

AperTO - Archivio Istituzionale Open Access dell'Università di Torino

Protecting Wine Packaging as a Trademark. Why the Substantial Value Exclusion Makes the Task Unreasonably Burdensome

This is a pre print version of the following article:

Original Citation:

Availability:

This version is available <http://hdl.handle.net/2318/1840665> since 2022-02-20T11:58:05Z

Publisher:

Brill Nijhoff

Published version:

DOI:10.1163/9789004438316_022

Terms of use:

Open Access

Anyone can freely access the full text of works made available as "Open Access". Works made available under a Creative Commons license can be used according to the terms and conditions of said license. Use of all other works requires consent of the right holder (author or publisher) if not exempted from copyright protection by the applicable law.

(Article begins on next page)

Protecting wine packaging as a trademark: why the substantial value exclusion makes the task unreasonably burdensome

Jacopo Ciani

Abstract: In the world of fast moving consumer goods, whether a consumer buys one product or a rival brand involves numerous sub-conscious factors, many of which relate to packaging and appearance. This is particularly true for foods, drinks, wine and spirits. It has been demonstrated that appearance and packaging of wine play an important role in influencing consumer perception and subsequent acceptance. The first taste is almost always with the eye. Extrinsic packaging attributes provide consumers with social and aesthetic utility and strongly influence expectations of sensory perception. Those expectations have been shown to be very robust against later disconfirmation when consumers actually taste the product. The importance of wine packaging design pushed producers to seek to have distinctive, attractive packaging. But can it be protected to prevent competitors from adopting similar packaging? For the most part, the tools for the producers to protect packaging in the wine sector are registered trademarks and designs. For a 3D shape to be registerable as a trade mark, the shape has to be capable of functioning as a trade mark. Even if it is new, it may not be enough to bestow distinctiveness. If the shape does give value to the product (“substantial value criterion”), registration cannot be secured at all. Many bottles and containers shapes have secured registration. However, European and Italian case law demonstrate the high hurdle of proving distinctiveness, when the registered trademark is subject to judicial scrutiny. In the author’s opinion, these cases show that the substantial value exclusion which prevent such shapes to become trade marks by showing a secondary meaning does not make sense to exist, because it has no real utility. Indeed, we must be aware that bottles and packaging, by definition, gives value to their products, since consumers consider packaging design features when making purchase decisions. Therefore, two different policy options are available. First, we may accept that all bottles and wine packaging would fall ex se under the substantial value criterion and as a consequence would be rejected as a trade mark because of that. Second, we should abolish such ground for refusal and review packaging trade mark only on an acquired distinctiveness base. The paper aims to show that this second option is by far more consistent with the keystone of trademark law.

KEYWORDS: wine, bottles, packaging, shapes, design, trademark, trade dress, registration, grounds for refusal, distinctive character, substantial value

1. Introduction

In the world of fast-moving consumer goods, whether a consumer buys one product or a rival brand involves numerous sub-conscious factors, many of which relate to packaging and appearance. This is particularly true for wine and spirits. Since there are so many different types of wines¹, with different ages and from different places, choosing a bottle of wine is probably one of the most complex consumer choices. With the proliferation of wine brands crowding the shelves of wine stores and supermarkets², wineries are having a hard time making their products stand out. This is particularly true in Italy, the EU country producing most grapes for wine use³, where wineries present a high territorial

¹ In the EU in 2015, there were over 500 different main vine varieties (in the Regulation No 1337/2011, the "Main vine varieties" are only the varieties having an area bigger than 500 ha at national level). The number of main varieties varied from 2 in Cyprus to 96 in Italy. The red main varieties covered a larger area than white varieties. In 2015, 52.7 % of the area under main vine varieties was occupied by red main varieties and 42.7 % by white main varieties. The most cultivated main red varieties in the EU were Cabernet Sauvignon (6.7% of all area under red main varieties), Garnacha tinta, Merlot noir, Bobal, Cabernet franc and Montepulciano. The most cultivated main white varieties were Airen (16.4% of all area under white main varieties), Trebbiano toscano, Chardonnay blanc, Cayetana blanca, Trebbiano Romagnolo and Verdejo bianco. Cf. Eurostat, Vineyards in the EU – statistics, available at https://ec.europa.eu/eurostat/statistics-explained/index.php/Vineyards_in_the_EU_-_statistics#cite_note-1. Collected data were extracted in October 2017. In Italy, statistics over preferred wine in 2018, by type and gender, show that red wines were more popular among men (64%), while white wines were preferred by women (40%). Lastly, rosé wines had a preference rate of 8% among men and 9% among women. According to data concerning preferences by variety in Italy, the biggest group of respondents, equal to 18 %, stated that their favorite red wine was Lambrusco, followed by Montepulciano (12%), while Chardonnay was the favorite white wine of 37% percent of asked individuals., followed by Pinot Bianco (14%). Cf. Statista, Dossier on wine market in Italy, 2019. Some statistics are freely available at the following website <https://www.statista.com/topics/4041/wine-market-in-italy/>

² According to data related to preferred wine shopping channels, in Italy 77 percent of asked consumers purchased wine at the supermarket, while 13 percent of them went to the producer or to a winery. Cf. Statista, Dossier on wine market in Italy, 2019. Some statistics are freely available at the following website <https://www.statista.com/topics/4041/wine-market-in-italy/>

³ 2019 Statistical Report on World Vitiviniculture, prepared by the Statistics Unit of the International Organisation of Vine and Wine (OIV), presenting data on the world's vitiviniculture situation in the year 2018, provides for the most recent overview on the global and country information on vines, grapes and wine. Cf. <http://www.oiv.int/public/medias/6782/oiv-2019-statistical-report-on-world-vitiviniculture.pdf>. It shows that 5 countries represent 50% of the world vineyard, and Italy ranks fourth with the 9% of the global area under vines (Spain 13%, China 12%, France 11%), corresponding to 705.000 ha vineyards. China is the leading grape producer with 11.7 million t, followed by Italy (8.6%). However China's production is focused on table grape (84.1%), with a residual (10.3%) part of wine grape. Therefore, Italy is the major quality wine producer with a share of 54.8%, followed by France with 48.6%. The highest wine consumption is located in USA with 33 million hl, followed by France (26,8 million hl) and Italy (22.4 million hl). Spain is the main wine exporter with 21.1 million hl, followed by Italy (19,7 million hl) and France (14.1 million hl). At the EU level, the most recent official data available in this domain are provided by the 2016 Edition of the Agriculture, forestry and fishery statistics book by Eurostat, the statistical office of the EU situated in Luxembourg. Cf. <https://ec.europa.eu/eurostat/documents/3217494/7777899/KS-FK-16-001-EN-N.pdf/cae3c56f-53e2-404a-9e9e-fb5f57ab49e3>. Collection of data is done every five years and is regulated by Regulation EU No 1337/2011 of the European Parliament and of the Council of 13 December 2011 concerning European statistics on permanent crops and repealing Council Regulation (EEC) No 357/79 and Directive 2001/109/EC of the European Parliament and of the Council, OJ L 347, 30.12.2011, p. 7–20. The EU is the

concentration since the first six regions⁴ account for three quarters of the total production volume⁵.

Since the wine market faces intensive product competition, there is a considerable incentive for market operators to distinguish their products from those of their competitors in order to attract the attention of consumers. Protected geographical indications (PGI)⁶ or protected designation of origin (PDO)⁷ regulated by protocols, specification or production guidelines, despite playing a role in leading consumers' purchasing choices⁸, have an ever weaker selling power. Despite the large number of recognitions throughout Italy, the production of certified quality wines is extremely concentrated, with the top three regions producing 56% of the total amount of PDO certified products⁹. This means that the prestige and recognition of a certified variety is

world's leading producer of wine, with almost half of the global vine-growing area and approximately 65 % of production by volume. Vines are grown on 3.2 million hectares in the EU, representing around 45 % of the world's total area under vines. In 2015, the production of grapes for wine use amounted to 23.4 million tonnes. There were 17 large scale wine grower Member States. Italy (29.4 %), France (26.3 %) and Spain (23.6 %) were the EU countries producing most grapes for wine use, making up 79.3 % of total production. They held approximately three quarters of the total EU area under vines (74.1 %) and two fifths of the holdings (39.2 %). They were followed by Germany (5.1 %), Portugal (3.9 %), Romania (3.2 %), Greece (2.3 %), Hungary (2.0 %) and Austria (1.3 %). Bulgaria, Croatia and Slovenia were also significant grape producers.

⁴ Italy counts for 20 regions, constituting the second administrative layer after the State. Cfr. https://en.wikipedia.org/wiki/Regions_of_Italy. The overall PDO and PGI wine production volume in Italy in 2018 is mainly concentrated in Veneto, Apulia, Emilia Romagna, Piedmont, Sicily and Tuscany. Veneto overcame all the other regions, producing over eight million hectoliters of PDO wine and about 2.8 million hectoliters of PGI wines. Cfr. <https://www.italianwinesmap.com/italian-wine-statistics/>

⁵ Data available at national level trace back to 2018. Cf. ISTAT (Italian National Institute of Statistics), Trend of the Agricultural Economy, Year 2018, available at the following link https://www.istat.it/it/files/2019/05/Andamento.economia.agricola.2018_EN.pdf.

