the size and shape of the brick will necessarily follow the same symmetric configuration. Moreover, the relative height of the bosses was considered to affect the clutch-power. Even though only the upper side face of the brick was disclosed in the registration also the underside face was relevant in order to establish whether the bosses on the brick performed a technical function. The fact that the preferred embodiment of the invention is to use bricks with tubes¹³⁶ was considered to imply that the bosses must have a particular diameter and configuration so as to interlock in an optimal way. The Cancellation Division’s viewpoints concerning the height of the bosses and height of the brick were more thoroughly discussed above, see Section 6.1.2.

¹³⁶ The British Patent Specification No. 866,557, page 2, line 20 ff.

With reference to the *Philips/Remington* case, the Cancellation Division certified that individuals should not be allowed to use trademark registration in order to acquire exclusive rights relating to technical solutions. That would render evergreen protection for technical solutions contrary to the concept that patents shall be limited in time. It is true that the Cancellation Division used the expired patents in order to establish whether the essential features of the brick performed a technical function and if they were chosen to fulfil that function. However, it appears to me as the Cancellation Division did not exclude trademark protection just because of the patents. At para. 60, last sentence, of the decision the Cancellation Division expressed the following:

“Article 7 (1) (e) does not stand in the way of filing and registering trade marks that involve, in addition to those technical features, other distinctive elements”.

The juxtaposition of the elements in the mark seems to have been one of the essential reasons for regarding the shape as functional, in the opinion of the Cancellation Division. It seems like it is not the exact shape of the brick that is the real concern but rather how the features are in relative proportion to each other.

Since LEGO has appealed the decision to the Boards of Appeal we do not know the final result yet. However, I believe that the position of the ECJ in case *Philips/Remington* leaves little space for LEGO to expect a positive result. From that case we know that the term “necessary” shall not be interpreted as meaning that the shape is the only shape in order to achieve a technical result but that the shape aims at a technical result. We also know that underlying purpose of Article 3 (1) (e) (ii) of the TM Directive is to prevent trademark registrations from creating perpetuate exclusive rights relating to technical solutions. As have already been mentioned above, that interpretation of the legislative intention of Article 3 (1) (e) has been confirmed in the joined cases *53/01 – C-55/01 Linde AG, Windward Industries Inc, Rado Uhren AG*.

6.2.2.3 Sweden

Both the Swedish Supreme Court and PBR has taken the view that the shape of the Basic LEGO Brick was primarily functional and aimed at a technical result. The Supreme Court held that the form of the brick and the interlocking-mechanism, represented by the bosses on the upper surface of the brick, solely aimed at a technical result. The only feature of the LEGO Bricks that was not due to functional considerations was the range of colours in which the bricks were produced. It is not clear from the written version of the judgement whether the Supreme Court used the patents in order to determine the eventual functionality of the relevant features. The Court held that the exclusivity which trademark protection provides might not embrace such elements of the shape of a product that are mainly utilitarian. Unlike the court of first instance and the appellate court, the Supreme Court considered that it was irrelevant whether the shape could be varied without losing the intended function since the shape would still be functional. Acquired distinctiveness did not change the fact that the shape had mainly been chosen by functional considerations.

The case was before the Supreme Court in 1987. None the less there are close points of similarity between the reasoning of the ECJ in case *Philips/Remington* and the reasoning and opinions of the Swedish Supreme Court in this case. As stated before, the Supreme Court established how to interpret Section 5 of the Trademarks Act in the LEGO case. However the precedent has been questioned since the adoption of the TM Directive¹³⁷. The decision of the PBR has also been questioned. Many lawyers thought that the Supreme Court was too restrictive in allowing shapes which related to technical solutions protection under trademark law. They were of the opinion that Article 3 (1) (e) (ii) provided for a less restrictive view. I am satisfied that they have had to reconsider after the *Philips/Remington* case and the decision of the Cancellation Division of OHIM. Below I will explain why I think that the reasoning of the ECJ was similar to that of the Swedish Supreme Court.

In the LEGO case, the Swedish Court held that the purpose of Section 5 of the Swedish Trademarks Act was that of preventing trademark protection from granting its proprietor a monopoly on technical solutions or functional elements of a product. The ECJ was of the same opinion in regard of the purpose of Article 3 (1) (e) of the TM Directive (at paras. 78 and 82 of the judgement). Moreover, the Swedish Court opined that a technical solution that is not protected by a patent must be available for everybody to use even if there are alternative technical solutions. The ECJ asserted that the Article 3 (1) (e) second indent reflects the legitimate aim of not allowing individuals to use trademark registrations in order to acquire or perpetuate exclusive rights relating to technical solutions (at para. 82). The Swedish Court considered that the LEGO Brick was not protectable since the features of the shape mainly served at making the brick more utilitarian. The ECJ considered that the shape of a product was not protectable if it was established that the essential functional features of that shape were attributable only to the technical result. Both courts laid down in their respective judgements that the ground for refusal of trademark protection could not be overcome by the establishment that there are other shapes that could achieve the same technical result (at para. 81, *Philips/Remington*). Furthermore neither the Swedish Supreme Court nor the ECJ considered that acquired distinctiveness could overcome the ground for refusal (which follows from Article 3 (3) of the TM Directive).

From the foregoing it follows that the interpretation of the ECJ of Article 3 (1) (e) (ii) in case *Philips/Remington* will most likely have no substantial impact on the future case-law of the Swedish Supreme Court in respect of signs related to technical solutions. The lower courts applied the variation criterion in the LEGO case but since the judgements of the Supreme Court are precedential the lower courts had to follow the case-law of the higher court. Hence the lower courts had to reconsider already after the judgement of the Supreme Court.

¹³⁷ See e.g. Koktvedgaard, Mogens and Levin, Marianne: "Lärobok i immaterialrätt" (sixth edition, 2000), page 324: "...NJA 1987 s. 923, NIR 1988 s. 321 (LEGO I), vars prejudikatvärde numera kan ifrågasättas. Jfr strax nedan om OHIM."; and compare with the seventh edition (2002) of the book at page 341: "Numera kan noteras att Legoklossen registrerats i OHIM ..., vilket kanske kan förefalla litet märkligt i ljuset av EGD den 18.6.2002 i mål 299/99 (Philips)."

Recently, the Svea Court of Appeal (Swe. Svea hovrätt) issued a judgement in a case that concerned the same mark as in *Philips/Remington*¹³⁸. The Svea Court of Appeal held that the evaluation should be based on whether the essential characteristics were functional and chosen to obtain a technical result. It was established in the case that the essential characteristics were chosen in order to obtain a technical result. In accordance with the ruling of the ECJ the possibility of alternative shapes did not effect the assessment.

6.2.2.4 France

In France the LEGO Group was first successful with a 3D TM registration consisting of the Basic LEGO Brick. The French court declared the registration invalid since the form and function of the brick had merged and the shape was primarily dictated by technical imperatives disclosed in patent specifications. The patent specifications were used in order to establish which elements of the shape that enabled the technical result. Most likely the patent specifications were regarded as evidence of that the various elements of the shape had been chosen in order to achieve that result. Hence the French court seems to have used the patent claims against LEGO, just like the Cancellation Division of OHIM did.

