

DIRK VISSER¹

Slavish imitation, freedom of competition and the Lego brick

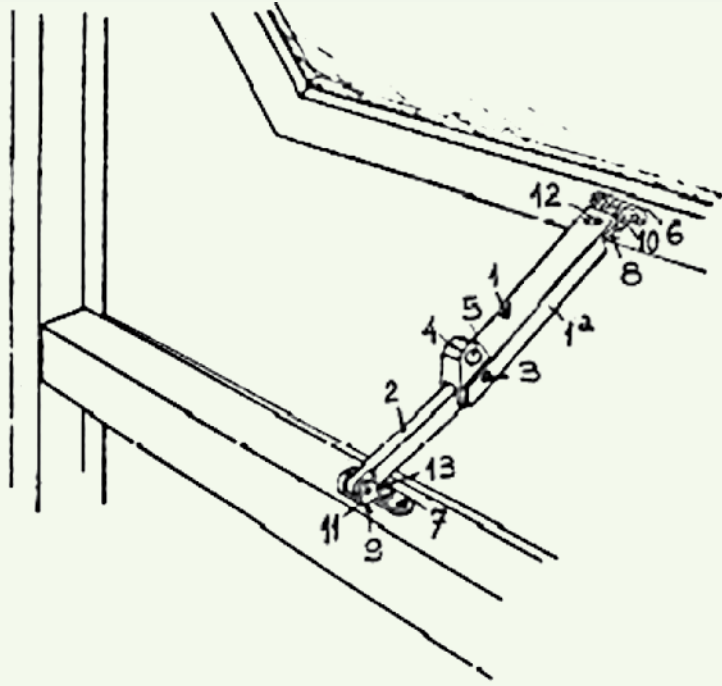
Supreme Court of The Netherlands, 20 November 2009, *NJ* 2011, 302
(*Lego/Mega Brands*)

Introduction and legal background

Patent rights, as with many other intellectual property rights, are valid for a limited period of time. The idea behind this limitation in time is to strike the right balance between the reward and incentive for investors on the one hand, and the need for competition on the other. After the lapse of the patent, competitors should be free to use the invention in any form. This application can take the form of an exact copy of the most famous application of the patent by the former patent owner himself. This should be permissible and is, in fact, the whole idea behind the time limitation regarding validity of the patent.

However, especially with products which have been patented and have become famous or even iconic, exact copying can be perceived as parasitic and/or confusing to the public. Rights owners often try to prolong their monopoly with successful products either through trademark law or through unfair competition law. An attempt to prolong the protection of the three-headed shaver by Philips is an example of the former. This contribution is largely dedicated to the latter, namely protection against copying on the basis of unfair competition of famous products, for which the patent protection has lapsed.

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The additional protection against 'slavish imitation' provided for by unfair competition law under Dutch law is not limited in time.² Former patent owners can invoke this protection after the lapse of their patent. According to the Dutch Supreme Court there is no preemptive effect in the lapse of the patent to the effect that the former patent owner could not invoke protection against slavish imitation of his formerly patented product.³ For example, the former owner of a patent in a window stay⁴ could obtain an injunction against an allegedly slavish imitation produced in Taiwan of the window stay for which the patent had lapsed. The Court ruled that in this case the degree of copying was 'unnecessary', 'premeditated' and 'slavish'. Be that as it may, another view would be that the competitor merely took advantage of the fact that the patent had lapsed. He did copy the successful product, which the former patent owner had previously produced, and sold it for a lower price. That might seem parasitic, but this is what competition is all about. There is no obligation not to 'slavishly' apply the technology in a lapsed patent. Premeditation is not unlawful. Necessity is a subjective concept. The competitor thought he could make money out of selling a cheaper copy of a product that was no longer protected by a patent.

