

TRADEMARK LAW EVOLVES IN EUROPE'S HIGHEST COURTS

The last 18 months have seen a number of important trademark cases decided by the European Court of Justice (ECJ) and the European Court of First Instance (CFI). Pierre-André Dubois reports on these and what they mean for US trademark owners.

At the European Community level, there are two main sources for trademark law: the First Council Directive 89/104/EEC to approximate the laws of the member states relating to trademarks (the Harmonization Directive) and Council Regulation 40/94/EEC on the Community Trademark (CTM) together with Commission Regulation 2868/95/EC implementing Council Regulation (EC No. 40/94) on the CTM (together the CTM Regulation). The purpose of the Harmonization Directive is to achieve approximation of the trademark laws of the member states which most directly affect the functioning of the internal market. The CTM Regulation is the regulation which established in the European Union a single unitary system for the registration of trademarks enforceable across all member states, separate from the national systems in each member state.

The decisions of the ECJ result from its jurisdiction on referral by the national courts or the CFI of questions relating

to the interpretation of European Community law pursuant to article 234 of the EU Treaty, and appeals of decisions rendered by the CFI. The CFI acts as a court of appeal from decisions rendered by OHIM.

While decisions from the ECJ or the CFI on the provisions of the Harmonization Directive and those applying the CTM Regulation are of use in looking into developing trends with respect to European trademark law, the CTM regime is an autonomous system with its own set of objectives and rules that apply independently of any national system. As such, when considering issues relating to a CTM application or registration, OHIM (or indeed the CFI or the ECJ) does not have a duty to harmonize Community trademark law with national laws, for example, by considering national registrations existing in a member state. Equally, when examining a CTM, its validity needs to be reviewed under the CTM Regulation only, and this may lead to a different result than if examined under the light of the Har-

monization Directive. Nevertheless, the evolution of the case law under the CTM Regulation is having an impact on the practice of national trademark offices and courts on issues relating to registrability, and in some circumstances courts have tried to identify similarities between issues under the CTM Regulation and the Harmonization Directive.

DESCRIPTIVENESS

Under Article 7(1)(b) of the CTM Regulation, a trademark which is devoid of any distinctive character cannot be registered. However, a mark may be registered if it has become distinctive in relation to the goods or services for which registration is requested as a result of its use. In 2001, in the *BABY-DRY* case (*Procter & Gamble v OHIM*), the ECJ largely expanded the ability of registering arguably descriptive marks, concluding that a word combination such as *BABY-DRY* could not be regarded as exhibiting as a whole a descriptive character. Rather, such word combinations should be regarded as

lexical inventions bestowing distinctive power on the mark created. The CFI continues to favor a liberal approach to the registration of marks.

Based on the decisions of the CFI in *Rewe Zentral AG v OHIM*, *SAT.1 SatellitenFernsehen GmbH v OHIM* and *Robert Bosch GmbH v OHIM*, the current test to decide whether a trademark is descriptive can be summarized as follows:

- (a) distinctiveness must be assessed firstly in relation to the goods or services with which registration of the mark is being requested, and secondly, in relation to the perception of the relevant public, that is the consumers of the goods or services;
- (b) the absence of a distinctive character cannot merely arise from a finding that the mark in question lacks an additional element of imagination or a minimum amount of imagination. A CTM does not have to be a work of invention and founded on any particular element of originality;
- (c) the relevant public consists of the average, reasonably well informed and reasonably observant and circumspect consumer and consideration needs to be given as to the spoken language of the relevant public;
- (d) if the mark is a compound mark, the appraisal of its distinctive character requires that it be considered as a whole in connection with the relevant goods or services.

Based on these principles, the CFI concluded that:

- The mark LITE was devoid of distinctive character and could not be registered in connection with food products (*Rewe Zentral AG v OHIM*).
- The mark TELE AID could not be registered in connection with “repair services for automobiles” and “the operation of a communication network for rescue services”, but could

be registered in connection with “electrical and electronic devices for transferring speech and data and collection and processing” (*Daimler Chrysler AG v OHIM*).