LEGO argued before the court that the shape of the Basic LEGO Brick had acquired secondary meaning in France. Like the ECJ and the Swedish Supreme Court, the French court answered this argument by stating that it was of no relevance whether the defendant could have designed its products differently. Apparently, also the French court took the view that it did not matter whether that were alternative shapes that could obtain the same technical result. Regardless of the amount of shapes available, the chosen shape had been dictated by function. Acquired distinctiveness could not overcome the ground for invalidation which follows *e contrario* from Article 3 (3) of the TM Directive. The TM Directive was adopted a few years before the judgement of the French court.

6.2.2.5 Switzerland

The Swiss Federal Supreme Court was very clear on the question whether the shape of the Basic LEGO Brick was excluded from protection because it constituted the nature of the goods (Art. 2(b)). A rectangular form of toy bricks capable of interlock went beyond what the public necessarily expected and thus the Basic LEGO Brick did not solely constitute the nature of the goods, i.e. toy building bricks. However, the Supreme Court left the question whether the shape was necessary in order to achieve the interlocking effect to the lower court to determine. It simply provided the lower court with the accurate tools to answer the question.

The Swiss Federal Supreme Court seems to support the concept of granting functional shapes trademark protection. It held that a shape of a product which has acquired distinctiveness is not “technically necessary” if there are reasonable alternatives for designing the product. The Supreme Court held that the shape of the Basic LEGO Brick

¹³⁸ The Svea Court of Appeal, Svea Hovrätt, case *Rotary Shaver Sweden AB (prev. Idéline) v. Koninklijke Philips Electronics N.V.*, No. T-691-97.

was at least technically influenced which means that the shape confers a technical advantage but there are alternate shapes that can achieve the same technical result. While there were alternatives for design of such bricks, the decisive question in determining the shape's registrability was whether prohibiting the use of the shape would force competitors to choose a less practical or less solid shape or a shape which leads to higher manufacturing costs.

The Zurich Commercial Court will now determine if there are reasonable alternative shapes and if the shape has acquired secondary meaning.

Since Switzerland is not a member of the EU it is not bound by the case-law of the ECJ. Case *Philips/Remington* will thus have no impact on the Swiss courts or legislators unless the state itself decides to take steps to bring its trademark law into line with the EC law. Switzerland has however taken some steps to harmonise its law with that of the EU. The Federal Council first made a proposal involving that shapes that were "technically influenced" should be excluded from trademark protection. The wording technically influenced was later replaced by "technically necessary" in a proposal to the Commission of the National Council. The wording technically necessary was considered to bring more juridical clarity and the purpose of the amendment was that of harmonisation with EU law. It was further suggested that the practical application of the principle that certain shapes may not be monopolised under trademark law shall be decided on a case by case basis by the courts also in the future.

There are some similarities between the reasoning of the ECJ in *Philips/Remington* and the Swiss Federal Court in the *LEGO* case. The Swiss Court held that Article 2(b) of the Trademarks Act reflects the absolute necessity to keep certain shapes free of monopoly and that trademark law may not result in ever-green monopolies related to technical solutions. This can be compared to the reasoning of the ECJ regarding the rationale of Article 3 (1) (e) of the TM Directive. The Swiss Court held that the ground for refusal of registration provided for in Art 2(b) of the Trademarks Act could not be overcome by the acquisition of secondary meaning. The same follows from the provisions of the TM Directive. The biggest difference between the reasoning of the ECJ and the Swiss Court is that the former refused to apply the variation criterion whilst the latter considered that the availability of alternate shapes should be taken into consideration. The Swiss Court none the less limited the potential scope of the variation criterion.

6.2.2.6 Canada

According to the Canadian doctrine of functionality a trademark on a product shape cannot be a primarily functional feature of that product. Reasonably the Canadian doctrine of functionality corresponds to Article 3 (1) (e) (ii) of the TM Directive rather than Article 3 (1) (e) (i) since the Canadian Court of Appeal expressed that the existence of a prior patent that covers the feature claimed to be a trademark is evidence that the feature is primarily functional. Moreover the Court of Appeal held that the underlying principle of the functionality doctrine is "to ensure that no one directly or indirectly achieves the status of patent holder through the guise of a trade-mark".

The Canadian Federal Court took the view that the shape of the Basic LEGO Brick had become distinctive but the purpose of the bosses was never the less dictated by function. Hence secondary meaning did not overcome the functionality. The trial judge concluded that all the features of the brick are dictated by function, and the shape of the top surface of the Basic LEGO Brick is purely utilitarian.

In the Court of Appeal LEGO argued that, since the doctrine of functionality was only expressed in the Canadian Trademarks Act in relation to registrations of trademarks and not in relation to unregistered trademarks, the doctrine should not be applicable on its unregistered trademark. The response of the Court of Appeal was that one must consider the underlying principle of the functionality doctrine rather than how it has been formalised in the legislation. The majority of the judges were of the view that a primarily functional element of a product cannot act as a trademark and the Basic LEGO Brick was considered to be totally functional save for the “LEGO” inscription on the top surface of the bosses.

The Canadian Court of Appeal almost gave the LEGO Group a telling-off in that it said that LEGO was only seeking to extend its production monopoly under trademark law and that the expired patents “sound remarkably like the LEGO Indicia which the Appellants attempt to argue is a trade-mark”¹³⁹.

Since the Supreme Court of Canada has granted leave to the LEGO Group to appeal the judgement there might be a different result in the end. The LEGO Group holds that the Canadian Supreme Court usually only grants leave to appeal in exceptional cases involving issues of national importance¹⁴⁰. I suppose that the Supreme Court either wants to alter the ruling of the Court of Appeal or wants to establish a precedent.

6.2.2.7 United States of America

In the United States there are two ways of obtaining protection against “unprivileged imitation”. LEGO could obtain protection either by establishing that a non-functional feature of the brick had been imitated or by establishing that the shape had acquired a secondary meaning. In both situations LEGO had to prove that consumers were likely to be confused as to the commercial origin of the copy product. As stated above the objective underlying the functionality doctrine of US trademark law is to prevent trademark protection from allowing one actor to control a utilitarian feature of a product shape. Never the less, in accordance with established case-law, the variation criterion is applicable where a shape of a product contains both functional and non-functional features. Trademark protection would thus be possible for shapes containing functional features if there are numerous of reasonable alternate configurations, provided that the shape is not functional as a whole. In this case the District Court however took the view

¹³⁹ Federal Court of Appeal, Canada, case *Kirkbi AG and LEGO Canada Inc., v. Ritvik Holdings Inc./ Gestions Ritvik Inc.*, judgment of July 14 2003, para. 46.