⁶ A geographical indication refers to a region or a specific place. Quality and characteristics of wine are attributable to this geographical origin. A minimum of 85% of the grapes must come from this geographical area. At the EU level, Sections 2 and 3 of Chapter I of Title II of Part II of Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulation (EC) No 1234/2007, lay down rules on designations of origin, geographical indications, traditional terms and labelling and presentation in the wine sector. Those Sections 2 and 3 also empower the Commission to adopt delegated and implementing acts in that respect. Rules have been adopted by means of such acts by Commission Delegated Regulation (EU) 2019/33, OJ L 9, 11.1.2019, p. 2–45, replacing the provisions of Commission Regulation (EC) No 607/2009 and Commission Implementing Regulation (EU) 2019/34 of 17 October 2018, OJ L 9, 11.1.2019, p. 46–76. Such regulation are available at the following link.

⁷ A designation of origin refers to a name of a region or a specific place. Characteristics and quality of wine are exclusively due to this particular geographical environment and its inherent natural and human factors. 100% of the grapes must come from this geographical area. Production takes place in this geographical area, as well.

⁸ Stasi A., Nardone G., Viscecchia R., Seccia A., 'Italian wine demand and differentiation effect of geographical indications Geographical indications (GIs)', (2011) 23(1) International Journal of Wine Business Research, 49-61.

⁹ Big name PDO and PGI products are distributed in several regions, but the concentration is evident with the top 10 accounting for more than 80% of the total volume and total value. On a regional level, Piedmont, Tuscany and Veneto count the greatest number of PDO and PGI wine products: Veneto, where the "Prosecco system" stands out alongside Amarone della Valpolicella PDO, Tuscany, especially for its two

common to many wineries, literally levelling the playing field. Indeed, the wine volumes certificated at the PDO level are too large¹⁰, so flattening the capacity of a winery to stand out from competitors thanks to its PDO membership.

A good example is provided by a few wine cellars affiliated to the Consortium for the protection of Valpolicella D.O.C. Wines¹¹ (controlled designation of origin)¹² that, in order to differentiate themselves from the other members of the Consortium, registered as a trademark the label “Amarone of Art” and market their wines under it¹³. The Court of Appeal of Venice established that such an advertising constituted an infringement of the designation of origin and a form of unfair competition. Indeed, the use of the sign suggested that within the consortium there could be a special selection of Amarone with an undue advantage for a part of the members¹⁴.

Both the low rate of e-business implementation and the reduced relevance of the internet as a marketing tool (specially in traditional producing countries like Italy)¹⁵ demonstrate

great reds, Chianti PDO and Chianti Classico PDO, and Piedmont, with its famous Barolo PDO and Asti PDO. Cfr. Fondazione Qualivita, Food and Wine products with Geographical Indication, 2017, available at the following link <https://www.qualivita.it/wp-content/uploads/2017/05/20170523-ENG-PAPER-IG-Qualivita-HQ.pdf>

¹⁰ Certified wine production is an important segment of the Italian wine industry. PDO and PGI count 405 and 118 products as of 2016. They represent about 50% of all the wine produced in Italy. In 2015, over 23 million hectolitres of PDO and PGI wines were produced, of which 21 million were bottled, corresponding to 2.84 billion bottles. In 2015, the production value of PDO and PGI certified wines was estimated at 7.4 billion Euros.

¹¹ Valpolicella is a viticultural zone of the province of Verona, Italy, east of Lake Garda. The hilly agricultural and marble-quarrying region is famous for wine production. Valpolicella achieved DOC status in 1968. A variety of wine styles is produced in the area, including a Recioto dessert wine and Amarone, a strong wine made from dried grapes. These productions received their own separate DOCG status in December 2009. For further information, cf. <https://italianwinecentral.com/denomination/valpolicella-doc/>.

¹² The history of designations of origin in the wine sector in Italy began in 1963, with the Presidential Decree 930, which for the first time sought to link the quality of a wine to its place of origin, through the introduction of the Designation of Controlled Origin (DOC) concept. With Law 164 of 1992, quality wines have been divided into two typologies: Designation of Controlled Origin (DOC) and Designation of Controlled and Guaranteed Origin (DOCG) wines. Typical Geographical Indication (IGT) was introduced as a table wine category. With the entry into force of the first EC Regulation 479/08, a uniform framework was created (the s.c. common organisation of the wine market, CMO) through the introduction of European protection for wines in the form of a PDO or PGI. Legislative Decree 61/2010, today replaced by Law No. 238 of 12 December 2016 “Regulation on the organic cultivation of grapes and the production and trade of wine”, revised the previous Law 164/1992 and established that DOCG and DOC wines merge together in the PDO wine category, while IGT wines are identified with the acronym already in place for similar food products (PGI). However, since their use is become customary in everyday language, the law states that the DOCG, DOC and IGT acronyms can still be used. For the s.c. pyramid of Italian wines see <https://www.federdoc.com/international/the-new-pyramid-of-italian-wines-from-1st-august-2009/>.

¹³ <http://www.famigliestoriche.it/en/>.

¹⁴ District Court of Milan, 24 October 2017, no. 2283.

¹⁵ Begalli D., Gaeta D.N. and Codurri S., ‘Wine and web marketing strategies: The case study of Italian speciality wineries’, (2008) 111(6) *British Food Journal* 17-19. Cipolla, C. (ed), *Il maestro di vino*, (Milan: Franco Angeli, 2013) has noted different dynamics between relatively newer and older wine-

that appearance and packaging of wine still play the most important role in influencing consumer perception and subsequent purchasing choices¹⁶. Indeed – at least for consumers who are not trained sommeliers – it is much easier to remember the design of a bottle or label¹⁷ than the taste of the wine itself¹⁸. Not by case it is said that the first taste is almost always with the eye.¹⁹ Extrinsic packaging attributes provide consumers with social and aesthetic utility and strongly influence expectations of sensory perception²⁰. Those expectations have been shown to be very robust and rarely contradicted when consumers actually taste the product²¹.

The importance of wine packaging design pushed producers to seek to have distinctive and attractive ones. Veuve Clicquot was far ahead of its time, when nearly a century and a half ago, in 1877, decided to label the bottles with the instantly recognizable yellow

producing countries. In the US, 94.0% of wine producers have a Facebook page, while in the traditional producing countries, such as France, the proportion is as low as 53.0%. Galati, A., Crescimanno, M., Tinervia, S., Fagnani, F., ‘Social media as a strategic marketing tool in the Sicilian wine industry: Evidence from Facebook’, (2017) 6(1), *Wine Economics and Policy*, 40-47, <https://doi.org/10.1016/j.wep.2017.03.003>, show that mainly small firms, in physical and economic terms, led by managers with a higher educational level, have become more involved in social media. As suggested by Leigon B., ‘Grape/Wine marketing with new media and return of the boomer’, (2011) *Pract. Winery Vineyard J.*, social medias may help to advance wine sales due to platforms’ ability to spread wine consumers’ opinions to others. Wilson, D., Quinton, S., ‘Let’s talk about wine: does twitter have value?’, (2012) 24 (4) *Int. J. Wine Bus. Res.*, 271-286, add also that social media platforms allow consumers to exchange information and encourage others to try different wines.

¹⁶ Imram, N., ‘The Role of Visual Cues in Consumer Perception and Acceptance of a Food Product’ (1999) 99 *Nutrition & Food Science* 224-230, <<http://dx.doi.org/10.1108/00346659910277650>>; Boudreaux, C. A., and Palmer, S., ‘A charming little Cabernet: Effects of wine label design on purchase intent and brand personality’ (2007) 19(3) *International Journal of Wine Business Research* 170-186; Orth, U. R. and Malkewitz, K., ‘Holistic packaging design and consumer brand impression’ (2008) 72 *Journal of Marketing* 64-81; Rocchi, B., and Stefani, G., ‘Consumers’ perception of wine packaging: a case study’ (2005) 18(1) *International Journal of Wine Marketing* 33-44; Jennings, D. and Wood, C., ‘Wine: Achieving Competitive Advantage Through Design’, (1994) 6(1) *International Journal of Wine Marketing*, 49-61.

¹⁷ Gluckman, R. L., ‘A consumer approach to branded wines’, (1990) 2(1) *International Journal of Wine Marketing*, 27–46; Jennings, D., Wood, C., ‘Wine: Achieving competitive advantage through design’, (1994) 6(1) *International Journal of Wine Marketing*, 49–61; Verdú Jover, A.J., Lloréns Montes, F.J., Fuentes Fuentes, M.M., ‘Measuring perceptions of quality in food products: the case of red wine’, (2004) 15 *Food Quality and Preference*, 453-69; Boudreaux, C., Palmer, S., ‘A Charming Little Cabernet, Effects of Wine Label Design on Purchase Intent and Brand Personality’, (2007) 19(3) *International Journal of Wine Business Research*, 170–186.