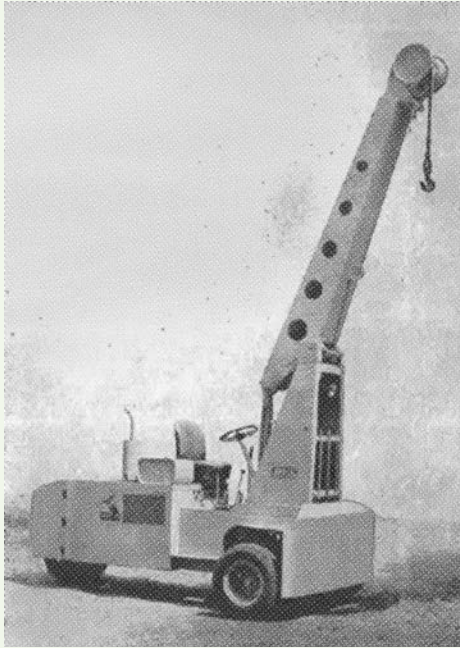
In this window stay decision, the Dutch Supreme Court also ruled that there is no preemptive effect in the fact that statutory design protection is limited in time. The Court rejected the claim that this application of protection against slavish imitation does in fact lead to perpetual protection for industrial designs. The Supreme Court ruled that protection against slavish imitation does not grant a monopoly of any kind, it merely protects against avoidable confusion. Real statutory design protection is 'different, of another nature and broader'. Many scholarly commentators do not agree: in practice, and in fact, there is a risk that protection against slavish imitation amounts to perpetual protection for industrial designs and product monopolies.⁵

² Protection against slavish imitation on the basis of unfair competition law in the Netherlands is described in English by Rogier W. de Vrey, *Towards a European Unfair Competition Law*, dissertation Utrecht, Brill 2005, pp. 113-127.

³ Supreme Court of the Netherlands 31 May 1991, *NJ* 1992, 391 annotated by Verkade (*Borsumij/ Stenman, window stay*).

⁴ This particular window stay was a contraption for use on top hinged outward opening windows. When the window is in the closed position the stay can be turned to the side to stop the arm protruding.

⁵ See Verkade in his annotation to the window stay case (*NJ* 1992, 391), Brinkhof in his annotation to *Monte/Kwikform* (*BIE* 1991, 68), *Quaedvlieg* (*BIE* 1992, pp. 367-371), Visser, *Het ABC van iedere IE*



The criteria of 'avoidable' or 'unnecessary' confusion stem from the first and most famous case on slavish imitation in the Netherlands, the case of the Hyster Karry Crane.⁶ A Dutch manufacturer, Thole, manufactured a very basic crane, called The Elephant, which was more or less a copy of an earlier crane by Hyster. Hyster could not invoke any intellectual property rights in its crane. Hyster applied for an injunction on the general tort provision in the Dutch Civil Code.⁷ The Dutch Supreme Court ruled:

- that because, generally speaking, everybody is free to endow his industrial products with as much reliability and usefulness as possible, and that, – unless rights provided by the Patent Act or the Copyright Act prevent it –, it is not forbidden to use other people's efforts, insights and knowledge, for one's own profit and possibly to the detriment of the other, even if this may lead to confusion on the part of the public between one's own product and the product of the competitor;
- that the imitation of a competitor's product will only be impermissible, in case one could have adopted another course in designing certain features of the product without impairing the reliability and usefulness of one's product, and the failure to do so leads to the confusion on the part of the public'.

In this case the claim based on slavish imitation was denied. The court ruled that the defendant could *not* have adopted another course in designing certain features of the product 'without impairing the reliability and usefulness of one's product'. In the case law of the lower court this Hyster Karry Crane decision was often applied to argue that a defendant *could* have adopted another course in designing certain features of the product 'without impairing the reliability and usefulness of one's product', and the failure to do so *did* lead to confusion on the part of the public. In the *Scrabble*-case⁸ the Supreme Court of the Netherlands added the following:

inbreuk, *BJu* 2004, p. 33.

⁶ Supreme Court of the Netherlands 26 June 1953, *NJ* 1954, 90 (*Hyster/Thole, Hyster Karry Crane*).

⁷ Article 1401 Dutch Civil Code (from 1838 until 1992): 'Any unlawful act (onrechtmatige daad) as a result of which damage has been inflicted on another person makes the person by whose fault the damage was caused liable to pay compensation'. Art. 162 book 6 (New) Dutch Civil Code (since 1992): '1. A person who commits an unlawful act toward another which can be imputed to him, must repair the damage which the other person suffers in consequence thereof. 2. The following acts are deemed unlawful: the violation of a right, an act or omission violating a statutory duty or a rule of unwritten law pertaining to proper social conduct, except when there is a ground for justification.'