¹⁴⁰ The LEGO Group’s web page, Press Releases, “Canadian Supreme Court grants LEGO Company leave to appeal”, published on April 29 2004, <http://www.lego.com>.

that the Basic LEGO Brick did not contain any arbitrary, decorative or other non-functional features. Hence the variation criterion was not applicable. As I mentioned above it seems to me that the District Court believed it was doubtful that acceptable alternative shapes existed. The District Court stated that the shape of the Basic LEGO Brick was the obvious engineering choice since it provided optimal clutch-power and was easiest to manufacture. Most probably it would not have made any difference if LEGO had added some ornamental feature that doubtlessly had anything to do with functionality. The expression of the District Court that "... without incorporating at least some substantial non-functional elements, the Lego 2 x 4 block cannot seek the protection of trademark law" tells us that substantial non-functional elements would be required. Furthermore, even though the brick had acquired secondary meaning there was not enough evidence of confusion.

6.2.2.8 Final Remarks

As we have seen, many courts and decision-making bodies have considered that the LEGO Group should not be able to obtain perpetual or evergreen protection by way of trademark protection for features which had been claimed in patent specifications. Some courts have actually examined the expired patent specifications for the purpose of determining which features of the shape that might be dictated by function and technical considerations. Those courts have used the LEGO Group's choice of applying for patent protection first against LEGO. The LEGO Group's strategy will be discussed in Chapter 7.

I think that it is reasonable to assume that features that are subject matter for patent claims only in exceptional cases should simultaneously be capable of obtaining trademark protection. Even though the features might have acquired secondary meaning they are presumable chosen primarily to achieve a technical result and not primarily to tell the consumer of the product's commercial origin.

6.2.3 Copyright Protection

6.2.3.1 China

The Chinese intellectual property laws are very new, for instance China adopted its patent system in 1985¹⁴¹. The Chinese government has stated that it shall provide increased protection for patents, copyrights and other intellectual property rights, in line with commitments made as part of its entry into the WTO in December 2001.¹⁴² The Chinese Supreme Court considers the decision in *INTERLEGO AG v Tianjin COKO Toy Co Ltd* to be one of the 10 most important judgments relating to intellectual property in China in 2002¹⁴³.

¹⁴¹ Forbes.com, by Dan Ackman, published on November 2 2003, http://forbes.com/2003/02/11/cx_da_0211china_print.html.

¹⁴² World Trade News, published on 22 January 2003, <http://www.angelfire.com/space/goalshot/20030122.htm>.

¹⁴³ The LEGO Group's web page, Press Releases, published on October 1 2004, <http://www.lego.com>.

The Chinese courts granted various LEGO Bricks protection under the Bern Convention as works of applied art. The bricks to which LEGO claimed copyright were designed by LEGO during the period 1976 to 1990. 50 pieces out of 53 pieces of LEGO Bricks met with the requirements for industrial designs to be qualified as works of applied art.

I thought that it was interesting to include this case in the case study to show the reasoning of courts from a country which has a shorter tradition of IPRs. Even though the case concerned other bricks than the Basic LEGO Bricks it is clear that toy building bricks can obtain copyright protection and patent protection simultaneously in China. The copyright protection of a foreigner's work of applied art is only granted a term of 25 years in China which is the minimum term of protection according to the Berne Convention and as a result the Basic LEGO Brick cannot be protected by copyright in China today. The judgement indicates that the brick would have gained copyright if China had a longer term of protection.

6.2.3.2 Australia

In the Australian case LEGO aimed at copyright protection for its Basic LEGO Brick. However, the case as depicted in this thesis more concerned the issue of functionality. I think that the case was interesting to include in the thesis for two reasons. The first reason is that the Australian Court took a very different view on the functionality of the shape from that of other courts referred to in this thesis. The second reason to include the case is to show the interesting argumentation of the LEGO Group in this case. Before this court LEGO argued that the shape of the Basic LEGO Brick is solely dictated by function and that it therefore was not capable of being registered as design so that copyright protection is not excluded. LEGO made the submission to the court that Mr Gray, the Chief Executive of Tyco, had made a statement before courts in the United States involving that Tyco could not produce a brick which would work like a LEGO Brick without making it look like a LEGO Brick. This submission by LEGO is interesting from my point of view. LEGO makes use of a statement of a competitor for the purpose of showing that the shape is purely functional. Apparently, LEGO is willing to use any argument that could be in the company's favour even if the argument originates from its rivals.

6.2.4 Unfair Competition

The courts have reasoned differently concerning the actions against acts of unfair competition. Some courts have considered that the only restraint on marketing can be on how the product in question is packaged. Some courts have mainly focused on brick similarity and focused less on how the bricks have been packaged. Just like most trademark regimes the unfair competition regimes tends to disallow protection for functional product shapes. However, considering the patent specifications, the question is if not the LEGO Group have obtained protection also for technical features of the LEGO Brick in some of the cases that will be discussed below.

6.2.4.1 Preliminary Rulings under Article 234 EC

The Swedish Market Court as well as the Finnish Market Court were of the view that a preliminary ruling from the ECJ would not be necessary in order to give judgement. Referral is mandatory for those courts whose decisions are not subject to appeal. According to the doctrine of *acte clair*, established in *CILFIT Srl* (case 283/81)¹⁴⁴, there is no need to refer a question to the ECJ if the matter is irrelevant, materially identical to a question that has been the subject to a preliminary ruling already, or so obvious as to leave no scope for reasonable doubt. A decision of a court not to refer a question to the ECJ might have consequences for individuals affected by the decision. I am not saying that the courts were wrong in that they did not refer questions to the ECJ. However if the case really has a connection to Community law the court may only omit to refer the question in case of *acte clair*. Not only must there be no scope for reasonable doubt, the court must be satisfied that the interpretation of the question is clear also for the other domestic courts in the EU (and the ECJ) which might be difficult considering the fact that all translations shall be equally valid. It can be noted that several Swedish courts have been criticised by for instance the Commission of the European Community for their refusal to refer questions under Article 234 EC to the ECJ¹⁴⁵.

6.2.4.2 Sweden

As it has been noted above, under Swedish law there are three criteria to be fulfilled in order to obtain protection against misleading copies. The original product must be characteristic and known and there must be a danger of confusion.

The Swedish Market Court established in the LEGO case that everybody are allowed to market bricks provided with bosses for an interlocking possibility and bricks that can be used interchangeably with the LEGO Bricks. This is in accordance with the main rule that in the absence of IPRs copying as such is not prohibited. However, according to the Market Court other businessmen are prohibited from marketing bricks which are not by their design, ornament or otherwise clearly distinguished from the LEGO Bricks. The LEGO Bricks were considered to be basically of a functional design but never the less to contain certain aesthetic and arbitrary features which made the bricks characteristic for the purpose of Section 8 of the Market Act. There was a danger of confusion both regarding the marketing activities which included packages and regarding the marketing activities which excluded packages. The Market Court stated that there were close points of connection between the way Biltema had packaged its COKO products and the way the LEGO Group had packaged its products and that there was a danger of confusion between the COKO Bricks and the LEGO Bricks both with and without packaging. The packaging issue will be discussed below in Section 6.2.5.9.

¹⁴⁴ Case 283/81 *CILFIT Srl v Ministero della Sanità* [1983] ECR 3415.