¹⁸ According to statistical records, in Italy the most important factors when picking wine is being an Italian wine, for 59.9 percent of asked consumers, while the quality labels could influence a less significant percentage of respondents. In any case, also the first information is derived from labels.

¹⁹ Chaney, I. M., ‘External search effort for wine’, (2000) 12(2) *International Journal of Wine Marketing* 5-21.

²⁰ Deliza, R. and MacFie, H., ‘The Generation of Sensory Expectation by External Cues and Its Effect on Sensory Perception and Hedonic Ratings: A Review’ (1996) 11 *Journal of Sensory Studies* 103-128. <<http://dx.doi.org/10.1111/j.1745-459X.1996.tb00036.x>>.

²¹ Cardello, A. V., and Sawyer, F. M., ‘Effects of disconfirmed consumer expectations on food acceptability’, (1992) 7(4) *Journal of Sensory Studies* 253-277.

label, that would distinguish them from other cuvées²². With this visual innovation, transcending current practices, the *maison* secured a well known trademark that receive protection all over the world²³, notwithstanding that colour trademarks are among the most controversial and hard to enforce kind of trade marks²⁴.

Some producers have tried to enliven their customers' olfactory experience of the wine before they actually open the bottle. Domaine Bourillon Dorléan, a French entrepreneur from the Loire valley, has put a scratch-and-sniff sticker on the labels of 50,000 bottles of his wines, which release the smell of the flora bordering the vines whose grapes the wine was made from.²⁵

Other wine producers have decided to replace the natural or silicon corks in their bottles with screw-tops – just like those you might find on a bottle of olive oil.

Most of the time, however, is the bottles' shape to be elaborated in some fanciful way in order to depart from standardized round bases and narrow neck models (like s.c. “bordeaux”, “burgundy” or “champagne” bottles) traditionally adopted²⁶. For instance, the British company Garçon Wines developed a flat bottle that can fit into a letterbox²⁷, while California Square Wines introduced a rectangular design, both with a focus on sustainability, because less material is used to store and ship wine²⁸.

Many articles have already discussed the circumstances under which package and container configurations may obtain trademark protection²⁹. Someone even examined the

²² <https://www.lvmh.com/news-documents/news/veuve-clicquot-celebrates-140th-anniversary-of-yellow-label/>.

²³ The CTM (now EUTM) No.747949, which was filed on 12 February 1998 and granted on 23 March 2006, following the demonstration of acquired distinctiveness for champagne wines in class 33 (Case R 148/2004-2). EUIPO rejected also an invalidity action against the orange trade mark for lack of distinctive character (cf. Decision No.8666/2015). Amongst the countless case law, see District Court of Venice, decision no. No. 2355/2018 as of 19 December 2018, which adjudicated a case concerning use of the colour orange on Prosecco. The court found that consumers seeing an orange colour on the label of a bottle of sparkling wine would immediately associate that bottle of wine with Veuve Clicquot, without paying enough attention to the different “shades” of colour or to other elements placed on the bottle or the labels (such as wine denominations). See also Bendnall, D., Gendall, P., Hoek, J., Downes, S., color, Champagne, and Trademark meaning surveys: Devilish detail, (2012) 102 Trademark Rep., 967.

²⁴ Ex multis, Marshall, J., Colour trade marks revisited: use and infringement, (2019) 14(5) JIPLP, 401-406.

²⁵ Perasso, E., ‘Wine labels, the importance of the bottle’, *Finedininglovers.com* (2011).

²⁶ These bottles have been used for most of the wine products up to now, Cfr. Does size and shape matter when it comes to your wine bottles?, Chateau55.com, October17, 2017.

²⁷ Pellechia T., The Wine Bottle's Future May Be Shaping Up To Be Flat, Forbes, 21 October 2018, <https://www.forbes.com/sites/thomaspellechia/2018/10/21/the-wine-bottles-future-may-be-shaping-up-to-be-flat/>.

²⁸ New Releases: California Square...wine in a square-shaped bottle, WineBusiness.com, October 24, 2013, <https://www.winebusiness.com/blog/?go=getBlogEntry&dataId=123318>.

²⁹ For a discussion over the foundations of trademark protection afforded to package and container configurations in U.S., Europe and Italy, see Moy, Jr., ‘Lanham Act Registration of Container or Product Shape as a Trademark’, (1970) 60 Trademark Rep. 71,72; Schuman, G., ‘Trademark Protection of Container and Package Configurations - A Primer’ (1983) 59(3) Chicago-Kent L Rev 779-816; Spratling, G. R., ‘The Protectability of Package, Container, and Product Configurations - Part I-II’ (1971) 5/6 USF L Rev 172/451; Llewelyn, D., ‘Product Shape and Trade Dress Protection under Trademark Law in Europe’

application of the distinctiveness criterion to the registration of bottles³⁰, also with specific reference to the craft brewing industry.³¹ To the best of my knowledge, no legal scholarship directly addressed this issue in regard to the wine industry, focusing on the packaging protection. This chapter looks at how these shapes may be protected under trademark law in order to prevent competitors from adopting similar packaging and provide a real advantage on the market.

2. Protecting Packaging in the Wine Sector. Shapes at the Borders between Trademarks and Designs

The tools provided by the legislator to protect packaging in the wine sector are mainly registered trademarks and designs. When registration is missing, exclusive rights over the shapes may still be granted by copyright or unfair competition law.³² According to EU legislation, these rights are not mutually exclusive, so it is possible for a wine bottle to be protected under all these regimes at the same time.³³

This chapter mainly focuses on trademarks and designs, since the borderline between them is often seen as being obscure and not really an understandable concept³⁴. It mainly depends from the primary function that the shape serves.

The *discrimen* is set forth by Art. 7(1)(e)iii of Regulation 2017/1001 on the European Trade Mark (EUTMR) (a similar provision appears in art. 4(1)(e)iii of Directive 2015/2436 of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks, hereinafter “TMD”), which establishes that “signs which consist exclusively of... (iii) the shape, or another characteristic, which gives substantial value to the goods” “shall not be registered or, if registered, shall be liable to be declared invalid”.³⁵

(2001) 6 Int'l Intell Prop L & Pol'y 24-1; Jacobacci, G., 'Italian Trademark Law and Practice and the Protection of Product and Packaging Design' (1984) 74 Trademark Rep 418.

³⁰ Friedmann, D., The Bottle Is The Message: only the distinctive survive as 3-D community mark, (2015) 10(1) Journal of Intellectual Property Law & Practice, 35–42.

³¹ Ross Appel, 'Worry Wort: A Path to Acquiring Trademark Rights in the Craft Brewing Industry', (2015) 24 Fordham Intell. Prop. Media & Ent. L.J. 1029.

³² See Chaisse, J. *Sixty Years of European Integration and Global Power Shifts-- Perceptions, Interactions and Lessons* (London: Hart, Modern Studies in European Law, 2020) 520 p. and Chaisse, J., Liu, K.C., *The Future of Asian Trade Deals and Intellectual Property* (London: Hart, 2019) 524 p.

³³ See Article 17(2) Regulation EU 2017/1001: “This Regulation shall not prevent actions concerning an EU trade mark being brought under the law of Member States relating in particular to civil liability and unfair competition.”

³⁴ Opinion of Advocate General Szpunar in C-205/13, Hauck AG, EU:C:2014:322, para. 69, states that “the third indent of Article 3(1)(e) of [Directive 2008/954] is not worded clearly. That is demonstrated by the large variance in the interpretation of it”.

³⁵ This is confirmed by the Explanatory Memorandum to the Benelux Trade Mark Act, which is commonly acknowledged as the first legislation to introduce the substantial value exception. Cfr. Max Planck Institute, *Study on the Overall Functioning of the European Trade Mark System* (February 2011), para. 2.32.

Originally derived from Benelux trade mark law³⁶, the ‘substantial value’ exclusion has received relatively limited attention and practical application by European and national trade mark offices and judicial authorities³⁷. In 2015, the EU legislature, among the other amendment to the EU trade mark system adopted by the new Regulation and Directive, broadened the scope of the provision adding ‘another characteristic’ to the wording of Article 7(1)(e) EUTMR/4(1)(e) TMD. Pre-reform, in fact, the exclusion only related to signs consisting exclusively of a ‘shape’. Most commentators agree that the reformed language would not entail a change in the scope of the exclusion³⁸. EU legislature had merely intended to clarify that Article 7(1)(e) EUTMR may apply also to two-dimensional shapes or other type of sign (eg a colour, pattern) applied to the surface of the goods (hence regarded as being ‘another characteristic’ of the shape).