‘this standard of due care does not require that one product has to differ from the product of the competitor on all features that could be changed without impairing the reliability and usefulness of one’s product, but that this obligation does require when imitating a product to do what is reasonably required and necessary to avoid that, as a consequence of similarity the risk of confusion will arise or rise’.

One of the issues is what is meant by ‘without impairing the reliability and usefulness of one’s product’. Does ‘reliability and usefulness’ only refer to absolute technical necessity, in the sense that there simply is no other way to design the product? Or does it also refer to features which have some economic advantages for varying reasons? This discussion is at least as complex and subjective as the discussion on ‘the shape of goods which is necessary to obtain a technical result’ in trademark law,⁹ the ‘features of appearance of a product which are solely dictated by its technical function’ in design law¹⁰ and ‘the expression of components dictated by their technical function’ in copyright law.¹¹

In 1970 the Dutch Supreme Court ruled that the ‘usefulness of one’s product’ could include a wish for standardisation on the part of the public.¹² The case concerned coat hangers of a particular shape for which the department store C&A had expressed a wish for standardisation. C&A would only accept clothing delivered to them on coat hangers of a certain shape. The Court ruled that the ‘usefulness’ of the product implied that the shape of the coat hanger could be copied in order to meet this demand for standardisation. This was later confirmed in Dutch Supreme Court cases on scaffolding materials for which there also was a need for standardisation.¹³

The Danish toy producer Lego has been selling its now world famous Lego plastic toy building bricks since 1949. ‘There are about 62 LEGO® bricks for

every one of the world’s 6 billion inhabitants. Children around the world spend 5 billion hours a year playing with LEGO bricks. 19 billion LEGO elements are produced every year. 2.16 million LEGO elements are molded every hour, or 36,000 per minute. More than 400 billion LEGO bricks have been produced since 1949’.¹⁴

The exact shape of the current basic Lego brick was patented in 1958. It can be assumed that all aspects of this basic brick have technical functions and advantages. These technical functions are, for instance, described in paragraph 18 of the decision by the CJEU on the invalidity of the Lego brick as a 3D-trade-mark, where the Court quotes and summarises the decision of the Grand Board of Appeal of OHIM. This paragraph is cited here in full, because it clarifies the extent to which the basic Lego building brick is technical in nature.

‘18. At paragraphs 41 to 55 of the contested decision, the Grand Board of Appeal then upheld the Cancellation Division’s assessment that each of the elements of the shape of the Lego brick, and thus the Lego brick as a whole, is necessary to obtain a technical result. It based that conclusion on the Cancellation Division’s analysis of the appellant’s prior patents. The Grand Board of Appeal found that the decisive elements of that analysis were as follows:

“42 ... The original interlocking ... toy brick, the ancestor of the Lego brick, was invented by Harry Fisher Page and granted several UK patents: No 529 580 issued on 25 November 1940; No 587 206 issued on 17 April 1947; No 633 055 issued on 12 December 1949; No 673 857, issued on 19 July 1950; No 866 557 issued on 26 April 1961. Th[ose] ... patents covered a brick which possessed the same dimensions and ... circular studs ... as the Lego brick ...

43 Regarding the studs on the upper side of the Lego brick, the [Cancellation Division] found the following:

⁸ Supreme Court of the Netherlands 8 January 1960, *NJ* 1960, 415 (*Scrabble*).

⁹ Article 3.1.e.II of the Trademark Directive.

¹⁰ Article 8.1 of the Community Design Regulation.

¹¹ CJEU 22 December 2010, Case C-393/09 (*Bezpe nostní softwarová asociace*), paragraph 49.

¹² Supreme Court of the Netherlands 12 June 1970, *NJ* 1970, 434 (*Tomado; coat hangers*).

¹³ Supreme Court of the Netherlands 1 December 1989, *NJ* 1990, 473 (*Monte/Kwikform*) and Supreme Court of the Netherlands 30 October 1998, *NJ* 1999, 84 (*Assco/Layher*).

¹⁴ LEGO Fun Facts (2009) <http://www.planitnorthwest.com/shopping/pdfs/legolandfunfacts.pdf>.

