

Case C-437/23**Summary of the request for a preliminary ruling pursuant to Article 98(1) of the Rules of Procedure of the Court of Justice****Date lodged:**

13 July 2023

Referring court:

Fővárosi Törvényszék (Hungary)

Date of the decision to refer:

3 July 2023

Applicant:

LEGO Juris A/S

Defendant:

Pozitív Energiaforrás Kft.

Subject matter of the main proceedings

With a view to asserting rights arising from national trade mark protection, the applicant has requested the referring court, in trade mark infringement proceedings, to declare that the goods it is intended to import into Hungary amount to a trade mark infringement, to prohibit the defendant from importing those goods, to order the detention and destruction of the allegedly infringing goods and to order the defendant to provide information and offer compensation.

Subject matter and legal basis of the request

Request for a preliminary ruling on interpretation – Enforcement of intellectual property rights – Approximation of the laws of the Member States – Directive (EU) 2015/2436 – Regulation 608/2013/EU – National trade marks representing figurative and/or three-dimensional indications – Importation of presumed infringing goods – Piece – Trade mark infringement proceedings – Customs measure – Concept of use of a mark – Compatibility of national practice with EU law – Likelihood of confusion – Essential and other functions of the mark –

Function as an indication of origin – Distinctive character – Scope of the discretion of the national court to uphold the claims of the proprietor of the mark – Weighing up of the rights of the proprietor of the mark and of the principle of the prohibition on restrictions on legitimate trade – ‘Extension’ of expired patents or other exclusive intellectual property rights through trade mark protection

Legal basis: Article 267 TFEU

Questions referred for a preliminary ruling

1. Is an approach taken in the national case-law of a Member State compatible with EU law where it classifies unauthorised use of a mark, such as the use at issue in the main proceedings, as an infringement of a mark that protects a quasi-photographic representation of one of the building blocks of a construction toy where that use is characterised by the fact that the closed package of the modular construction toy at issue contains a building block (‘piece’) whose shape may be confused with the representation of the block protected by the mark, and assembly instructions that represent that piece in a manner capable of being confused with the mark, whereas neither the representation of the block protected by the mark nor the sign that may be confused with that representation is shown on the outside of the closed package of the construction toy or is shown there only in part, and no other element of the packaging refers to the proprietor of the mark?
2. If the use of the mark described above must be found to be use against which the proprietor of the mark is entitled to take action under Article 10(2)(b) of Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, must that article be interpreted as meaning that the proprietor of the mark is entitled to require suspension of the importation into the country of the goods comprising the construction toy as a whole and, for that purpose, detention of those goods, even where the use of the mark takes place only through one piece or a small number of pieces of the construction toy – which can be separated from the goods and are technically equivalent to other pieces – and through the representation of a piece or those pieces in the assembly instructions?
3. If EU law must be interpreted as meaning that the proprietor of the mark is entitled to bring claims relating to the goods as a whole, even where the use of the mark takes place only through one piece or a small number of pieces of the construction toy – which can be separated from the goods and are technically equivalent to other pieces – and by the representation of that piece or those pieces in the assembly instructions, is it compatible with EU law for the Member State courts to have discretion not to order a prohibition on the continued importation of the construction toy into the country and, accordingly, to refuse the application for interim measures seeking the

detention of the construction toy, taking into consideration the fact that there is only a partial infringement where it relates to only one piece or a small number of pieces contained in a closed package; the fact that the infringement is slight and of a low level of severity in relation to the goods as a whole; and the interests of unrestricted trade in a mainly uncontroversial construction toy?

Provisions of European Union law and case-law relied on

Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, recital 18 and Article 10(2)(b) and (3)(c).

Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003, Article 17(1).

Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, Article 130(1).

Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Article 3(1) and (2).

Judgment of 14 September 2010, *Lego Juris v OHIM*, C 48/09 P.

Judgment of 16 November 2004, *Anheuser-Busch*, C 245/02.

Judgment of 12 November 2002, *Arsenal Football Club*, C 206/01.

Judgment of 11 September 2007, *Céline*, C 17/06.

Judgment of 23 March 2010, *Google France and Google*, C 236/08 to C 238/08.