¹⁴⁵ See for instance the judgement of the Swedish Supreme Court, NJA 1998 page 474, compared to the judgement of ECJ in case C-63/97, *BMW v. Deenik*, and the judgements of Regeringsrätten (the Swedish Governmental Court) in RÅ 1997 ref. 34 and joined cases 1424-1998, 2397-1998 and 2939-1998 (*Barsebäck*), and the judgements of Arbetsdomstolen (the Swedish Labour Court), cases AD 1995:163 (*Swebus*) and AD 1997:81.

The basis for the judgement of the Swedish Market Court is quite unclear and the statements in the judgement confuse me. It is not possible to understand from the written verdict to which extent the ruling was based on the way Biltema had packaged and labelled its products. The Market Court seems to have focused very much on the confusing similarity between LEGO Bricks and COKO Bricks, i.e. the imitation as such, and less on the marketing as such.

The judgement of the Swedish Market Court lays down the following. Competitors are allowed to market bricks aiming at the same technical solution as the LEGO Bricks and bricks that are compatible with the LEGO Bricks. At the same time they may not market bricks that are not clearly distinguished from the LEGO Bricks by design, ornament or by other means. In my point of view this order is remarkable. If a competitor would like to market interlocking bricks that can be used interchangeably with the LEGO Bricks, that competitor must communicate the commercial origin by marking the bricks with distinguishing trademarks and/or distinguishing packages. Logically, distinguishing the bricks by “design” would not be an option since the bricks would thus not be capable of compatibility with the LEGO Bricks. Also distinguishing by “ornament” would of course be out of the question since that too would make the bricks less “compatible”. A competitor would almost certainly not want to decorate the bricks for instance on the sides of the bricks. One might think that the Market Court ought to have realised this paradox and reassessed the functionality of the LEGO Bricks. The question is if the Market Court in taking this view has not enabled a monopoly on a product shape which mainly aims at making the product more functional. This is contrary to the intention of the legislator that such shapes must be free for everybody to use. The Market Court held that the LEGO Bricks comprised some non-technical and capricious elements in that they “for instance” had been proportioned in order to achieve eye appeal (in Swedish: “Byggklossarna företer emellertid även vissa designmässiga och godtyckliga formgivningselement bestående bl.a. i att byggklossarna proportionerats för att åstadkomma en tilltalande form”). Unlike the Cancellation Division of OHIM and several courts the Swedish Market Court considered that the juxtaposition of the elements of the Basic LEGO Brick was not a functional feature.

It should be noted that the functionality doctrine under Section 8 of the Market Act is intended to correspond to the functionality doctrine under Section 5 and 13 of the Trade Marks Act¹⁴⁶. Hence it follows that the interpretation of Article 3 (1) (e) (ii) of the ECJ in case *Philips/Remington* should be valid also the functionality doctrine under Section 8 of the Marketing Act. In that case the ECJ established that the possibility of alternate shapes should not affect the assessment of whether a shape is technically necessary. Anyhow, the Market Court considered the LEGO Brick to be sufficiently characteristic, hence sufficiently non-functional, to be protected against Biltema’s marketing and most likely the manner in which the COKO Bricks were marketed was the greatest concern in the case.

¹⁴⁶ Carlén-Wendels, Thomas: Sveriges rikes lag, ”Marknadsrätt”.

The following statement of the order implies that Biltema could have been allowed to market the COKO Bricks if the company had cleared out the commercial origin in the marketing: “The Market Court prohibits Biltema Sweden AB under penalty of a fine of four hundred thousand (400 000) SEK to market, in that manner (Swe. “på så sätt som skett”), toy building bricks of plastic which are not by design, ornament or other clearly distinguished from the toy building bricks of LEGO System A/S.” The order implies that the bricks could have been designed differently, that decoration could have been added to the otherwise identical bricks or that the bricks could have been distinguished in other ways (that follows from “or other” and “in that manner”). At least the order indicates that the judgement could have been different in case Biltema had taken further steps to minimise the danger of confusion. After all, for the purpose of Section 8, the danger of confusion has regard to acts during the distribution of the goods and there is no protection provided under that provision for post-sale-confusion.

6.2.4.3 Finland

As mentioned above, Finland has by means of interpretation included the concept of misleading copies into the unfair competition law. However it seems that protection against misleading copies is not to be precluded on basis of functionality. The Market Court simply established that the LEGO Bricks were known on the Finnish Market and accordingly they could be protected against misleading copies. The Finnish Court held that imitation of products as such could not be in violation of unfair competition law. As stated above, that is also the starting-point in Swedish marketing law. However the imitator is required to take steps in order to minimise the danger of confusion concerning the commercial origin of the copy product.

Biltema had violated good business practices by marketing imitations without clearly distinguishing them from the LEGO products. The Finnish Market Court clearly focused on the marketing measures and not on the imitation as such. It is apparent from the judgement that the Finnish Market Court thought that the imitation was no concern. In comparison the Swedish Market Court seems to have focused more on the imitation of LEGO products. Biltema was ordered to stop marketing products that can be confused with LEGO products, unless they are not in the marketing clearly distinguished from the LEGO products. First, the Market Court did not prohibit the sale of the COKO products. The Supreme Court however established that the concept of marketing must comprise sale since otherwise the provision would be deprived of its effectiveness. Thereby, the Supreme Court changed a long standing case-law of the Market Court regarding what measures that could be prohibited under unfair competition law. I agree with the Supreme Court in that the concept of marketing should not be construed too narrowly.

6.2.4.4 Denmark

According to Sø- og Handelsretten the shape of the Basic LEGO Brick was not protectable under trademark law since it was not distinctive. Sø- og Handelsretten expressed its position on the trademark claim very briefly and it is difficult to draw any meaningful conclusions from the judgement. Since the court considered that the LEGO

Bricks were known on the Danish market, it is reasonable to assume that the shape of the Basic LEGO Brick was denied trademark protection either since it followed from the nature of the goods themselves or since it exclusively aimed at a technical result. Unlike the Swedish LEGO case this case occurred after the adoption of the TM Directive. However the case might have been based on the old legislation anyway. Also Sø- og Handelsretten has been criticised for its refusal to apply the variation criterion when considering protection under trademark law. Sø- og Handelsretten however took into account the possibility of alternate shapes when considering protection under unfair competition law. Obviously Sø- og Handelsretten did not consider that the similarity between Byggis's bricks and the LEGO Bricks was due to technical considerations when there were alternate shapes available.

In conclusion, the Basic LEGO Brick could not act as a trademark in Denmark even though it had acquired distinctiveness and alternate shapes were considered to exist, but for the purpose of protection under unfair competition law the Brick was not too functional since it could be varied with the same technical result and thus Byggis could have adopted another shape. The problem as I see it is that the focus is on the bricks as such and not the marketing. If the similarity in this case was not due to technical considerations it must have been established that there must have been at least equally utilitarian alternate shapes. Otherwise the judgement would involve that LEGO would have exclusive rights to the optimal shape of construction toys. In any event, the judgement involves that only the LEGO Group may market the Basic LEGO Brick in Denmark. It is however reasonable to believe that it is allowed to market bricks identical to the LEGO Bricks if it is clear from the marketing that the LEGO Group is not the producer of the bricks.

It can be noted that the LEGO Group has an on-going action against Biltema in Denmark¹⁴⁷.