Oct. 24, 1961

G. K. CHRISTIANSEN
TOY BUILDING BRICK

3,005,282

Filed July 28, 1958

2 Sheets-Sheet 1

FIG. 1.

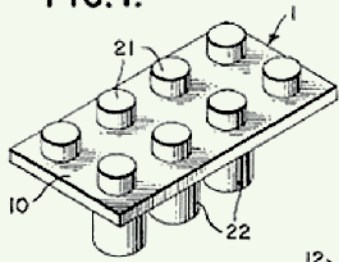


FIG. 2.

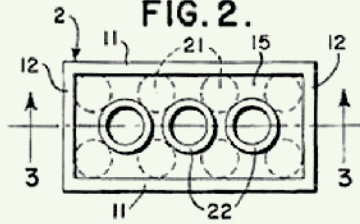


FIG. 3.

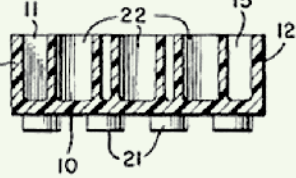


FIG. 5.

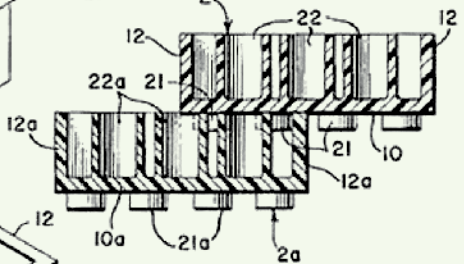
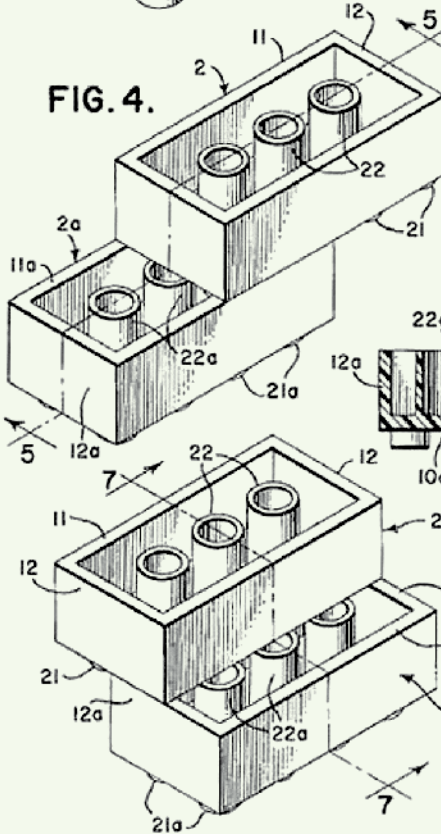


FIG. 6.



INVENTOR

Godtfred Kirk Christiansen

BY
Stevens, Davis, Muller & Mosher
ATTORNEYS

... patent No 866 557 ... disclosed that ... the [bricks] contained ... projections on the upper part ..., ... arranged in two parallel rows and in transverse pairs, [and] uniformly spaced apart in both longitudinal and transverse directions. This is exactly the way in which the bosses are arranged on the upper side of the mark: eight bosses in two parallel rows and in transverse pairs, uniformly spaced apart The purpose of these bosses is to connect with the underside of like toy bricks so as to allow multiple assembly and disassembly.

44 The [Cancellation Division] also found that the same invention possessing studs on the upper side of the Lego brick had been disclosed ... in ... patent No 587 206. ...

... The Board notes that figure 1 of this patent shows two symmetrical rows of four cylindrical studs on the upper surface of the patented brick, which seems to be identical to the Lego brick at issue, but without the red colour ...

45 The proprietor itself admitted before the Board that the aforementioned patents describe the functional elements of the Lego brick and that the existence of the studs is necessary for ... interlocking toy bricks to perform their function.

... 47 The two symmetrical rows of four studs in cylindrical shape on the upper surface of the patented brick was 'the preferred form' of the invention illustrated by figure 1 of ... patent No 587 206 Likewise, the [Cancellation Division] found that ... patent No 866 557 ... states that the design of the ... projections in cylindrical shape are ... the "preferred embodiment" of the projections

... 51 Furthermore, the [Cancellation Division] found that the relative dimension of the height of the studs to that of the walls of the brick does

influence the “clutch power”. If the ratio were too small, the bricks would disassemble more easily Conversely, if the ratio were too great ..., the ... power needed to disassemble the bricks would be quite large ... [and] a child might not easily be able to take the bricks apart when playing alone.