This exception intends to “prevent the exclusive and permanent right which a trade mark confers from serving to extend the life of other rights which the legislature has sought to make subject to ‘limited periods’”,³⁹ *i.e.* limit the possibility that trademark protection coincides with design rights or copyrights. Indeed, the court should first identify the essential characteristics of the shape and subsequently note whether such a shape has artistic value, the price of the related product is higher than that of competing products and the proprietor’s marketing and promotion strategy focused on the aesthetic characteristics of the product.⁴⁰ This test has been called “loudspeaker test” from the slang name of the EU General Court decision that firstly determined whether a shape gives substantial value to the goods, in respect to loudspeakers⁴¹. If so, it should normally be

³⁶ Kur, A., ‘Too pretty to protect? Trade mark law and the enigma of aesthetic functionality’, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 11-16, 8.

³⁷ Rosati, E., ‘The absolute ground for refusal or invalidity in Article 7(1)(e)(iii) EUTMR/4(1)(e)(iii) EUTMD: in search of the exclusion’s own substantial value’, (2020) 15(2), *Journal of Intellectual Property Law & Practice*, 103–122.

³⁸ Rosati, E., *cit.*, according to which “there is a wealth of pre-reform case law that suggests that the scope of the absolute grounds in what is now Article 7(1)(e) EUTMR/4(1)(e)EUTMD has never been just limited to three-dimensional signs”.

³⁹ GC, 6 October 2011, T-508/08, *Bang & Olufsen A/S v EUIPO*, ECLI:EU:T:2011:575, para. 65.

⁴⁰ Cf. decision 07/07/2017, R 2450/2011-G, *GOLDBUNNY (LINDT) (3D)*, which concerned a three-dimensional sign consisting of the shape of a chocolate bunny wrapped in golden foil, the Grand Board noted that the shape was the traditional shape (in Germany and Austria) of Easter bunnies, that the promotional strategy focused on said shape and that it played a decisive role in the purchase choice, therefore giving substantial value to the goods.

⁴¹ GC, 6 October 2011, T-508/08, *Bang & Olufsen A/S v EUIPO*, ECLI:EU:T:2011:575, para 73-75. The General Court confirmed that the EUIPO Board of Appeal did not err in holding that the shape, in addition to the other characteristics of the loudspeaker, gave substantial value to the product. product”. In that regard, two factors are considered to be indicative: first, the overall relevance that the manufacturer himself gives to the shape of his product as a marketing tool, and second, consumer behaviour, *i.e.* whether or not consumers actually buy the product for its aesthetic value. Finding that the manufacturer himself has advertised the loudspeaker as a ‘design icon’ or ‘classic design’, and noting that in retail advertisements as well as in descriptions found on on-line auction or second-hand websites, the design features of the product are particularly emphasised, it is concluded that it is indeed the design which sells the product and thus gives it substantial value. Ample reference was made to the previous judgement in EUCJ, 20 September 2007, C-371/06, *Benetton*, ECLI:EU:C:2007:54. For a critic over both decisions see Kur, A., ‘Too pretty

found that the shape gives substantial value to the product⁴² and may not be eligible for the protection as a trademark (rather only as a design). A somewhat comparable ground for refusal is provided by US trademark law under the so called aesthetic functionality doctrine⁴³.

Shapes that fall under this ground for refusal are definitely barred from registration since their position is not reversible on the basis of acquired distinctiveness⁴⁴.

Shapes are not excluded from registration on these grounds can obtain trademark protection, but only if they satisfy criteria for distinctiveness for the purposes of Article 7(1) (b) of the EUTMR (or art. 4(1) (b) TMD). That means that it has to be capable of functioning as a trademark and serve to identify the goods in respect of which registration is applied for as originating from a particular undertaking, and thus to distinguish that product from those of other undertakings.⁴⁵ Signs with distinctive character are those enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent purchase.⁴⁶

3. Inconsistencies in Demarcating the Scope of Application of the Substantial Value Ground for Refusal

As will be argued below, the author's view is that Article 7(1)(e) iii and (b) of the EUTMR actually require examiners and courts to carry out a somewhat contradictory test. Indeed, notwithstanding that each of the grounds for refusal to register listed in the Regulation should be considered independent of the others and should call for separate examination,⁴⁷ actually both rules demand to examiners and judges to assess whether a shapes' primary function is distinctive or – at the opposite – attractive. However, whereas article 7(1) (e) has been interpreted as considering arbitrary and fanciful shapes to be attractive and so excludes them from trademark protection, the opposite is valid under article 7(1) (b)⁴⁸. Indeed, the latter normally deems arbitrary and fanciful shapes more

to protect? cit., 21, inviting the EUCJ “to revisit the issue of how the third indent of the exclusion clause should be understood”.

⁴² Cf. decision 18/03/2015, R 664/2011-5, Device of a chair (3D), concerning a trade mark consisting of the appearance of a chair.

⁴³ WONG M., ‘The aesthetic functionality doctrine and the law of trade-dress protection’, (1998) 83 Cornell Law Review 1116, 1154.

⁴⁴ Article 7(3) EUTMR/4(4) TMD, in fact, does not list the ground sub 7(1)(e) among those that might be overcome though acquired distinctiveness.

⁴⁵ EUCJ, 29 April 2004, C-456-457/01 P, Washing tabs, EU:C:2004:258, para. 34; CGUE, 08 April 2003, C-53-55/01, Linde, EU:C:2003:206, para. 40.

⁴⁶ GC, 09 July 2008, T-302/06, EU:T:2008:267, para. 31.

⁴⁷ EUCJ, 8 April 2003, C-53/01, *Linde*, ECLI:EU:C:2003:206, para. 26, 67.

⁴⁸ Ricolfi M., *Trattato dei marchi: Diritto europeo e nazionale* (Turin: Giappichelli, 2015), para. 28.3.4, highlights as the same selling power that reserve a stronger and privileged protection to the well-known trademark, at the same time, paradoxically, may amount to a ground for refusing registration, when the aesthetic value of the shape plays a significant role in driving consumer's purchasing choices. See also

likely to be distinctive than standard and customary ones. Although the average consumer does not normally infer from the shape of the goods the origin of them,⁴⁹ the EU Court of Justice insists that three-dimensional marks are treated as any other sign in the registration process⁵⁰ and it is not appropriate to apply more stringent criteria when assessing the distinctiveness. However, looking at the official statistics of the applications for European trademarks, it is very clear that only 0,31% of all the applications consist of three-dimensional marks⁵¹. Therefore the chance that a three-dimensional mark might be registered is significant lower than for a two-dimensional one⁵². In nutshell, the more closely a shape resembles the shape most likely to be taken by the product or its packaging, the greater is the likelihood of the shape being devoid of any distinctive character for the purposes of Article 7(1)(b) of the EUTMR.

As a consequence, in the beverage domain, bottles having a cylindrical section and closed with a cap made of a different material and colour from the body⁵³, like VOSS water⁵⁴, or containing lines and creases on them⁵⁵, akin to Adelholzener water⁵⁶, have been all considered not sufficiently striking and just perceived as decorative elements. Even if a single feature of the bottle could be considered unusual, alone it is not sufficient to provide the trademark with distinctive character. This requirement must be assessed by reference to the overall impression which the shape gives, taken as a whole⁵⁷. Therefore, even if traditionally wine bottles bear squared labels, oval or elliptic ones, as those of

Ghidini, G., *Profili evolutivi del diritto industriale* (Milan: Giuffrè, 2008), 245, pointing out that “the theory and praxis of modern aesthetics regularly validate the equivalence between originality and formal value”.

⁴⁹ This is because consumers do not carry out market surveys and do not necessarily know in advance that only a single undertaking markets a particular product in a particular type of packaging.

⁵⁰ EUCJ, 7 October 2004, C-136/02 P, *Mag Instrument*, para 32; GC, 24 November 2006, T-393/02, *Shape of a white and transparent bottle*, para 35.

⁵¹ EUIPO, *EUIPO Statistics in European Union Trade Marks, 1996-01 to 2020-03 Evolution*, table 3.2, available at https://www.oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_euipo/the_office/statistics-of-european-union-trade-marks_en.pdf.

⁵² Friedmann, D., *The Bottle Is The Message*, cit. See also Pagenberg, J., *Trade Dress and the Three-Dimensional Mark - The Neglected Children of Trademark Law?* (2004) 35 IIC 831, 834.

⁵³ EUCJ, 7 May 2015, C-445/13, *Voss*, ECLI:EU:C:2015:303, para 69, rejected the appeal against GC, 28 May 2013, T-178/11, *Nordic Spirit (Shape of a cylindrical bottle)*, EU:T:2013:272, para 58, pointing out that “the contested trade mark is characterised by the combination of a three-dimensionally-shaped transparent cylindrical bottle and a non-transparent cap having the same diameter as the bottle itself [and that] the manner in which those components are combined in the present case represents nothing more than the sum of the parts which make up the contested trade mark, that is to say, a bottle with a non-transparent cap, as is the case with most bottles intended to serve as containers of alcoholic or non-alcoholic beverages on the market, [t]hat shape [being] capable of being commonly used, in trade, for the presentation of the products referred to in the application for registration”.