6.2.4.5 Germany

The LEGO Group holds a registered 3D TM constituting the Basic LEGO Brick in Germany. The Federal Supreme Court ruled that the LEGO Group's supplementary fair trading copyright protection under unfair competition law had lapsed after 50 years. Obviously 50 years was enough. The Supreme Court seems to have balanced the public interest of efficient competition and private interests of protection for investments. The rules enabling such protection have also been criticised. As mentioned above, the claims regarding design and trademark protection remains to be resolved by the Court of Appeal. However, the Supreme Court took the opportunity to express its opinion and said that the lower court should consider carefully whether trademark protection could be justified if it was not justified to grant evergreen protection under unfair competition law. Hence we can expect that in Germany the exclusivity of the Basic LEGO Brick will be over for the LEGO Group. This is a great setback for the LEGO Group considering that Germany is the second largest market for construction toys.

¹⁴⁷ The LEGO Group's web page, Press Releases, "LEGO Group wins lawsuit in Finland", published on May 4 2005, <http://www.lego.com>.

6.2.4.6 France

The French trial court held that Mega Bloks did not violate good business practices since the company had its own distinctive containers, packaging, trademarks and colour range. The court simply concluded that consumers could not be misled when Mega Bloks marketed its products under its own brand and used packages that were able to distinguish its goods from LEGO products.

6.2.4.7 Italy

The Court of Milan ruled that Arco Falc's marketing of the Tyco products was not an act of unfair competition. On appeal, the Milan Court of Appeal established that confusion between the two products was avoided through the use of different packaging and different trademarks in the marketing of the products. Hence it was without importance that the products were physically identical.

The Milan Court of Appeal took the expired patents into consideration and found that the features of the Basic LEGO Brick that provided interlocking capability were functional. Since the shape was no longer protected by patents competitors should be free to use it. Furthermore, the copying of the functional features was not considered to be an example of servile imitation under Article 2598(1) of the Italian Civil Code since, even though the products of the two companies were identical, there was no risk of confusion due to the use of different packaging and trademarks.

LEGO appealed to the Supreme Court of Cassation which found that the appeal was well-founded and remanded the case back to the lower court for reconsideration.

The Court of Cassation focused solely on the product itself and established that differentiation between the separate products by means of different packaging and trademark was not sufficient to cancel out servile imitation. Thus the lower court had delivered an incorrect judgement when it had solved the problem of confusion between products by reference to the differentiation in the packaging. Also post-sale-confusion could be a concern. Otherwise competitors would be permitted to take advantage of the commercial goodwill of the creator of the original product. The Court of Cassation held that a copier is obliged to make changes which, while not having a functional effect, are capable of distinguishing the copy product from the original product in the mind of the consumer. Only where it would be impossible to introduce alterations without compromising the function it is lawful to offer a copy product without any distinguishing features, the Court of Cassation established. Thus the Court of Cassation was of the opinion that the variation criterion should be applied. The lower court was given the task to consider whether the Basic LEGO Brick also contains identifiable characteristics which may not be copied pursuant to Article 2598(1) of the Italian Civil Code.

The protection against servile imitation under the Italian Civil Code has some close points of similarity with the protection against misleading copies under the Swedish

Marketing Act. However, the former form of protection provides a more extensive protection since it focuses solely on the product and it can be said that post-sale-confusion is included in the concept. In any event, a functionality doctrine prevents that life-time patents are possible under Article 2598(1).

Since the case that was settled was not finally resolved by any court, we will never know the potential legal outcome of the dispute. What we do know is that a fruitful settlement agreement can be very beneficial for LEGO when a lawsuit unlikely will end in a positive result for the company. Of course, this too is part of the management strategy of the LEGO Group. Regarding this settlement Peter Strandgaard of the LEGO Legal Department said:

“Every year the LEGO Company takes legal action all over the world against companies imitating its products. No general international laws apply in this field, which means that we are often obliged to take the same imitator to court in several countries. The outcome may vary from country to country depending on local legislation. There are some international conventions which countries can adopt and implement but they are not equally applicable everywhere - national legislation, for example, can differ on the subject of intellectual property infringements. But our settlement with the company behind Klip is effective worldwide.”¹⁴⁸

6.2.4.8 Austria

In the Austrian LEGO case the defendant had placed notices in black letters on a yellow background on the packaging of its products. The Austrian Supreme Court considered that the packages of the competitor's toy building sets were sufficiently marked with statements saying that LEGO was not the manufacturer and further that the packages carried the company's own brands. Clearly, the Supreme Court took the view that the competitor had taken adequate steps to distinguish its products from LEGO products. Due to the statements and marking, consumers could not mistake the competitive products for LEGO products and the Supreme Court made no point of a potential post-sale-confusion.

6.2.4.9 Packaging Issues and the Variation Criterion

In the Austrian LEGO case, the marking was considered sufficient for consumers not to be confused as to the commercial origin of the copy product. The Supreme Court made no point of a potential post-sale-confusion in that it held that, in principle, the defendant should not be held responsible for the use to which a purchaser puts a purchased product.

Under Swedish unfair competition law it is established that the only danger of confusion that shall be regarded is that during the distribution of the goods, i.e. prior to purchase. The Swedish Market Court stated that the packaging Biltema used was very similar to the LEGO Group's packaging and that there was a danger of confusion between the COKO Bricks and the LEGO Bricks *both with and without packaging*. LEGO had argued before the Market Court that some of the pictures Biltema had marketed showed bricks without packaging, that the COKO brand was missing on several pictures and that the COKO

¹⁴⁸ The LEGO Group's web page, Press Releases, published on January 22 2003, <http://www.lego.com>.

brand likely escaped the eye at a normal examination of those pictures that included the brand. Perhaps the Market Court based its judgement on how the COKO products had been marketed and packaged even though it is not clear from the judgement. However it seems to me that the Market Court has primarily focused on the bricks.

Since the Market Court rules on a case by case basis, the LEGO Bricks might be subject matter for disputes before this court in the future. It is only possible to speculate on the outcome of a dispute where a businessman would have labelled and packaged products identical to the LEGO Bricks in such a way as to leave no doubts regarding the commercial origin. Clear labelling ought to overcome the danger of confusion even if confusingly similar bricks could be seen through a window on the packaging or in a picture on the packaging. Since the danger of confusion can only be relevant during the distribution of the goods, consumers would not have been misled by such marketing measures. Confusion post purchase can never be relevant since such confusion would be in the sole control of the consumer. It would be illogical and unreasonable to prohibit acts that the businessman cannot control.

Whilst the Milan Court of Appeal in the Italian LEGO case considered that it was sufficient in order to avoid confusion to differentiate the packaging and trade symbols, the Supreme Court of Cassation held that the imitated product itself needed to be distinguished from the original. The reasoning of the Court of Cassation is interesting in that the Court believes that otherwise competitors would be permitted to exploit the commercial goodwill of the creator of the original product. The provision of the Italian Civil Code relating to servile imitation provides a perhaps too broad protection since it includes post-sale-confusion. Moreover, even though the functionality doctrine under that provision was there to prevent life-time patents, the Court of Cassation established that the variation criterion should be applied. It is all about balancing interests of course.