...

53 The Board notes that the technical function of the relative dimensions and positions of the studs ... is described in ... patent No 866 557 as follows:

The relative dimensions and positions of the ... projections must be inter-related in a specific manner, and according to the main characterising feature of the invention the ... projections [on the upper side of the brick] are uniformly spaced apart in both longitudinal and transverse directions ...

54 The [Cancellation Division] conclude[d] that the various features of the Lego brick all perform particular technical functions, namely:

- the bosses [studs]: height and diameter for clutch power; number for fixing versatility; layout for fixing arrangement;
- the secondary projections: clutch power, the number for best clutch power in all positions; ...
- sides: connected with sides of other bricks to produce a wall;
- hollow skirt: to mesh with the bosses and to enable fixing ...;
- overall shape: brick shape for building; size for children to hold.

55 The findings of the [Cancellation Division’s] decision are confirmed by the Board, since they are solidly supported by the evidence surveyed above. Furthermore, the Board finds that the Cancellation Division has not in any way misrepresented, or misinterpreted, the evidence.

...

62 ... [I]t is beyond doubt that [the] dominant feature [of the Lego brick] – the two rows of studs on the upper surface – are intended to endow a simple toy brick, possessing dimensions of width, length and depth in pro-

portion to a real, life-size building brick, with the ... robust and versatile interlocking mechanism which such blocks need to have if they are to be manipulated by a child. Clearly the Lego brick’s features were adopted to perform the abovementioned utilitarian function of the Lego brick, and not for identification purposes ...

63 Consequently ..., the Board [endorses] the [Cancellation Division’s] decision that the Lego brick is wholly functional since there is nothing arbitrary nor ornamental present in it. ... Consequently the Board, with respect to the ... Lego brick, can apply the following words of the ... Philips judgment, namely that “the essential functional characteristics of the shape ... are attributable solely to the technical result”.’.

The Lego/Mega Brands case

It is against this legal and factual background that Lego has tried to keep imitations of its toy building bricks off the Dutch market.¹⁵ Obviously, Lego has tried to do this all over the world, with varying degrees of success. This contribution only deals with the situation in the Netherlands and focuses on the case decided by the Dutch Supreme Court on 20 November 2009, in which Willem Hoyng acted for the defendant Mega Brands, which sells toy building bricks which are almost identical to Lego bricks.¹⁶

Previously, in 1993, the Court of Appeal at Luik (in Belgium) had ruled that under unified Benelux trade mark law, as harmonised by the Trademark Directive, the trademark registration for the basic Lego brick was probably invalid because the shape was necessary to obtain a technical result.¹⁷ In 2010, the CJEU confirmed this in relation to the Community Trade Mark registration for the same basic Lego brick.

In 1999 the Amsterdam Court of Appeal ruled that toy building bricks, which are almost identical to Lego bricks brought on the market by the Italian

¹⁵ An interesting treatise on this subject in Dutch is Lego, the road ahead by Sander Gellaerts, *BJu* 2008.

¹⁶ Supreme Court of the Netherlands 20 November 2009, *LJN* BJ6999 (*Lego/Mega Brands*).

¹⁷ Court of Appeal Luik (Belgium) 30 June 1993, *BIE* 1996, 84 (*Lego/Byggis*).



manufacturer Lima, constituted slavish imitation. In that case it was argued by Lima that the Amsterdam Court should ask the Benelux Court whether perpetual protection against slavish imitation was compatible with the time limitation of the protection provided by the uniform Benelux design law.¹⁸ The Amsterdam Court decided not to put this question to the Benelux Court and there was no appeal to the Dutch Supreme Court.

In 2005, the District Court of Breda ruled in the first instance in the case brought in 2003 by the Canadian toy manufacturer Mega Brands, (which at the time was called Mega Bloks), against Lego. Mega Brands demanded a declaration of right that its toy bricks, called 'Mega Bloks', which were admittedly almost identical to Lego bricks, did not constitute slavish imitation. The Breda Court ruled against Mega Brands and in favour of Lego. This Court was of the opinion that Mega Brands had failed in its obligation to avoid confusion without impairing the reliability and usefulness of the product. According to this court, there was no need to sell bricks which were compatible with Lego bricks. There was no relevant and established wish for standardisation. At the district court level Mega Brands was not yet represented by Willem Hoyng.