⁵⁴ <https://vosswater.com>.

⁵⁵ GC, 19 April 2013, T-347/10, *Adelholzener Alpenquellen*, ECLI:EU:T:2013:201.

⁵⁶ <https://www.adelholzener.de>

⁵⁷ EUCJ, 25 October 2007, C-238/06 P, *Develey*, ECLI:EU:C:2007:635, endorsed the reasoning of the GC, 15 March 2006, T-129/04, *Develey*, ECLI:EU:T:2006:84, para. 50-54, refusing registration of a bottle with an elongated neck and a flattened body, on the grounds that “the only characteristic in which the trade mark sought differs from the usual shape is constituted by the lateral hollows”.

renowned Ruinart champagne⁵⁸, have been considered not protectable per se⁵⁹. Indeed, the label's form is strictly connected to the shape of the bottle, both for functional purposes (adhesion to the bottle) and for aesthetic reasons.

Only a trademark which departs significantly from the norm or customs of the sector and has sufficient characteristics to attract consumers' attention, as the "frosted" surface⁶⁰ of Freixenet's cava bottles⁶¹ or the Nestlé's water bottle with its oblique and horizontal grooves winded up round⁶², is likely to fulfil trademark's essential function of indicating the origin.⁶³

As said, however, the more the shape has fanciful characteristics to attract consumer attention, the more it risks falling under the "substantial value" ground for refusing registration.

This approach is inconsistent with EU trademark law that excludes any relevance to the original or acquired distinctive character of a sign in order to assess whether it falls under Article 7(1) (e) of the EUTMR.⁶⁴ How contradictory this assessment could be in practice

⁵⁸ <https://www.ruinart.com/en-us>.

⁵⁹ District Court of Turin, 24 October 2014 and 17 April 2015, dismissing an action for trademark infringement and unfair competition brought by MHCS against a south-Italian wine maker, Farnese Vini S.r.l. The Court considered both the shape of the Ruinart bottle and its components (label, capsule, neckband, coat of arms) quite common and lacking of distinctive character. See Banterle F., The Court of Turin ruled that shape of Ruinart champagne bottle has not distinctive character and rejected lookalike claims, IPlens, 27 January 2016.

⁶⁰ <https://www.freixenet.com/#products>.

⁶¹ EUCJ, 20 October 2011, C-344/10 P and C-345/10 P, ECLI:EU:C:2011:680, which set aside the judgments of the GC, 27 April 2010, T-109/08, Frosted white bottle and T-110/08, Frosted black matt bottle, according to which only a label could determine the origin of the sparkling wine in question, so that the formal appearance of a bottle, consisting of the colour and matting of the glass, could not function as a trade mark, when such features were not used in combination with a word element. The Court clarified that such a position infringed Article 7(1)(b) of Regulation No 40/94, which requires to examine whether the marks for which registration was sought varied so significantly from the norm or customs of the sector. For a comment on such decision see Rohnke, C., 'Eintragungsfähigkeit der Oberflächenstruktur einer Getränkeflasche als Marke', (2012) Gewerblicher Rechtsschutz und Urheberrecht, 611-613; Jänich, V. M., 'Die Markenfähigkeit der Oberflächenstruktur von Getränkeflaschen - Anmerkung zur Freixenet-Entscheidung des EuGH', (2012) Markenrecht, 404-406.

⁶² GC, 3 December 2003, T-305/02, Nestlé Waters, ECLI:EU:T:2003:328, para. 41, related to reg. no. 000 922 179. The GC reversed the EUIPO Board of Appeal decision which described the bottles elements as the sum of characteristics "very common for the usual containers". Taking into account the overall aesthetic result, it established that "the bottle is capable of holding the attention of the public concerned and enabling that public, made aware of the shape of the packaging of the goods in question, to distinguish the goods covered by the registration application from those with a different commercial origin."

⁶³ EUCJ, 29 April 2004, C-456-457/01 P, Washing tabs, EU:C:2004:258, § 39; Id., 07 October 2004, C-136/02 P, Maglite, EU:C:2004:592, § 31; Id., 17 January 2006, T-398/04, Tabs, red-white tablet with blue core, EU:T:2006:19, § 30.

⁶⁴ GC, 6 October 2011, T-508/08, *Bang & Olufsen A/S v OHIM*, ECLI:EU:T:2011:575, para. 43-44, establishes that "a sign caught by Article 7(1)(e) of Regulation No 40/94 can never acquire distinctive character for the purposes of Article 7(3) of the regulation through the use made of it, although that possibility exists, according to that last provision, for signs covered by the grounds for refusal provided for in Article 7(1)(b) and in Article 7(1)(c) and (d) of that regulation. Consequently, if the examination of a sign under Article 7(1)(e) of Regulation No 40/94 leads to the conclusion that one of the criteria mentioned

is well exemplified by a fairly large volume of case-law finding a bottle to be protectable or not on the grounds of such a test. As will be demonstrated, it is quite impossible to find a coherent approach across the case law concerning wine and drink bottles and packaging at the Italian domestic and EU level. Many decisions seem to be contradictory⁶⁵ and the findings may vary consistently depending on whether the judges took into account the substantial value ground for refusal or limit their assessment to the distinctiveness test.

While Article 7(1) of the EUTMR lists the various absolute grounds for refusal which may be raised against registration of a trademark application, it does not specify the order in which those grounds should be considered.⁶⁶ The General Court has already excluded that the absolute ground for refusal provided for in Article 7(1)(e)(iii) of the EUTMR must be considered prior to the ground set out in Article 7(1)(b) of the EUTMR.⁶⁷ Therefore, since it is well-established case-law that the applicability of one of the absolute grounds for refusal set out in Article 7(1) of the EUTMR suffices for a sign not to be registrable as a trademark,⁶⁸ most decisions focus on Article 7(1)(b) of the EUTMR and regularly fail to consider the “substantial value” ground for refusal.

Courts justify such omission with different arguments. Frequently they state that “in so far as the relevant public perceives the sign as an indication of the commercial origin of the goods or services, whether or not it serves simultaneously a purpose other than that of indicating commercial origin is immaterial to its distinctive character”.⁶⁹ This principle is applied also when the trademark under review might be essentially dictated by aesthetic considerations.⁷⁰

Second, they reduce the scope of application of Article 7(1)(e)(iii) of the EUTMR to those cases where the shapes are purely decorative or at least the decorative function dominates over the distinctive one. On the contrary, where the form is not primarily aesthetically functional the related ground for refusal shall not apply.

Since understanding which of these aspects prevails is demanded to the analysis of the “consumer’s behaviour”, it is a highly subjective exercise. This makes it a “moving-with-

in that provision is met, this results in a release from examination of the sign under Article 7(3) of the regulation, since registration of the sign in such circumstances is clearly impossible”. Critics against this is Kur, A., cit., 21.

⁶⁵ For other examples, in other industrial sectors, see Voegl, S., ‘Two Eames chairs, two contrary “decisions”’ (2017) 48(4) IIC 452, 452.

⁶⁶ GC, 6 October 2011, T-508/08, *Bang & Olufsen A/S v OHIM*, ECLI:EU:T:2011:575, para. 39.

⁶⁷ GC, 6 October 2011, T-508/08, *Bang & Olufsen A/S v OHIM*, ECLI:EU:T:2011:575, para. 40.

⁶⁸ see EUCJ, 19 September 2002, C-104/00, *P DKV v OHIM*, ECLI:EU:C:2002:506, para. 29, and GC, 6 November 2007, T-28/06, *RheinfelsQuellen H. Hövelmann v OHIM*, para. 43 and the case-law cited.

⁶⁹ GC, 9 October 2002, T-173/00, *KWS Saat v OHIM*, Shade of orange, ECLI:EU:T:2002:243, para. 30 and GC, 15 March 2006, T-129/04, *Develey v OHIM*, Shape of a plastic bottle, ECLI:EU:T:2006:84, para. 56.

⁷⁰ Just to make an example, outside the wine domain, the GC, 10 October 2007, T-460/05, ECLI:EU:T:2007:304, para. 40, found that the vertical, pencil-shaped loudspeaker registered by Bang & Olufsen was a distinctive trademark because of its striking design which is remembered easily, without even considering whether that shape could have a substantial value under art. 7(1)(e)iii.

time” test⁷¹, with the consequence that inconsistencies in the treatment of trademarks with comparable characteristics are commonplace. Therefore, it is argued that there are two possible solutions: remove from EU trademark law the ground for refusal provided for in Article 7(1)(e)(iii) of the EUTMR, since it overlaps with Article 7(1)(b); or making its examination for three-dimensional trademarks mandatory rather than optional and consistent with the different ground for refusal set forth in Article 7(1)(b).