I think that it is reasonable to require a competitor to take appropriate measures to minimise the danger of confusion in marketing, e.g. to provide packages clearly with his own trademarks or by other means communicate to the consumer that he is the producer and seller of the goods. Distinguishing the shape of a product is only one way to overcome the danger of confusion.

It is only natural that the variation criterion shall not be applied for the purpose of protection under trademark law. The problem with applying the variation criterion for the purpose of determining whether a shape is protectable under unfair competition law is that it renders restrictions on competition. If a court establishes that competitors must use alternate shapes, that involves, at least to some extent, that the proprietor has exclusive rights to the shape. A competitor who later invents a different shape will have exclusive rights to that shape and so forth. Unfair competition law has mainly the purpose of protecting consumers against misleading advertising and businessmen against unfair competition. If the commercial origin is clear from the marketing, consumers will not be misled and the competition will not be unfair. That must be the basic rule.

6.2.5 Main Findings

A shape of a product can be protected by different intellectual property rights. Patent law protects technical ideas. Copyright law protects the literary and artistic works as such and not the underlying motif or idea. Trademark law protects a shape of a product provided that it is capable of distinguishing the product from the products of competitors. Trademark does not protect an idea or a motif.

Some courts and decision-making bodies seem to have used the expired patents against LEGO. For instance the Canadian Court of Appeal held that all relevant features of the Basic LEGO Brick had previously been claimed in patents and opined that the LEGO Group was only attempting to prolong the 50 year monopoly. Furthermore, the Canadian Court thought that if LEGO was granted protection for the Basic LEGO Brick under trademark law LEGO would obtain a patent-like monopoly even though the patents were long expired.

“The Appellants held this monopoly for over 50 years, and, in my opinion, this action was just another attempt to extend patent protection through the guise of a trade-mark.”¹⁴⁹

The doctrine of functionality under trademark law and unfair competition law can be said to have the aim of preventing patent holders from extending their expired patent rights through means of trademarks or other forms of protection. It is of course handy to examine the patent specifications in order to determine whether the shape of the LEGO Brick is dictated by function. The patent claims disclose which features that achieve the technical result. Moreover the patents can be regarded as evidence for the intention behind the choice of a particular shape. Namely the patents tell us that the claimed features of the product have been chosen in order to achieve a particular technical result. Furthermore, it is possible to find statements in the patents such as that the projections can be of various shapes but in a preferred embodiment both the primary and the secondary projections are of cylindrical shape¹⁵⁰.

The doctrine of functionality is most rooted in trademark regimes. Most legislation and case-law maintain a system where a shape consisting of functional features cannot act as a trademark. The public interest of effective competition must be weighed against the possibility for a businessman to be able to distinguish his goods from the goods of competitors by using a trade symbol. However trademark law should only involve a monopoly of a trade symbol and should not protect the goods as such. The underlying objective of the functionality doctrine is to prevent functional features and technical solutions integrated in the shape of a product from being monopolized by means of trademark protection.

The functionality test differs somewhat between the courts and the decision-making bodies that have considered the LEGO Bricks. This naturally leads to mixed results as

¹⁴⁹ Federal Court of Appeal, Canada, *Kirkbi AG and LEGO Canada Inc., v. Ritvik Holdings Inc./ Gestions Ritvik Inc.*, judgment of July 14 2003, para. 93.

¹⁵⁰ The British Patent Specification No. 866,557, page 2, lines 16 – 23.

regards protection for the brick. Some courts and bodies have taken the view that the Basic LEGO Brick is purely functional and ineligible for e.g. trademark protection whilst others have considered the Brick contain non-technical features eligible for legal protection e.g. trademark protection or protection under unfair competition law.

A product whose shape incorporates both functional and non-functional features may raise conflicting considerations of free competition and trademark protection. In such a case, some courts apply the variation criterion, i.e. they take into consideration whether equally acceptable alternate configurations are available to competitors. This follows from the public interest in promoting competition.

It follows from the case *Philips/Remington* that, in accordance with EC law, it is irrelevant for the establishment of whether a shape is functional that there are potentially several shapes that are capable of obtaining the same technical result. The Canadian Court of Appeal and several other courts have established the same ruling. As I have already stressed, such a rule is necessary in order for a doctrine of functionality to be effective. The same should apply as regards unfair competition acts.

Maybe the variation criterion would be possible to apply where there are numerous alternative shapes. However, in case of existence of only a few alternative shapes the variation criterion would be insufficient for trademark purposes, because the competitors could be restricted from entering the marketplace. In addition, if the possibility of alternate shapes were used as an indicator on a mark's capability of trademark protection several problems would arise. For instance, would an alternate shape be acceptable if it cost more to produce or was less utilitarian? The Swiss Federal Supreme Court applied the variation criterion but only accepted alternate shapes in case they were equally practical and solid and would not involve higher manufacturing costs.

It is reasonable to assume that the variation criterion could involve that an unwanted burden would be placed upon competitors. Competitors could be forced to invent around shapes and perhaps be restricted to use a less utilitarian shape. Even though there might be several alternate configurations at first, there would be fewer shapes as time goes on. In my point of view it is hard to see that application of the variation criterion would provide any countervailing benefits to the society. The danger is that the variation criterion might lead to protection for pure fundamental shapes of products and protection for technical solutions. In the promotion of competition time-limited forms of protection should be possible for such shapes, but if those shapes were granted ever-greening protection competition would be affected in a negative way.

Some unfair competition regimes have no functionality doctrine. All that was required in order for protection against misleading copies in Finland was that the original product was known on the Finnish market and that there was a danger of confusion as to the commercial origin. However, in order to prevent that the protection renders monopolies on production, most unfair competition regimes require that the confusing similarity is not due to technical considerations. I am satisfied that it is important to prevent that a sole actor on the market gains exclusive rights to a functional product shape. Accordingly, I am concerned about the courts that apply the variation criterion in order to assess

functionality. Even if there are alternate configurations available, application of the variation criterion constrains competition since it allows evergreen protection for functional features. There would be fewer product shapes available as time goes on and “first come, first served” would rule. In case *Philips/Remington* the ECJ made it clear that no variation criterion shall be applied when determining whether a shape of goods is necessary to obtain a technical result under Article 3 (1) (e) (ii) of the TM Directive. There must be coherence in the law as regards the doctrine of functionality, otherwise competition is unnecessarily restricted.

7 Analysis of the Management Strategy

All over the world “LEGO” is synonymous with plastic toy building bricks. Then it is not surprising that decades after its last patent on the Basic LEGO Brick expired, the LEGO Group eagerly protects its position on the market by claiming other intellectual property rights. The LEGO Bricks naturally hold a lot of value and are worth defending.

7.1 IP Management

One of the main advantages of LEGO products is the compatibility. All LEGO products are completely compatible, irrespective of when they have been produced, from 1958 to 2004, or which of the LEGO factories that have manufactured them¹⁵¹. The LEGO Group describes the advantage as “each new product multiplies the play value” of the others. However, if competitors sell construction bricks that can be used interchangeably with the LEGO Bricks, the competitors’ products would multiply the play value of the LEGO Bricks. The LEGO Group cannot be too happy about such a scenario.