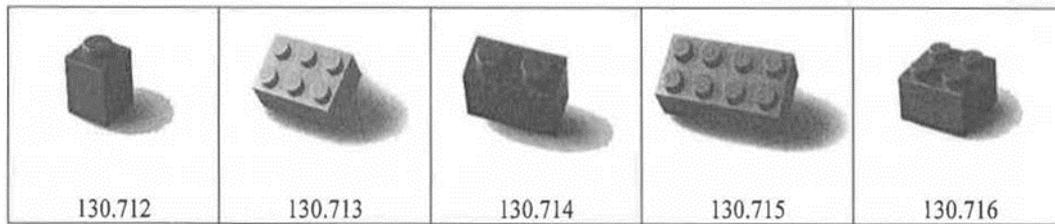
Provisions of national law relied on

A védjegyek és a földrajzi árujelzők oltalmáról szóló 1997. évi XI. törvény (Law No XI of 1997 on the protection of trade marks and geographical indications, ‘the Law on Trade Marks’), Articles 12 and 27.

Succinct presentation of the facts and procedure in the main proceedings

The applicant is the proprietor of the Hungarian national marks registered under numbers 130.712, 130.713, 130.714, 130.715 and 130.716, which have been protected since 7 December 1990 and represent almost photographically the building blocks with variable numbers of round studs commonly known as Lego

bricks. The protection of the mark covers ‘Games, toys and playthings’ in Class 28 of the Nice Agreement.



The defendant intended to import modular construction toys into Hungary. The packaging of most of the plastic construction toys consists of a closed cardboard box with a colour photographic representation on the outside of the figure built using blocks similar to Lego bricks. The dominant word element of the packaging is, in general, a graphically edited word element in colour describing that figure: for example ‘SkyBreaker Pterodactyl’, ‘Kaiser Dinosaur’ or ‘Holy Lion’. Each package shows a drawing smaller than the word element described above, consisting of the word element ‘Qman’ inside a square; information about the features of the toy can also be read on the packaging. The closed box contains plastic building blocks of different shapes, most of which also have round studs. The word element ‘ENLI’ can be read on the round studs of the blocks. The package contains assembly instructions showing, in the form of an axiometric colour representation, the building blocks used in each step of the assembly and how they are put together.

- 1 The Nemzeti Adó- és Vámhivatal Veszprém Megyei Adó- és Vámigazgatósága (National Tax and Customs Administration, Tax and Customs Directorate, Veszprém county, Hungary), the authority responsible for customs clearance, found there to be a likelihood that the goods described above infringed the applicant’s intellectual property rights. Accordingly, that authority, after obtaining written confirmation from the applicant, imposed a customs intervention measure on the goods under Article 17(1) of Regulation No 608/2013, until such time as it was determined whether they infringed an intellectual property right of the applicant.
- 2 On 22 June 2022, with the aim of keeping the customs measure in place and asserting the rights arising from national trade mark protection, the applicant requested the referring court to issue an interim measure ordering the detention of the goods in respect of which the unauthorised use of the national mark was taking place. The referring court dismissed that request. On appeal by the applicant, the Fővárosi Ítéltábla (Budapest Regional Court of Appeal, Hungary) amended the decision of the referring court and ordered detention of the goods. The defendant having lodged an appeal on a point of law, by a decision of 12 April 2023, the Kúria (Supreme Court, Hungary) confirmed the final decision of the Budapest Regional Court of Appeal.

- 3 On 14 October 2022, the applicant filed its application (the pleading commencing trade mark infringement proceedings) in respect of adoption of the interim measure referred to above.

The essential arguments of the parties in the main proceedings

- 4 The applicant believes the importation of the goods at issue to be unlawful and that the goods and the pieces comprising them (certain components) infringe its trade mark rights. It therefore, initially, applied for interim measures and, subsequently, brought the corresponding action for trade mark infringement.
- 5 The defendant claims that the action should be dismissed. In support of its case, it argues, inter alia, that the applicant claims that only some elements of the toys imported by the defendant constitute a trade mark infringement. According to the defendant, there is however no infringement because what it imports is not a number of building blocks; it imports toys which can be assembled from pieces, and the assembly pieces at issue are not visible in the assembled toys. Countless similar construction toys are freely sold on the market of the European Union. The restriction, through trade mark protection, on importing and marketing such toys in Hungary is unfair and infringes the principle of the free movement of goods.

Succinct presentation of the reasoning in the reference for a preliminary ruling

- 6 The referring court notes that the European Union has no completely unambiguous position on whether trade mark protection is admissible in relation to the shape of the Lego brick. By its judgment of 14 September 2010, *Lego Juris*, C-48/09 P, the Court upheld a declaration of invalidity concerning the EU mark protecting the shape of the red Lego brick with two rows of four fixing studs. Before that judgment, the proceedings heard in Hungary seeking declarations of nullity in respect of the national marks at issue in the main proceedings were the subject of final rulings in 2007 which upheld trade mark protection.
- 7 Up to the present time, therefore, the referring court has been upholding claims of trade mark infringement based on the protection that those marks afford to the representation of Lego bricks. In all those cases the applicant has brought proceedings against third-party importers seeking to import into Hungary construction toys in closed boxes containing, on the one hand, building blocks that constitute the individual pieces of a build and whose shape can be confused with the shape protected by the national mark and, on the other, assembly instructions showing those pieces in such a way that they can be confused with the pieces protected by the mark. It can easily be seen at first glance that those construction toys are Lego imitations bearing their own brand name which is clearly distinguishable from the applicant's name and from the well-known Lego logo formed from it. The representation of the building block protected by the mark usually does not appear on the packaging or, exceptionally, is identifiable as an

individual piece of the build represented on the packaging. That is also true of a significant proportion of the construction toys placed under customs supervision in the main proceedings.