4. Overview of Case-law Concerning Registrability and Protection of Wine Packaging and Bottles as a Trademark

Analysing the case law may help to make the issue at stake clearer. Only decisions concerning registration or invalidity shall be taken into account, where issues concerning the substantial value of a shape should come into play. This chapter deals indistinctively with Italian and European case law since they basically share common rules and principles.

A good starting point may be a rather surprising decision by the Court of Venice concerning a bag-in-box called “Vernissage” marketed by the Swedish wine company Oenoforos. Such box was shaped to look like a women’s handbag, corresponding to the wines’ colour (white, black and pink) and finished with a black cord handle and a pop-out spout at one end⁷². The shape was registered both as an international trademark⁷³ and a European design⁷⁴ but this did not prevent an Italian wine producer (Cantina Sociale Cooperativa di Soave) from marketing a very similar packaging⁷⁵. Oenoforos sued the competitor for infringement and slavish imitation. The defendant argued the invalidity of both the registered rights as the shape was aesthetically functional and lacked novelty, distinctive and individual character.

The Court of Venice granted a very limited protection under design right but agreed with the counterclaim and declared the invalidity of Oenoforos’ three-dimensional mark.⁷⁶ It held that article 7 (1) (e) iii prevents the registration of those forms that have a decisive, *rectius* “substantial” impact on the consumers’ purchasing choice by inducing him to take an economic decision that he would not have taken if the product did not have that specific form. According to this principle, due to the originality of the idea of associating wine with a women’s bag, the box, rather than distinguishing the wine as originating from the Swedish company, drew the attention of the consumer to its own attractive power. Therefore, consumers would have focused more on the shape, rather than on the wine origin. Evidence of this was found in newspaper articles attributing the commercial success of the product to the packaging itself.

⁷¹ Kur, A., ‘Too pretty to protect?’, cit., 18.

⁷² <https://www.packagingoftheworld.com/2010/10/bag-in-bag-wine-vernissage.html?m=1>.

⁷³ Reg. no. 1080843.

⁷⁴ Reg. no. 001645664-001/002.

⁷⁵ https://packaging605.rssing.com/chan-9801885/all_p8.html, showing ten new packaging developments.

⁷⁶ Decision of 21 July 2015, no. 2306/2015.

The Court of Appeal of Venice upheld this finding, acknowledging that a three-dimensional mark is valid when it consists of an unusual, arbitrary or fanciful form, to which aesthetic or functional tasks are extraneous or, at least, not relevant.⁷⁷ Trademark protection may only be granted if the aesthetic features of the shape do not reach such a degree to fall within the concept of “ornamentation”, for which the legislator provided for a different protection, namely the design one.⁷⁸ Therefore, the Court found a middle-way coexistence between distinctiveness and attractiveness, requiring that the shape still be unusual, arbitrary and fanciful, but these characteristics would not affect the power selling of the product. Whether this is the case in practice, it appears very difficult to say. Apparently these conditions should be met in a very restricted number of cases: as mentioned before, adopting unusual, arbitrary and fanciful wine packaging or bottles, by definition, aims to attract consumers and drive its purchasing choices.

Against this very strict approach by Italian courts, EU case law seems more relaxed. The General Court of the European Union, overturning the decision of the EUIPO,⁷⁹ granted trademark protection for an amphora-like vessel⁸⁰ with a bead in the bottle shape⁸¹. Both the EUIPO examiner and its Board of Appeal⁸² had found that the bulbous central part (bead) fulfilled a functional and decorative purpose and “it is therefore in the public interest that shape of amphoras, which is already known and still used in the field of beverages and foodstuffs, ...is not to be monopolised but kept freely available for use by competitors”. Therefore, the mark applied for was devoid of any distinctive character within the meaning of Article 7(1)(b) of the EUTMR. This position was rejected by the General Court, which acknowledged “that the mark applied for, taken as a whole, has the minimum degree of distinctive character required”⁸³. Indeed, the shape differs from that of classical amphoras, “is easily remembered by the relevant public” and “differentiates it from normal market bottles, since consumers are not accustomed to containers which have an uncurved shape in their surroundings”.⁸⁴

Above all, this judgement is remarkable because this outcome was reached despite “the fact that that characteristic of the mark applied for gives an aesthetic value” and “consequently, the mark applied for is likely to attract the attention of the relevant public and to enable them to distinguish the goods covered by the mark applied for because of the shape of the containers”.⁸⁵ The CJEU confirmed such a decision and stressed that

⁷⁷ Decision of 9 June 2017, no. 1230/2017.

⁷⁸ Indeed article 1 lett. a) Directive 98/71/EC on the legal protection of designs, defines them as “*the appearance of the whole or a part of a product resulting from...its ornamentation*”.

⁷⁹ In summer 2016, the EUIPO examiner refused the trademark registration and the Board of Appeal confirmed this refusal in February 2017 (R 1526/2016-1).

⁸⁰ <https://www.oecherdeal.de/deal.php?v=2&id=4751>.

⁸¹ Reg. no. 014 886 097.

⁸² Decision of 15 February 2017, R 1526/2016-1, para. 28.

⁸³ GC, 3 October 2018, T-313/17, *Wajos GmbH v EUIPO*, ECLI:EU:T:2018:638, para. 29.

⁸⁴ GC, 3 October 2018, T-313/17, *Wajos GmbH v EUIPO*, ECLI:EU:T:2018:638, para. 34.

⁸⁵ GC, 3 October 2018, T-313/17, *Wajos GmbH v EUIPO*, ECLI:EU:T:2018:638, paras. 35-36.

even with a minimum degree of distinctiveness, the ground for refusal did not apply.⁸⁶

This interpretation seems to be in line with another judgements of the same court⁸⁷, concerning the appearance of the well-known Bacardi Rum bottles⁸⁸.

While Martini's bottle⁸⁹, sharing very similar features, was successfully registered without objections at all⁹⁰, the EUIPO examiner refused the Bacardi's bottle application on the grounds that the mark was devoid of any distinctive character pursuant to Article 7(1)(b) of the EUTMR. Neither the shape of the bottle, nor the faint green colour of the punt area (also called heel), the label in bright red in a typical form of a wax seal, nor the label with ornaments consisting of a badge of an ancient noble family and awards were significantly departing from the industry standards, being largely used as decorative badges in the relevant sector. The applicant filed an appeal, pleading that the Office accepted a trademark with comparable characteristics and should observe the principle of equal treatment and sound administration. The EUIPO Board of Appeal upheld the appeal, acknowledging that the sign applied for did not incur the ground for refusal contained in Article 7(1)(b) of the EUTMR⁹¹ since the combination of the faint green colour, the bright-red seal and the white label had a greater distinctiveness than the sum of its parts. The Board pointed out that "the colour scheme and different elements of the sign applied for cannot be seen as purely 'decorative'. The term 'decorative' is misconceived when applied to everything that has an appeal to the eye"⁹². "A sign may fulfil various functions and the mere fact that it also has a decorative one is not a ground for its refusal, unless it is found that those other functions predominate in such a way that the public would no longer perceive the sign as a reference to a commercial origin of the goods".⁹³

Another case concerned the attempt to register as a three-dimensional trademark "Bottega Gold", a completely golden, shiny, iconic metallized bottle, conceived by Sandro Bottega in 2000 to create an eye-catching package for their Italian Prosecco⁹⁴. As none of the absolute grounds for refusal were found and as no opposition was filed, the trademark was registered on 12 June 2013 in respect of class 33⁹⁵. Three years later, however, the Renowned Tombacco Winery filed a request for a declaration of invalidity of the trademark, claiming a breach of Article 7(1)(e)(iii). Tombacco argued that the aesthetic qualities of the colour of the bottle and its shape may justify protection limited in time

⁸⁶ EUCJ, 12 December 2019, C-783/18 P, *EUIPO v Wajos GmbH*, ECLI:EU:C:2019:1073.

⁸⁷ Reg. no. 01 761 8191.

⁸⁸ <https://www.thespiritsbusiness.com/2015/02/bacardi-unveils-new-bottle-design-for-bartenders/>.

⁸⁹ <https://www.foodbev.com/news/martini-to-launch-new-bottle-design-and-double-media-spend/>.

⁹⁰ Reg. no. 17 616 053.

⁹¹ Decision of the Fourth Board of Appeal of 21 December 2018, R 1737/2018-4.

⁹² Decision of Appeal of 21 December 2018, R 1737/2018-4, para. 21.

⁹³ Decision of 21 December 2018, R 1737/2018-4, para. 24. Reference is made to GC, 10 October 2007, T-460/05, *Shape of a loudspeaker*, EU:T:2007:304, para. 44.

⁹⁴ <http://vintagewinepicks.blogspot.com/2019/08/bottega-gold-prosecco-italy-wine-review.html>.

⁹⁵ Reg. no. 01 153 1381.