- The marks CARCARD and TRUCKCARD could not be registered with “arranging and processing of the payment of charges; arranging of telecommunication services”, but could be registered with such goods and services as “issuing of credit cards; leasing of motor vehicles and processing of payment” (*Daimler Chrysler AG v OHIM*).

The ECJ also confirmed a decision of the CFI refusing COMPANYLINE for insurance services.

In *Eurocool Logistik GmbH v OHIM*, the CFI held that the trademark EUROCOOL applied for the “storage and keeping of goods, especially chilled and frozen goods” was not descriptive and could be registered. The Court noted that the term EUROCOOL was one which could be easily and instantly memorized by the relevant public (which the Court deemed to be specialists in the frozen food business). As such, the term EUROCOOL taken as a whole (even if its components referred to Europe and cooling) was inherently capable of being perceived by the relevant public as a distinctive sign and could function properly as a trademark.

Dealing with an acronym, the CFI concluded in *BioID AG v OHIM* that a figurative mark containing the abbreviation BioID was not registrable in association with computer-aided devices to identify living organisms, bearing in mind that this abbreviation referred to biometric identification. In coming to this conclusion, the CFI noted that the purpose behind Article 7(1)(b) of the CTM Regulation was to exclude from registration those signs which are commonly used in trade in connection with the presenta-

tion of goods or services or in respect of which there is some evidence that they could be used in that way.

SLOGANS

The registrability of a slogan as a CTM was considered in *Sykes Enterprises, Inc v OHIM*. The CFI found that the slogan REAL PEOPLE, REAL SOLUTIONS for use in association with “technical support for the computer industry” could not be registered. The Court concluded that, whilst the mark in issue did not have a direct and exclusive descriptive connotation, this configuration of words would not be perceived as an indication of origin, but rather as a mere promotional line. The reasoning of the CFI suggests that the registration of slogans will continue to be difficult under the CTM Regulation.

SIGNS RELATING TO CHARACTERISTICS OF GOODS AND SERVICES

Under Article 7(1)(c) of the CTM Regulation, a trademark which consists exclusively of signs or indications which may serve in trade to designate the quality, intended purpose or characteristics of the goods or the services cannot be registered. The CFI reiterated that the aim of Article 7(1)(c) is to prevent the registration of signs or indications which should be open to use by anyone. While it will be sufficient that at least one of the possible meanings of a mark identifies a feature of the goods or services concerned to exclude the mark from registration (*SAT.1 Satelliten Fernsehen GmbH v OHIM*), an accurate assessment must be made of the mark in its totality with reference to the specific goods or services in the application and the way in which the mark will be understood by the relevant public. Often, one will try to defend a mark against the totality of the goods or services applied for on the basis that the

mark is part of a marketing concept, and hence should be allowed for all the goods or services applied for. This approach is not valid. A neologism will not avoid Article 7(1)(c) if the result creates a direct association to the characteristics of the goods (*Telefon & Buch VerlagsgmbH v OHIM*).

If a mark extols indirectly and in an abstract manner the excellence of a product, yet without directly and immediately informing the consumer of one of the qualities or specific characteristics of the products, this will be considered a case of evocation and will not fall foul of Article 7(1)(c). As such, the CFI found that the mark ULTRAPLUS could be registered in association with ovenware (*Dart Industries, Inc. v OHIM*).

Further, a sign which is descriptive of that which it represents cannot be considered to be descriptive of the goods themselves, other than insofar as the persons targeted, when making their purchasing decision, conflate the goods and what the sign represents. Based on this reasoning, the CFI found that the mark NEW BORN BABY could be registered in association with toys (*Zapf Creation AG v OHIM*). In contrast, an application to register ELLOS for clothing (the word *ellos* is used in Spanish to refer to the members of the male sex) was refused (*Ellos AB v OHIM*). While an objection under Article 7(1)(c) may be overcome by evidence of acquired distinctiveness, distinctiveness must be assessed at the date of filing, not subsequently (*eCopy, Inc. v OHIM*).