- 8 Since before Hungary's accession to the European Union, it has systematically been held that those toys infringed trade marks.
- 9 The referring court makes reference to the case-law of the Hungarian supreme court developed since 2002 and until recently in cases based on similar facts to those in the main proceedings, from which it concludes that an approach has become established in the Hungarian case-law whereby a trade mark infringement occurs when goods are imported without authorisation and the mark is used in relation to those goods both through one piece or a small number of pieces of a construction game comprising multiple components sold in a closed box and through an axiometric representation that appears in the assembly instructions for those components, regardless of whether the mark appears on the packaging of the goods at issue and whether there is any other reference to the applicant proprietor of the mark.
- 10 The referring court is not completely convinced that this case-law is compatible with EU law.
- 11 The first question referred therefore relates to the uniform interpretation of EU law on the concept of trade mark infringement and of 'use' as part of that concept.
- 12 This court refers to earlier decisions of the Court handed down in similar cases and, in particular, to the purpose of the exclusive rights, the functions of trade marks and the requirements for prohibiting their use. On the basis of that case-law, the referring court has established that the case undoubtedly concerns an importation of goods that are subject to customs procedures in the course of trade, without the consent of the proprietor of the mark and in respect of goods for which the marks are registered.
- 13 The referring court observes that in respect of one of the requirements of the EU case-law for the proprietor of the mark to be able to take action against a specific use of the mark: an adverse effect on the function of the mark, the corresponding provisions of the Law on Trade Marks in force in 2023, resulting from the transposition of Directive 2015/2436, should be applied in the main proceedings.
- 14 The referring court invokes in particular recital 18 of that directive, according to which 'an infringement of a trade mark can only be established if there is a finding that the infringing mark or sign is used in the course of trade for the purposes of distinguishing goods or services. Use of the sign for purposes other than for distinguishing goods or services should be subject to the provisions of national law.'
- 15 The referring court then enquires as a matter of principle whether the indication of origin function of a national mark that protects the representation of a building

block is adversely affected or may be adversely affected where the mark does not appear at all on the packaging of the goods or where, at the very most, it can be recognised as part of the completed figure represented on the packaging, and average consumers can only see the aforementioned sign that could be confused with the mark – whether as a building block or as a representation in the assembly instructions – once they have opened the closed package. In other words, may such use of the mark be found to perform the function of distinguishing some goods from others?

- 16 The referring court believes that the use of the mark at issue in the main proceedings cannot be found to perform the function of distinguishing some goods from others. Put otherwise, the referring court finds that the use in question does not adversely affect the essential function of the mark as an indication of origin.
- 17 If it cannot be established that the use of the mark to which the applicant objects has the function of distinguishing some goods from others or that such use can adversely affect other functions of the mark, under Article 12(2)(b) of the Law on Trade Marks the proprietor of the mark is not entitled to take action either against that use or against the importer of the goods and, therefore, the referring court would be obliged to dismiss the application for interim measures. The first question referred therefore seeks to clarify whether that is so and whether, as a result, it is necessary to review the Hungarian case-law.
- 18 The second question referred relates to the scenario in which EU law must be interpreted as meaning that the proprietor of the trade mark can take action against the use of the mark as such use is occurring in the main proceedings.
- 19 In that scenario, the referring court must bear in mind the fact that the use of the mark is typically confined to one piece or a small number of pieces of a construction toy comprising more than one piece and that the toy contains dozens or even a higher number of other pieces that involve no trade mark infringement, which are of the same type and have the same function as the infringing pieces and are technically equivalent to them. The peculiarity of the circumstances to be analysed in the main proceedings is that the use of the sign at issue does not relate to the goods themselves as a whole but is confined to one piece or a small number of pieces that make up those goods, and that those pieces generally represent a very small proportion of the build as a whole, as they do in the main proceedings.
- 20 It is uncertain whether, in that situation, the proprietor of the mark is entitled, under Article 10(2)(b) of Directive 2015/2436, to take action for trade mark infringement in relation to the goods as a whole; that is to say, whether it emerges from that article that the proprietor of the mark is entitled to apply, as has occurred in the main proceedings, for an interim measure prohibiting the defendant from continuing to import the goods as a whole where they contain pieces that infringe the mark and, as a result, detaining the goods.