(such as that provided by designs), but not a legal monopoly for an indefinite period of time through the registration as a trademark. In a decision of 8 May 2019, the EU General Court confirmed the Board of Appeal's previous ruling that all the grounds for invalidity were unfounded⁹⁶. The combination of the shape of the bottle, the gold colour, the letter 'B', in itself distinctive, and a small flame with a satin finish were enough to give the trademark a sufficient (albeit not high) degree of distinctiveness and to rule out the grounds pursuant to Article 7(1)(e)iii. Indeed, there was no evidence that the value that the public attaches to the wine derives from the attractive and pleasing colour of the bottle. The General Court identified as essential features of the bottle its shape and the reflective golden colour. While the first was considered devoid of distinctive character,⁹⁷ "the gold colour clearly alludes to the precious metal and is frequently used to decorate many kinds of goods or packaging. In itself, therefore, the colour does not provide any particular design element".⁹⁸ Therefore, it concluded that the bottle and its gold colour certainly were not enough to confer on the shape the artistic value and unique design required by the EU case law for a shape which gives substantial value to the goods.⁹⁹ The golden bottle has been also successfully enforced in front of Italian courts against producer of confusingly similar products¹⁰⁰.

Article 7(1)(e)(iii) of the EUTMR has been successfully applied in a case, where the EU Board of Appeal declared invalid a trade mark consisting of the diamond-shaped bottle¹⁰¹ of the Jewel Lines Precious Vodka¹⁰², after considering the "essential characteristics" of the sign and whether such essential features were "capable, separately and jointly, of giving substantial value to the product"¹⁰³. The Board reasoned that the shape was that of a very expensive gem, that similarly shaped bottles were sold as collectors' items, that the shape reproduced a typical diamond cut, that in the product advertising the bottle was defined as a jewel and that the aesthetic quality and uniqueness of the shape were the characteristics most emphasised in communication. Therefore, it concluded that the

⁹⁶ GC, 8 May 2019, T-324/18, ECLI:EU:T:2019:297, confirming the Decision of the EUIPO First Board of Appeal, decision 14 March 2018, R 1036/2017-1, SHAPE OF A BOTTLE (3D), para. 53-55.

⁹⁷ Decision of 14 March 2018, R 1036/2017-1, cit., para. 57. As regard the first, it concluded that "*the shape of the bottle is certainly common. It is the shape known as 'collio', which has been in use for several decades now by Italian wineries, in particular for sparkling wines. Moreover, this shape is to be regarded as a mere variant of shapes existing since time immemorial. In other words, the shape is entirely devoid of distinctive character; consequently, its design clearly cannot be described as being 'striking', 'particular' or 'easily remembered'*".

⁹⁸ Decision of 14 March 2018, R 1036/2017-1, SHAPE OF A BOTTLE (3D), para. 58, stating that "*The mirror effect of the surface of the bottle provides no striking or particular design element, because its effect is due to the polishing of the glass and it is well known that, as a rule, the surface of glass bottles is polished rather than matte or frosted*".

⁹⁹ Decision 14 March 2018, R 1036/2017-1, SHAPE OF A BOTTLE (3D), para. 57-59.

¹⁰⁰ District Court of Venice, Decision as of 10 December 2015. This decision has been confirmed also by District Court of Venice, no. 103 as of 17 January 2019.

¹⁰¹ <https://www.jewellinespreciousvodka.com/our-products/>.

¹⁰² Reg. no. 009 075 532.

¹⁰³ Decision 23 May 2013, R 1313/2012-1 SHAPE OF A BOTTLE (3D). The reasoning of the Board is explained in Rusconi, C., '23/05/2013, R 1313/2012-1, Shape of a bottle', in EUIPO, 20 Years of the Boards of Appeal at EUIPO (EUIPO:2017), 342- 343.

trademark at issue fulfilled all the requirements set out in respect of signs that give substantial value to the goods within the meaning of Article 7(1)(e)(iii) of the EUTMR.

The same reasoning would have been applicable to another recent decision of the Cancellation Division¹⁰⁴ concerning the EU trademark consisting of a skull shaped bottle for vodka¹⁰⁵. However, in this case, the examiners dismissed the declaration of invalidity under Article 7(1)(e)(iii) of the EUTMR. The applicant claimed that the proprietor wished to prevent the entire drinks market from using skull shaped bottles which is a matter for design law. The Cancellation Division stated that the fact that a shape may be pleasing or attractive is not enough to exclude it from registration. If that were the case, it would be virtually impossible to imagine any trademark of a shape, given that in modern business there is no product of industrial utility that has not been the subject of study, research and industrial design before its eventual launch on the market. Following the “loudspeaker test”¹⁰⁶, it found that the applicant failed to demonstrate that the proprietor emphasised the aesthetic qualities of the trademark when promoting its products.¹⁰⁷ The Cancellation Division took the view that the applicant merely demonstrated that there are people who like the appearance of the crystal head bottle, but not that the trademark owner promoted the appearance and aesthetics of its bottle to the extent that it has become an essential part of its branding, increasing the appeal, and therefore the value, of the product contained within the bottle. Furthermore, the trademark holder demonstrated (thanks to the winning of blind taste test awards) that the appearance of the bottle did not strongly sway the preference of the consumer, whose main intention was to purchase a luxury vodka. Therefore, the examiners rejected the action as the applicant failed to prove that the design of the bottle was an essential element of the branding policy of the owner, capable of increasing the value of the product.

5. Different Grounds for Refusal, Similar Assessment

Beyond the inconsistencies between the different rulings, what is by far more interesting is to look at the tests applied by the courts. Many relevant factors which courts and examiners regularly take into consideration when assessing the substantial value ground for refusal are exactly the same scrutinized under the distinctive character assessment.

The average consumer’s perception, the nature of the goods concerned, the similarity with other shapes already known, the fact that the product design may be a very important element in the consumers’ choice and an essential element of the branding policy and advertising strategy of the trademark owner are all concepts that are not extraneous to the essential functions of a trademark. “Specific designs”, “striking designs”, “designs which

¹⁰⁴ Decision 22 October 2019, no. 20063 C, related to Reg. no. 15 736 622. For a comment see Bosher, H., Crystal Head vodka 3D shape mark invalidity application: Who you gunna call?!, *The IPKat*, 26 November 2019.

¹⁰⁵ <https://www.crystalheadvodka.com>.

¹⁰⁶ See *infra* para. 2 and related footnote.

¹⁰⁷ There was no evidence of a systematic promotional campaign that placed the primary emphasis on the design of the bottle, which could have been demonstrated with adverts or screenshots of the proprietor’s website. Instead, most of the extracts seemed to be commentaries on events or interviews which was not deemed evidence of a regular marketing campaign focusing on the aesthetics of the bottle.

are remembered easily” and “shapes having aesthetic characteristics”, all terms normally used to identify shapes falling under the substantial value ground for refusal, all contribute to the advertising function of trademarks, which the EUCJ recognized as something worthy of legal protection.¹⁰⁸ Where the goods are luxury goods, the trademark owner has an interest in protecting such an image of luxury that the owner had built up, presumably through advertising.

6. Limiting the “Loudspeaker test” to the Artistic Value Assessment

Amongst the different factors considered by courts when applying Article 7(1) (e) iii, only the consideration of the “artistic value” stands on its own, provided that it does not matter when assessing the distinctiveness of the sign. Therefore, in order to avoid any useless and confusingly similarity of assessment between distinctiveness and attractiveness, the latter should be evaluated only having regard to the artistic value of the shape. Indeed, according to the rationale of Article 7(1)(e) iii, whether the shape should have an artistic value, it should deserve protection only under copyright or design law, while trademark protection should be excluded under the application of the substantial value ground for refusal.

Even when limiting the “loudspeaker test” to the artistic value requirement, there is a strong risk that the meaning of artistic value could be misunderstood and arguments that normally foster a finding of “substantial value” could instead be used to justify a distinctive character. This is well exemplified by a decision of the Court of Milan concerning the famous liquor Amaretto Disaronno¹⁰⁹. Assessing the distinctiveness of the parallelepiped-shaped bottle, the court emphasised that it had been exposed in the exhibition “L'Objet du Design, 99 objects pour un siècle”, as one of the most representative objects of a century of design. According to the court, the attribution of a somewhat iconic character to the bottle at stake confirmed the acquired distinctiveness of the shape.¹¹⁰

Paradoxically, the presence in museums or national and international exhibitions, the achievement of awards and recognitions from the critics all constitute serious indicators that the an object of industrial design fulfils the artistic value requirement which is needed under Italian law for the protection provided by copyright law.¹¹¹

¹⁰⁸ For references see Simon Ilanah, ‘The Court of Justice's Protection of the Advertising Function of Trade Marks: An (Almost) Sceptical Analysis’, (2011) 6 *Journal of Intellectual Property Law and Practice* 325.

¹⁰⁹ <http://www.disaronno.com>.