At the Court of Appeal of Den Bosch, a research report was submitted by Mega Brands, now represented by Willem Hoyng, based on four public opinion surveys in which it was concluded that there was a wish for standardisation among the relevant public. People who already owned Lego bricks preferred building bricks which were compatible with Lego.

The Court of Appeal examined, with reference to one of the cases on scaffolding material by the Dutch Supreme Court,¹⁹ whether, if there would in this case be a question of imitation by Mega Brands causing confusion, there can be a justification for the same. The Court of Appeal considered this justification to be found in the circumstance, briefly put, that, also having regard to the

¹⁸ The author of this contribution represented Lima in the proceedings at the Amsterdam Court of Appeal and at the District Court of Utrecht before that.

¹⁹ Supreme Court of the Netherlands 30 October 1998, *NJ* 1999, 84.

research report mentioned above, there appears to be a need among a considerable section of the qualifying public of potential buyers of building toys, for compatibility and exchangeability with the existing and prevalent Lego system.

On this ground the Court of Appeal ruled that the imitation by Mega Brands of those features of said system, which are required to accomplish this compatibility and exchangeability, is not unlawful, not even if this imitation leads to products that could lead to confusion with (elements of) the intended system as a result of their appearance. The criticism leveled by Lego of said research report was set aside by the Court of Appeal as not sufficiently substantiated. This all led to the conclusion that there is a question of imitation; however that this can be justified by the need among potential buyers for building bricks that, where size and appearance are concerned, fit and match the bricks already in their possession, which in Dutch households usually means LEGO and DUPLO. Moreover, in order to meet this wish a manufacturer would need to adapt its products to the size and appearance of LEGO and DUPLO. Finally, in the opinion of the Court of Appeal, it has sufficiently been established that the imitation of both the size and the other form aspects of the basic elements of LEGO and DUPLO are necessary for Mega Brands, in order to accomplish compatibility and exchangeability.²⁰

The Court of Appeal of Den Bosch therefore ruled that the imitation of Lego bricks by Mega Brands was permissible.

Lego appealed against this decision to the Supreme Court of the Netherlands . The appeal was rejected. The Dutch Supreme Court ruled:

'3.3.2 ... With regard to the imitation of a material product which is no longer protected by an absolute right of intellectual property, it is held that

²⁰ This part is almost a literal translation of the summary given by the Dutch Supreme Court of the decision by the Court of Appeal.

imitation of this product is in principle allowed, except where the imitation causes a risk of confusion among the public and the imitating competitor fails in its obligation to do everything which is reasonably possible and necessary to prevent a risk of confusion due to the similarity of both products, without impairing the durability and utility of his product. However, under certain circumstances, an existing need for standardisation among purchasers of the products can constitute a justification for confusingly imitating a product. Considering the need among a significant part of the relevant public, as determined by the appeal court, for building bricks which are characterised by their compatibility and interchangeability with Lego and Duplo – for which, according to the appeal court's undisputed determination, it is required that the bricks do not differ from those of Lego in measurement and appearance – the appeal court correctly and not unreasonably held that Mega Brands was justified in imitating the bricks of Lego, even if there might be a risk of confusion The question whether there is an unnecessary risk of confusion with regard to the imitation by Mega Brands will be discussed [below]

3.5.2 ... *To begin with, it is recalled what has been reasoned in the decision of 30 October 1998, mentioned above under 3.3.2 that an existing need for standardisation among purchasers of the products may constitute a justification for confusingly imitating a product, as was already decided by the Supreme Court on 12 June 1970 [citation omitted] does not mean that, when such a need exists, the imitator is no longer under the obligation, as formulated by the Supreme Court on 1 December 1989 [citation omitted] to do anything which is reasonably possible and necessary in order to prevent that due to the existing similarity of both products, as a consequence of the adaptation to the standard, a risk of confusion arises or increases. It was merely decided that a risk of confusion does not preclude lawful imitation if the above-mentioned requirements are met.*

3.5.3 *The appeal court apparently and not unreasonably was of the opinion*

*that the differences in appearance between the bricks of Mega Brands and those of Lego, as determined by the court of first instance and not disputed on appeal – the colour and the (place of the) mention of the name – are sufficient to prevent unnecessary confusion, taking into account the existing need among potential buyers to obtain building bricks which match the bricks they already have with regard to measurement and appearance.*²¹

The Dutch Supreme Court ruled that Lego bricks could be imitated in order for competing bricks to be compatible, to fit and match. This result is to be applauded and Willem Hoynig is to be congratulated with this success.