SHAPES

Article 3(1)(e) of the Harmonization

Directive stipulates that signs which consist exclusively of the shape which results from the nature of the goods themselves, or the shape of goods which is necessary to obtain a technical result, or a shape which gives substantial value to the goods, cannot be registered. On a referral from the English Court of Appeal as to whether or not the rotor blade design of an electrical shaver could be registered, the ECJ clarified the

solely by a technical result, registration should be prevented even if the same technical result could be achieved by other shapes. This is necessary in order not to hamper the ability of competitors to incorporate the same functions in their products.

Under the CTM Regulation, the registrability of shapes must be assessed under Article 7(1)(b). Shapes can be registered provided that they are distinctive. An attempt to register the shape of a soap bar (consisting of a rectangular parallelepiped with the addition of a concave profile) did not succeed in *Procter & Gamble Co. v OHIM*. The CFI found that the features of the soap were either functional or providing some kind of aesthetic finish. The end result did not amount to an indication of origin to a consumer.

Based on similar reason-

ing, the CFI refused an application for the cylindrical shape of a torch in *Mag Instrument, Inc. v OHIM*. Whilst in order to function properly as a trademark, it is not necessary for the relevant public to identify precisely the manufacturer of the goods, it is essential that the trademark allows a consumer to associate the goods to one source of manufacture. Consumers are used to torches being of a cylindrical shape and would not be able to differentiate between the shape of the torches claimed and that of torches from third parties.

An attempt to register a groove design applied to the surface of glass products was unsuccessful in *Glaverbel v OHIM*. The CFI held that even though the design was fanciful, this was not sufficient to establish its distinctiveness.

Where the essential functional features of a shape of a product are dictated solely by a technical result, registration should be prevented even if the same technical result could be achieved by other shapes. This is necessary in order not to hamper the ability of competitors to incorporate the same functions in their products.

interpretation of Article 3(1)(e). The following principles were established by the ECJ in *Phillips Electronics NV v Remington Consumer Products Ltd*:

- In order for a shape to qualify as distinctive, the shape of the article does not require any particular capricious addition, such as an embellishment which has no function or purpose.
- In order to establish distinctiveness, it is necessary to demonstrate that extensive use of the shape has been made and that as a result of such use, a substantial proportion of the relevant public associates the shape with a particular trader and no other party, or believes that the goods of that shape comes from one trader.
- Where the essential functional features of a shape of a product are dictated

Rather, the complexity and fancifulness of the design were attributable to the ornamental and decorative nature of the design's finish, rather than indicating trade origin of the goods. Finally, various attempts by Henkel KGaA and Procter & Gamble to register the shape of soap tablets for washing machines (including some claims for layers of colors on the tablets) were all dismissed by the CFI on the basis that the slightly rounded corners of the tablets or other shapes were mostly dictated by practical considerations and the fact that the colors on the tablets would not function as sufficient distinctive elements (*Henkel KGaA v OHIM*; *Procter & Gamble v OHIM*).

COLORS

The Advocate General in *Libertel Groep BV v Benelux-Merkenbureau* issued an opinion with respect to the registrability of colors under the Harmonization Directive. The mark which was being claimed was the color orange without any specific shape for use with telecommunication equipment and services. The Advocate General expressed the view that a color on its own could not be registered as it would not fulfil the formal requirements that an applicant must clearly identify the mark which is being applied. Indeed, a color claimed without any particular shape would leave consumers and traders unable to identify the mark registered. Further, if an application to register a color without any shape was granted, it would essentially grant the owner an exclusive monopoly over the use of a color.