- 21 In its reasoning in respect of this question referred for a preliminary ruling, the referring court expresses doubts as to whether the earlier finding was correct, that is to say, whether the use of the mark is in relation to the goods. The referring court notes that the building blocks, as goods that can also be purchased individually in the applicant's specialised shops, must be distinguished in legal terms from the building blocks sold as pieces of a build in the construction toy.
- 22 The referring court seeks clarification as to whether, if only one separable piece of the goods gives rise to a trade mark infringement, must it be found that the goods as a whole infringe the mark, and whether the applicant is entitled to require a prohibition in relation to the goods as a whole and adoption of the measures necessary to enforce that prohibition.
- 23 If the second question referred is answered in the affirmative, the referring court enquires, by the third question, as to the breadth of its freedom of assessment to uphold the claims of the proprietor of the mark and, in particular, whether it may dismiss those claims.
- 24 The applicable national provision, that is to say, Article 27(2) of the Law on Trade Marks, provides that 'depending on the circumstances of the case, the proprietor of the mark is entitled to assert the following civil-law claims against the infringer ...'. The referring court interprets this provision as meaning that it does not impose an unconditional obligation on it to uphold the claims of the proprietor of the mark where the mark is infringed, but gives it discretion in that respect.
- 25 The referring court notes that, unlike the Law on Trade Marks, Article 130(1) of Regulation 2017/1001 envisages the possibility that the prohibition may not be granted, having regard to 'special reasons', which must, nevertheless, according to the case-law referred to, be interpreted restrictively.
- 26 Since the national courts must also interpret national rules in accordance with EU law, it is necessary to identify the scope of the judicial discretion in question in the light of that law, having regard in particular for the fact that the Law on Trade Marks and Regulation 2017/1001 unequivocally afford discretion not to uphold the claims of the proprietor of the mark where the mark is infringed, even though the freedom to use that discretion is defined differently in each piece of legislation.
- 27 As regards the substance of that discretion, justice and the principle of proportionality dictate that, when upholding claims arising from the infringement of a mark brought by its proprietor, the national court must proceed with particular care since the resulting legal consequences must correlate to the extent of the infringement.
- 28 Similarly, if the claim by the proprietor of the mark for detention of the goods as a whole may be upheld – in line with the approach taken in the case-law of the Member State described above – merely because one component or a small number of components of the build comprising the toy adversely affects one right

or a small number of rights attaching to the national mark, the proprietor of the mark would in essence enjoy the same option that it was able to exercise decades ago by invoking the now-expired patent protecting the technical dimension of the construction toys. Furthermore, since the building block portrayed in the representation protected by the mark also has a specific functionality, the proprietor of the mark must also take into consideration that the use of that functionality may benefit a third party.

- 29 It is beyond doubt that, by setting up legal obstacles to the recognition of trade mark protection, the legislature is seeking to prevent an expired exclusive right (such as a patent or design right) from being 'extended' via the protection conferred by the mark and, as a result, the unjustified continuance of a monopoly that has reached its end. In the present case, however, since the national marks have not been cancelled (and continue to be protected), the referring court is uncertain whether the legislature's intention can be given effect at the time of applying the legislation and, within that framework, when making a decision on the claim relating to the trade mark infringement.
- 30 It is certainly possible that such discretion may flow from the provisions of Directive 2004/48 and from Article 3(1) and (2) in particular.
- 31 Accordingly, in the event that the referring court finds in the main proceedings that the defendant is likely to be infringing the national mark, the possibility arises that it could, in the light of the special circumstances of the case, relying on the criteria in Article 3(1) and (2) of Directive 2004/48 and in an attempt, inter alia, to avoid creating unnecessary barriers to legitimate trade, uphold the applicant's claim for interim measures in part or even dismiss that claim.
- 32 The corollary of that discretion is undoubtedly the duty on the referring court to assist the proprietor of the mark in asserting its intellectual property rights and to prevent judicial practice from, in essence, hollowing out the exclusive rights attaching to trade mark protection.
- 33 In the light of the foregoing, it is necessary to determine whether, under EU law, the judicial discretion goes so far as to permit the Member State court to dismiss the application for interim measures seeking a prohibition on the continued importation of the construction toy into the country and detention of the goods. The referring court asks the Court of Justice of the European Union for a response of use to the third question referred so that the judicial discretion can be correctly determined.