7.1.1 General

Patents have some advantages over for example disclosing it into the public domain so that everybody can use it. A patent enables the patent holder to exclude others from using the invention and thus he or she alone controls the market. Furthermore, the proprietor will not be blocked through others’ patents. Hence patent protection makes it easier to defend a market position and also involve secure entry into new markets.

A businessman who has developed a product shape where several intellectual property regimes might be available has to consider several important things. The main thing might be to consider which form of protection that would provide the most efficient protection. Even though for example design protection might provide the most efficient protection of a certain product shape that protection must be weight against copyright or trademark protection, if available, considering that the latter forms of protection mostly grant longer term of protection. Regard must be had to the financial requirements as well. It should however be pointed out in this connection that it is not possible to know the exact scope of the various forms of protection. Hence it can be very difficult to foresee what legal protection a product shape will be granted in the end, as is apparent from this case study.

7.1.2 Main Outlines of the IP-strategy

The main outlines of the LEGO Group’s IP-strategy seem to be as follows. LEGO protects its products by patents. The Company files at least one patent application for

¹⁵¹ The LEGO Group’s Company Profile 2004 (English version), <http://www.lego.com/info/pdf/compprofileeng.pdf>.

each new building set. Previously, the LEGO Group patented primarily substantial improvements in the brick building sets. By now LEGO has a huge patent portfolio and nowadays LEGO takes out lots of patents on its specific brick building sets, also sets that will probably never appear on the market. LEGO also defends its patents before courts if necessary. Furthermore, LEGO names all new building sets and registers them as word trademarks. LEGO defends its trademarks before courts if necessary. The Basic LEGO Brick has been subject to trademark registrations and has also been claimed before courts to be an unregistered trademark. Additionally, LEGO brings copyright infringement actions and actions against acts of unfair competition against its competitors.

It follows from the above that the LEGO Group has not only protected its bricks with patents. The LEGO Group coined a brilliant company name. Moreover, LEGO has registered several word marks and logos. To incorporate “LEGO” in all new names of products prevents the LEGO word mark from becoming diluted.

7.2 Litigation Strategy and Branding

The litigation strategy is of course part of the IP-strategy as lawsuits can lead to protection under trademark law and unfair competition law. Additionally, lawsuits potentially entail several other benefits which will be discussed below. The LEGO Group has always attempted to obtain legal protection for its products and the Group has quite an aggressive litigation approach. The Basic LEGO Brick is the most famous product in the LEGO Group’s product line and thus the product that LEGO is most eager to protect. LEGO adjusts its lawsuit claims in order to match the legal system in each country and potentially to obtain the most efficient protection in that country.

The LEGO Group has gone through three generations of managers and three different opinions.

Ole Kirk Christiansen, the company founder, thought that it was sufficient to improve the products to make people buy¹⁵². Ole Kirk strongly believed in high quality and he introduced the LEGO motto: “Det bedste er ikke for godt”¹⁵³.

Godtfred Kirk Christiansen (CEO 1950s – 1980s), Ole Kirk’s son, invented the Basic LEGO Brick. Godtfred Kirk also believed in high technical quality. He established within the LEGO Group that the LEGO Bricks were the company’s core value and thus the bricks had to be protected in the most efficient way. Godtfred Kirk must have believed in the plastic interlocking bricks since the LEGO Group took out parallel patents all over the world for the standard bricks.

Kjeld Kirk Kristiansen (CEO 1980s - today), Godtfred Kirk’s son, established that the LEGO Brand is the core value of the LEGO Group. Accordingly, Kjeld Kirk considers it necessary to protect the brand as much as possible and maintain brand loyalty among consumers.

¹⁵² Steen Hansen, Ole: “LEGO och Godtfred Kirk Christiansen”.

¹⁵³ Steen Hansen, Ole: “LEGO och Godtfred Kirk Christiansen”, page 10.

Since the LEGO Group's major patent on the Basic LEGO Brick expired it has constantly tried to block its competitors by claiming that other forms of protection are available for the shape of the bricks. The legal battles have cost the LEGO Group and its major competitors on the market lots of financial resources. LEGO has won a lot of lawsuits but so has its competitors. Some competitors have initiated court proceedings against LEGO in order to challenge the rights LEGO claims that it has. For instance Mega Bloks challenged the LEGO Group's CTM registration and trademark registrations in Switzerland and Tyco Industries (now Mattel) sought a declaratory judgement regarding trademark infringement in the United States.

One should not overlook the fact that also disputes which result in that LEGO is not granted any exclusive rights might be beneficial for LEGO to run. Lawsuits and legal actions might create value for the LEGO Group in many ways. All actions are of course of marketing value for the LEGO Group. The lawsuits tell the costumers that there is only one true producer of building bricks and that the competitors produce false, illegal products. I do not believe that the lawsuits create bad will for the LEGO Group. Rather I think that the aggressive litigation approach preserves the view in the mind of the consumer that LEGO tries to maintain: that the LEGO Bricks are the genuine toy building bricks while the competitors produce nothing but "false LEGO Bricks". In any event, the legal actions might hold back competition to some extent. The lawsuits most likely slow down the growth of the LEGO Group's competitors. It is reasonable to assume that in some cases the LEGO Group's litigation approach could drive existing competitors out of business as well as deter potential competitors from entering the market.

Having a product that cannot be copied because of exclusive intellectual property rights or doing strong branding can be equivalent winning strategies. It is difficult to compete with the LEGO brand. The brand loyalty that LEGO has established throughout the years is impressive. LEGO has had such a strong influence on the toy construction market that people associate its interlocking bricks and potentially any interlocking bricks with the LEGO trade name. Apparently, the company has managed to carve out a new niche in the children's toy market and ever since managed to keep market dominance by updating its product lines and claiming exclusive rights to them.

7.3 Alternate Strategies

The question is whether the management strategy described above was the obvious strategy or if LEGO could have reached the same position on the market by other means.

Considering Godtfred's position that the LEGO Bricks and the quality were the main focus, going from patents to trademarks seems to be the obvious strategy. And design protection was not available for the LEGO Brick in 1958. Moreover, it was not possible to go the other way around. Additionally, during patent protection you can build a brand around a product which makes you ahead of your competitors considering brand loyalty among costumers.

In some of the LEGO Group's trademark cases the courts have used expired patent specifications for the purpose of establishing which features of the shape that might be dictated by function and technical considerations. In that way the patents could be a disadvantage to the LEGO Group since the patents expired. Considering the size of the LEGO Group in 1958 I believe that patent protection was the right intellectual property system to go for. Most likely LEGO would have failed in registering the brick as a trademark in most countries in 1958. At that time the brick could have had two main grounds for refusal of registration: lack of distinctiveness and functionality. The patent protection allowed the LEGO Group to grow without having to face any considerable competition. During the term of the patent protection the shape of the brick acquired secondary meaning or distinctiveness in most countries of the world. The acquired secondary meaning of the Basic LEGO Brick has seldom been disputed in the trademark cases. The 20 years long monopoly also enabled LEGO to establish a strong brand and even today the brand loyalty for the LEGO products is very strong. Some argues that LEGO should have included only some of the features of the brick shape in the patent claims. If so, these people argue, LEGO might have had a stronger trademark case. It must be borne in mind that Harry Fisher Page's patent claims covered some features of the Basic LEGO Brick: hollow construction bricks with bosses on the upper side face. The Cancellation Division of OHIM considered also Harry Fisher Page's patents in order to establish whether the shape was functional or not. It is mainly the bosses on the bricks that are associated with the LEGO Group.

