

## IP Newsletter Switzerland

# Another brick in the wall - no trade mark protection for Lego

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**In its decision of 3 July 2012, the Federal Supreme Court held that the shape of Lego bricks does not enjoy trade mark protection in Switzerland.** The Court argued that the brick shape was technically necessary and therefore excluded from trade mark protection under article 2(b) of the Swiss Trade Mark Act (TMA)<sup>1</sup>. It further held that the question of whether or not the Lego brick shape has acquired distinctiveness was irrelevant.

This decision of the Federal Supreme Court ends a legal battle over trade mark protection of the Lego brick shape which started back in the year 2000. The Federal Supreme Court ultimately came to the same result as the ECJ in its decision of 14 September 2010, where it concluded that the Community trade mark for the eight-bobble Lego brick was invalid under article 7(1)(e)(ii) of the Community Trade Mark Regulation (207/2009). However, while the outcome of the European and the Swiss proceedings are the same, the reasoning rendered by the ECJ and the Swiss Federal Supreme Court is different:

The ECJ found the CTM registration to be invalid because the Lego brick sign "exclusively" consists of the shape of goods which is necessary to obtain a

technical result<sup>2</sup>. The ECJ confirmed its practice established in *Philips*<sup>3</sup> and held that the condition of the shape "exclusively" performing a technical function was satisfied where all essential characteristics of the sign perform a technical function. It argued that the existence of alternative shapes was irrelevant to the assessment of the shape's technical functionality. Contrary to the reasoning of the ECJ, the Swiss Federal Supreme Court based its decision on the availability of alternative shapes.

Under article 2(b) TMA, in Switzerland trade mark protection is neither available to shapes that constitute the essential nature of goods nor to shapes of goods or packaging that are **necessary to obtain a technical result**. The reason why technically necessary shapes are excluded from trademark protection is to prevent a protection of shapes which do not serve as an indication of origin, but only aim to monopolize a shape that serves a technical function. In other words: A trade mark is not a patent, and the trademark system shall not be misused to protect a technical solution.

In an earlier decision rendered by the Federal Supreme Court in the same case between Lego and Mega Brands<sup>4</sup>, the Court held that a shape was techni-

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<sup>1</sup> *Lego System A/S vs Mega Brands Inc.*, decision 4A\_20/2012.

<sup>2</sup> *Lego Juris A/S vs OHIM*, C-48/09 P.

<sup>3</sup> C-299/99.

<sup>4</sup> Decision of 2 July 2003, ATF 129 III 514.

cally necessary if there are either (a) **no alternative shapes**, or if there are (b) **no alternative shapes that are "economically reasonable"** in the interest of functioning competition. As to economical reasonability, the Federal Supreme Court argued that an alternative shape was not economically reasonable if it is either less practical, less solid or if it triggers higher production costs. Having clarified these requirements for a shape to qualify as being technically necessary, the Federal Supreme Court concluded that there were many alternative shapes available to obtain the technical solution provided for by the Lego brick shape. Consequently, the Federal Supreme Court had to address the question whether the alternatively available shapes were economically reasonable.

In this regard, the Federal Supreme Court confirmed the strict approach taken by the court of first instance, i.e. the Zurich Commercial Court<sup>5</sup>. Although Lego was able to refer to around 50 alternative shapes which - compared to the original Lego bricks - triggered higher production costs of "only" 1.3% to 4.9%, both the Commercial Court and the Federal Supreme Court concluded that such **higher production costs were economically unreasonable**. Consequently, both courts refused trade mark protection on the ground that the Lego brick shape was technically necessary. In the courts' view, even very small differences in production costs must be regarded as economically unreasonable because a trademark owner's monopoly is unlimited in time. Such monopoly should be granted only if competitors, in view of the existing equivalent alternatives, suffer no disadvantages at all.

This recent judgment illustrates the practical difficulty of registering shape marks even in cases where alternative shapes exist. As to the notion of what constitutes an "alternative shape", it will be interesting to follow the development of the case

law concerning the issue of compatibility. In the case between Lego and Mega Brands, the Federal Supreme Court rendered an explanation in the year 2004 where it stated that a shape may qualify as an alternative shape even if it is not compatible with the other good (e.g., alternative brick shapes do not need to be compatible with Lego bricks). This means that a shape is not *per se* technically necessary because it has to be compatible with another product. In view of current trademark infringement lawsuits concerning the Nespresso capsules, it will be interesting to see if the courts support this finding. In a decision rendered on 28 June 2011<sup>6</sup>, the Federal Supreme Court already indicated that it might change its approach taken towards compatibility.

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This Newsletter is not intended to provide legal advice. Before taking action or relying on the information given, addressees of this Newsletter should seek specific advice. For further information, please contact: Andreas Glarner (andreas.glarner@mmepartners.ch)

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<sup>5</sup> Decision of 23 November 2011, HG030309.

<sup>6</sup> *Société des Produits Nestlé SA and Nestlé Nespresso SA vs Denner AG and Alice Allison SA*, ATF 137 III 324.