However, in my opinion it is regrettable that the Dutch Supreme Court did not seize the opportunity to produce a more principled ruling containing more fundamental statements regarding the fact that intellectual property rights are generally limited in time, and that application of unfair competition law should not allow circumvention of this limitation.

The German Supreme Court, the Bundesgerichtshof, did make such fundamental statements in its latest Lego decision on unfair competition in 2004.²² Earlier, in 1964 and in 1992²³, the German Court had ruled that copying Lego bricks was an act of unfair competition on the basis of the concept of *‘Einschieben in eine fremde Serie’*, creating a product which fits in a series created by somebody else. But in 2004 the German Court decided that the Lego monopoly had lasted long enough and that it was time to allow competition. Creating unnecessary confusion would still be forbidden in Germany, but distinctive branding and packaging would suffice to prevent such confusion.

By still insisting that there is an everlasting ‘obligation to do everything which is reasonably possible and necessary to prevent a risk of confusion due to the

²¹ Translation by Nicole van der Laan, PhD candidate, Max Planck Institute for Intellectual Property and Competition Law, Munich, quoted from the publication in *IIC* 2012, 115. The decision was also published in *IIC* 2010, 364.

²² BGH 2 December 2004, *GRUR* 2005, 349.

²³ *GRUR* 1992, 619.

similarity of both products’ the Dutch Supreme Court has put the burden of proof firmly on the defendant. Thereby, it has prolonged the existence of an eternal pseudo-design right. To mitigate this effect, the courts have been forced to accept arguments based on questionable public opinion surveys that there is a need for harmonisation on the part of the public.

However, the whole idea of the limitation of intellectual property rights is that there is a justified need for harmonisation of any product for which the protection has lapsed. Manufacturers should not be forced to produce different looking paperclips, pens, pairs of scissors or a toy building bricks after the protection of such products has lapsed. In the branding and packaging it is reasonable to demand the avoidance of unnecessary confusion. But after the lapse of the relevant intellectual property right, there should not be a perpetual monopoly in the design of the product itself. This should not happen directly, nor indirectly through the backdoor of unfair competition protection against slavish imitation.

In a very recent decision on the allegedly slavish and confusing imitation of the style of paintings by a particular painter, the Dutch Supreme Court seems to have taken a more principled view.²⁴ In this case the Supreme Court ruled that according to established case law copyright does not protect a style of painting:

‘This case law is based on the idea that the protection by copyright in abstractions such as a style of painting would entail an impermissible limitation on the freedom of creation of an author and would therefore be an obstacle for cultural development.

It is against this background that it has to be decided that the law does not allow for additional protection of the author of a work on the basis of article

²⁴ Supreme Court of the Netherlands 29 March 2013, *LJN* BY 8661, *AMI* 2013, p. 108 (*Broeren/Duijsens*).

6:162 Civil Code (unfair competition) against so-called imitation of a style or style elements. Another decision would still result in a situation which the established case law on copyright [mentioned above] seeks to prevent.

This does not mean that slavish imitation of a style or of style elements can under additional circumstances be an act of unfair competition, but for such a situation to arise it is not sufficient that the imitation is unnecessarily confusing to the public’.

The same line of reasoning could, and in my opinion should, be applied, not only to unprotected style elements, but also to elements with a technical advantage and to all elements which have fallen into the public domain. To paraphrase the Supreme Court: another view would still result in a situation which the limitation in time of intellectual property rights seeks to prevent.

Finally, it is important to stress that great IP trial lawyers such as Willem Hoyng should not only act for right holders, but also regularly defend the public domain and the freedom of competition which it aims to uphold.