¹¹⁰ District Court of Milan, 26 April 2018, no. 4716/2018.

¹¹¹ Under Article 2 no. 10 of Law no. 633/1941, “Works of industrial designs which themselves have a creative and artistic value”. See District Court of Milan, 1 December 2015, no. 13487, finding that the Ty Nant bottle design had enough novelty, creative character and artistic value to be eligible for copyright protection under Article 2 (10) of Italian copyright law. The Court identified the designer’s use of lines, folds and curves in the plastic bottle to represent and evoke the idea of running water as the innovative concept of the design. The court based its assessment also on the appreciation of the bottle as a work of art proved over the years by the its inclusion in the collections and exhibitions of major museums of art, nomination for design awards and publication in leading design, architecture and fashion magazines. The same bottle was also registered as a 3D shape and the Court ascertained its validity since the resistant did not raise any exception in this regard. See also District Court of Milan, no. 9971/2012, *Vitra Patente AG v*

If the *rationale* of the substantial value ground for refusal is avoiding overlapping protection upon shapes which may already benefit from copyright and design law protection, it is clear that giving relevance to the same factors when assessing distinctiveness and attractiveness is somewhat paradoxical.

7. Conclusion: is the substantial value ground for refusal still reasonable?

As already pointed out by other scholars,¹¹² these cases show that the substantial value exclusion which prevents such shapes from becoming trademarks does not make sense because it has no real utility. Examiners actually determine whether shapes give substantial value to goods on the grounds of the same criteria applied in order to assess the distinctive character. This is clear – for instance – from the above mentioned golden bottled decision where the Board of Appeal, in order to exclude that the shape and the color of the bottle gave substantial value to the Prosecco Bottega, acknowledged that they were “certainly common”, “frequently used” shapes “entirely devoid of distinctive character” and could not be described as being “striking”, “particular” or “easily remembered”.¹¹³

This contradiction is even more apparent looking at the different factors that examiners consider in order to determine whether the shapes give substantial value to goods. Price, aesthetic, quality, uniqueness and the over-emphasis in advertising have little or nothing to do with the purpose of the rule laid down in Article 7(1)(e)(iii) of the EUTMR to prevent the establishment of monopolies of indefinite duration on shapes¹¹⁴.

Therefore, it is doubtful that a material distinction exists between the two criteria, as actually interpreted by the European Union and national case law. It is quite interesting to observe that the Italian Trademark and Patent Office (UIBM) has already questioned the utility of such substantial value ground for refusal with specific reference to the beverage industry. The occasion was the application for registering a bottle owned by Uva Saronno S.p.a. The Examiner held that the shape had “undoubted aesthetic value” and denied registration since “there were no other distinctive elements that might justify

High Tech S.r.l., according to which the artistic value should be assessed ex post, looking for objective and verifiable indicators that the product achieved a non-short-lived recognition by a sectoral qualified public opinion. The EUCJ, by its judgement as of 12 September 2019, C-683/17, G-Star v. Cofemel, ECLI:EU:C:2019:721, ruled that, as far as designs are concerned, no other requirement is mandated for copyright protection to arise under the InfoSoc Directive, but the sufficient originality of the design at issue. The “aesthetic impression” is not a factor that can be considered since it is subjective. The impact of the decision is not crystal clear, but the judgment could mandate Italy to abandon the “artistic value” extra criteria to be fulfilled for a design to be eligible for copyright protection.

¹¹² Gielen, C., ‘Substantial Value Rule: How it Came into Being and Why it Should be Abolished’, (2014) 3 EIPR 164; Max Planck Institute for Intellectual Property and Competition Law, Study on the Overall Functioning of the European Trade Mark System (2011), §2.32.

¹¹³ decision 14.3.2018, R 1036/2017-1, Shape of a bottle (3D), para. 57-58.

¹¹⁴ Kur, A., 22, notes that “it has been lost out of sight that the original aim of the rule is to foster and ensure efficient competition...The crucial test should consist of an analysis of the competitive potential of the form at stake, considering to what extent its assignment to one particular right holder would be liable to impede, or even exclude, efficient and meaningful competition”.

the granting of a trademark”. The applicant appealed such decision arguing that, following the reasoning of the Office, “no bottle could constitute a valid trademark for liquids because obviously liquids should be traded within a bottle”. The Board of Appeal upheld the appeal “for specific reasons pertaining to the relevant market sector”. “In the liqueur sector, it is unthinkable that the consumer would drive his purchasing choice on the basis of the aesthetic value of the bottle, since the aesthetics of the bottle may not capture the attention of a buyer who makes its choices based on the quality and taste of the drink. It is sufficient to enter any Italian café in order to realize that in the vast assortment of drinks commonly shown off, there are not two identical bottles. This means that all the liqueur producers avoid standardized forms and differentiate their products through the most disparate shapes of bottles not to the purpose of giving the product a particular aesthetic value but solely in order to attributing it distinctive character and allow consumers to identify their origin on the market”¹¹⁵. Consequently, according to the Board of Appeal the ground for refusal for shapes giving substantial value to goods is simply not applicable to drinks.

Even if I do not entirely agree with the reasoning of the UIBM (I do not believe that the aesthetic of a bottle does not drive consumer’s choices at all), I fully share its conclusions. We must be aware that bottles and packaging, by definition, give value to products since consumers consider packaging design features when making purchase decisions. Therefore, two different policy options are available. First, we may accept that fanciful and arbitrary bottles and wine packaging would fall *ex se* under the substantial value criterion and as a consequence would be rejected as a trademark because of that. Second, we should abolish such ground for refusal and review packaging trademark only on an acquired distinctiveness base.

An absolute and permanent ban against trademark protection for attractive shapes would not have sense, and not only for wine bottles. For mitigating this effect, someone suggested that attractive shapes should have the chance of acquiring distinctiveness and becoming a valid sign at least at a later stage as a consequence of their use in commerce¹¹⁶. It seems to me that this proposal makes clear the overlapping between the interpretations of both the concepts of distinctiveness and substantial value. The European Court of Justice has mistakenly interpreted the substantial value using parameters (consumer’s perception and reasons which determine its purchasing choices) that should normally be taken into consideration when assessing the distinctive character. This approach led to disparities in the judicial consideration of the eligibility of attractive shapes for registration as a trademark. This chapter has provided for a proof of these incongruences, with reference to wine and spirits bottles or boxes. Out of 6 cases examined above, all concerning renowned and easily recognizable brands, only two have been decided on the basis of Article 7(e) EUTMR. The remaining just took into consideration the ability of a bottle of working as a badge of origin. While there is not apparent justification for such unequal treatment, a question arises: is the distinctiveness assessment not enough? I think so.

¹¹⁵ UIBM Board of Appeal, 14 December 2004.

¹¹⁶ Kur, A., cit., believes that “it should not be precluded forever that a shape, initially attracting customers by its pleasant appearance, should have the chance of becoming a valid sign at a later stage”.

Someone argued that the justifications underpinning the application of the substantial value ground to prevent trade mark law from becoming an (undue and virtually perpetual) extension of time-limited rights (notably copyright and design), could not be absorbed into any other grounds. However, this justification did have a sense when the simultaneous protection of the same object under different IP rights was disallowed and the demarcation between the subject matter protected by design, copyright and trade mark strictly defined¹¹⁷. This is not the case of the present legislative and jurisprudential context, which unequivocally do not prevent cumulation between different types of intellectual property rights¹¹⁸. This said, the anti-monopoly argument is a weak justification¹¹⁹ for maintaining a substantial value ground for refusal that, as actually interpreted, requires examiners and courts to carry out a test in full contrast with the well established distinctive character assessment.

In conclusion, this chapter demonstrates that the option of abolishing the substantial value ground for refusal is by far more consistent with the keystone of trademark law, pivoting around the essential function of the trademark as a source of origin.

¹¹⁷ Ghidini, G., *Profili Evolutivi del diritto industriale*, cit., 244, remembers that until the middle of the last century, the shape mark had no citizenship in the Italian legal system. The *rationale* was avoiding that “the scope of trademark protection would confuse with design right”. Cf. Ascarelli, T., *Teoria della concorrenza e dei beni immateriali* (Milan: Giuffrè, 1960), 483. In the British system such ostracism continued until the threshold of the 90s, as the famous case of the Coca Cola bottle recalls. See House of Lords, *Coca-Cola T.M.*, 1986, (1986) 103(15) Reports of Patent, Design and Trade Mark Cases, 421–458.

¹¹⁸ IPR cumulation is expressly acknowledged at, eg, Recitals 31 and 32 of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, 1–24; Articles 17 and 18 of Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, OJ L 289, 28.10.1998, 28–35.

¹¹⁹ Ricolfi M., *Trattato dei marchi*, cit., para. 28.3.4, excludes that the purpose of the third indent of Article 3(1)(e) of Directive 2008/95 could be the coordination between different rights over the aesthetic appearance of a shape. Within the present regulation, such coordination has become a “mission impossible”.