The question is whether LEGO could have done something back in 1958 that would have made possible a stronger trademark case today. Perhaps LEGO could have added some ornament, besides for the "LEGO" inscription on the bosses, that the patent claims would not cover. The addition of ornamental features could however affect the functionality negatively. The choice of strategy requires careful consideration and balancing of pros and cons.

8 Implications on Overlapping IPRs

Today there are possibilities of overlapping IPRs for some items. In principle, the same object can obtain protection under several intellectual property regimes simultaneously. The shape of a product can, at least in theory, obtain double or even quadruple protection under copyright law, design law, trademark law and unfair competition law. That might not have been the purpose when the protection systems were first established.

8.1 Protection of Product Shapes

8.1.1 Trademarks contra Patents

Patents provide exclusive rights for technical solutions and patent protection are probably the most natural form of protection for a product shape which aims at achieving a technical result. Both patent and design protection are limited in time in order to prevent evergreen production monopolies. Consequently, when the protection expires, the proprietor of the object in question might find it crucial to maintain the exclusivity to use the particular shape.

The trademark regime has expanded over time to embrace lots of phenomena which probably originally was intended to be protected only by patents. The modern trademark regime enables protection indirectly for technical function since it is possible according to the existing law provisions to register a shape of a product which does not exclusively aim at a technical result. As was concluded in case *Philips/Remington*, Article 7 (1) (e) (ii) is only applicable if the essential features of the shape are attributable to a technical result. Hence, whenever the proprietor can show that certain elements of the shape are unusual and were chosen arbitrarily, that ground for refusal of trademark protection does not apply. Even if the ECJ has clarified the rationale of the provision and how to interpret “technically necessary” it is not clear as glass were the bounds of trademark protection should be set in relation to shapes which exclusively aims at a technical result. In every trademark case it is for the national court or decision-making body (and for the OHIM on a Community level) to assess whether a mark can be protected or not under trademark law. The ECJ can only provide the national courts with the necessary tools for such an assessment.

8.1.2 Trademarks contra Protection against Misleading Copies

A trademark serves the purpose of telling the consumer of a product’s commercial origin. Since brands are often the only thing that distinguishes one businessman’s goods from the goods of another businessman, it holds a lot of value for the brand holder. Trademarks are a form of property which the trademark law protects. Hence trademark law primarily protects the trademark holder’s economic investment.

On comparison marketing law and unfair competition law often protects the consumer and the businessman simultaneously. However, Section 8 of the Swedish Marketing Act

primarily aims at protecting businessmen from a certain type of unfair competition. That provision does not protect property and it does not prohibit copying as such. Still, the provision protects the economic investments of the owner of the imitated product provided that certain circumstances are present.

8.1.3 Competition Implications

The most important restriction on protection for a product shape under trademark law or unfair competition law is the doctrine of functionality. The underlying purpose of the functionality doctrine is that in absence of patents technical solutions should be free for all to use. The doctrine of functionality seems to have been included in most intellectual property regimes. Mostly such a doctrine or principle is expressed in the legislation but sometimes the doctrine follows from case-law.

Patents are granted for technical solutions but they are concurrently limited in time. In my point of view the doctrine of functionality is a necessary restriction on protection under trademark law as well as under unfair competition law. The establishment of danger of confusion should not be sufficient for protection under unfair competition law since the result would be that evergreen protection is available for utilitarian features and technical solutions.

Moreover, the variation criterion should not be applied in order to assess a shape's degree of functionality. Design protection and even trademark protection might restrict the freedom of action on the market and accordingly restrict competition, but normally the competitors have various options for design of their products. In this regard I would like to stress that, regarding designs which are of functional character it can be assumed that competitors do not have as many options as they do regarding designs which primarily aims at distinguishing the goods or achieving eye appeal.

Potentially the functionality doctrine results in that businessmen are cautioned against developing product shapes that solely relies upon functional elements. Where the overall product shape comprises functional elements there is likely to be limitation in what may be protected and enforceable under trademark law and unfair competition law.

8.2 The Future

To make available trademark protection for product shapes might actually have been a mistake. It can be very difficult to determine whether a shape is purely functional or not. At least the courts should be cautious about granting a functional product shapes trademark protection so that the competition is not unnecessarily restricted.

By its judgement in case *Philips/Remington* the ECJ added juridical clarity regarding trademark protection of product shapes and it is clear from that judgement that EC law is restrictive regarding granting functional trademarks protection. The ECJ established a rule of particular importance: the term "necessary" shall not be interpreted as meaning that the shape is the only shape in order to achieve a technical result but that the shape

aims at a technical result. Thus it is irrelevant if there are other shapes available for the competitors.

I think that the ruling of the ECJ in Philips/Remington is well-balanced and the result of careful consideration. Businessmen must have protection for their economic investments and the goodwill that they have built up. Concurrently the competitors must have freedom to act and should not be required to invent around product shapes because of trademarks. Legal certainty is also a crucial aspect. If the variation criterion would apply it would be very difficult for competitors to assess the degree of functionality of a product shape. Also the TM Directive must be regarded as well-balanced in that it precludes acquired distinctiveness to have any impact on the protectability of a technically necessary shape (see Article 3 (3) of the TM Directive).

Uniform law and uniform application is another aspect of legal certainty. Uniformity in the application of trademark law and unfair competition law would actually be beneficial for trademark owners as well as consumers.

The EC Community has taken steps to harmonise the trademark law of the Member States and in addition to provide a trademark protection that is valid through out the whole EU. A CTM can only be obtained through registration at OHIM. Hence on a Community level there is no automatic trademark protection for marks that have been established on the market.

Uniformity can also be achieved by requiring all trademarks to be registered also on a national level. The registration bodies could potentially provide a more uniform case-law than public courts. Having specialised trademark courts might also result in uniform case-law.

We might also need international conventions with more detailed rules. As stated above, The Paris Convention is quite broad and leaves huge discretion to the members of the Paris Convention Union in the implementation of their obligations.

Henrik G. Jacobsen, Corporate Counsel at the LEGO Group, is concerned as to the differences in the laws of the Member States of the EU regarding unfair competition:

“But in the long term it is an unsatisfactory state of affairs for the safety of European consumers and the protection of the rightholders that still today such a difference exists in EU Member States in the application of unfair competition law protection. In effect, it means that a company can win a case in several EU member states on one day – and lose an identical case in a neighbouring member state the next.”

It follows from the considerations made above in Chapter 6 of this thesis that there is a need for further harmonisation of the EC Community Institutions regarding protection against misleading copies. In any event, uniformity of the laws of the Member States is crucial considering legal certainty for the one who is imitated as well as the imitator.

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