In the context of the CTM Regulation, the CFI examined two cases with respect to the registration of colors. In *Viking-Umwelttechnik GmbH v OHIM*, the CFI considered the registrability of the juxtaposition of two colors (a green rectangle and a gray rectangle) with a variety of garden tools. The CFI con-

firmed that colors or color combinations could be registered under the CTM Regulation provided they met the necessary requirements of distinctiveness. It concluded that this application could not succeed as a consumer would not see the combination of green and grey as a distinctive sign but would rather merely see it as an aspect of the finished goods. Based on a similar reasoning, the CFI found that the color orange could be registered in connection with the provisions of services relating to the agricultural sector as a color does not attach to the service itself (services by nature having no color, nor color adding any substantial value to a service) but had to be denied for equipment for the treatment of seeds as the public would perceive the color as an element of the finished goods (*KWS Saat AG v OHIM*).

SMELLS

Following the reference to the ECJ in the *Sieckmann* case, the ability to register smells in Europe appears remote. The ECJ considered a number of questions referred to it by the German Federal Patents Court following the refusal by the German Patent and Trademark Office to register an olfactory mark in association with various services. The ECJ found that while in principle olfactory marks were not excluded under the Harmonization Directive, it was necessary to meet the formal requirements to be able to depict the mark graphically in the application and that such a depiction needed to be "clear, precise, self contained, easily accessible, intelligible, durable and objective". The ECJ considered that this could not be achieved by the provision of a chemical formula, a description in written words, the deposit of sample, or by a combination of those elements. It is difficult to imagine, based on this conclusion, how a smell mark will be allowed to proceed to registra-

tion in Europe. Moreover, based on this decision by the ECJ, the limited amount of smell marks which have been registered in certain member states are most likely to be held invalid if challenged.

INFRINGEMENT

Article 5 of the Harmonization Directive defines the scope of the exclusive rights granted by a registration. Three referrals to the ECJ in the last year provided useful guidance on the scope of these rights.

In *Hölterhoff v Freislebn*, the ECJ had to decide whether a third party offering for sale jewellery described in trading documents by the phrases "in the spirit sun cut" and "in the context cut" amounted to infringement of the registered trademarks SPIRIT SUN and CONTEXT CUT registered for diamonds. Those diamonds had particular shapes which were apparently well known in the industry. The Court concluded that there was no infringement as:

- The third party referred to the trademarks only in the course of commercial negotiations with a potential customer.
- The reference to the trademarks was purely descriptive in order to reveal the characteristics of the products being offered for sale to someone who was familiar with the characteristics of the products covered by the marks.
- The reference to the trademarks could not be interpreted by the customer as indicating the origin of the product.

The findings of the ECJ are somewhat troubling to trademark owners and suggest that European law will permit (at least in some circumstances) third parties to describe their goods by reference to another party's trademark.

On the other hand, the ECJ showed an inclination to protect well known marks. In *Arsenal Football Club Plc v Reed*, the Court dealt with a case of counterfeit goods. The Arsenal Football Club had registrations in the United Kingdom for ARSENAL and ARSENAL GUNNERS. The defendant had been selling memorabilia with the expression THE GUNNERS but specifically stated at point of sale that his goods were unofficial products. The Court found that there was infringement. The use of THE GUNNERS by the defendant was for commercial purposes and that it was totally irrelevant that the public might perceive the sign used by the defendant as only a badge of support, loyalty or affiliation. Further, the fact that the defendant stated that his goods were unofficial did not provide a defence.

In *Davidoff and Cie SA v Gofkid Ltd*, the ECJ expanded the scope of protection that will be given to well-known marks by not adopting a literal interpretation to Article 5(2) of the Harmonization Directive. Article 5(2) allows member states to give trademark owners the right to prevent third parties using an identical or similar mark in relation to goods or services which are not similar to those for which the mark is registered, where the mark has a reputation in the member state and where use of the mark takes unfair advantage of, or is detrimental to, the distinctive character or reputation of the registered mark. There is no need to prove confusion. Notwithstanding the wording of Article 5(2), the ECJ concluded that Article 5(2) needed to apply in cases where an identical or similar mark is used for goods or services which are identical or similar to those covered by the registration, as well as non-similar goods or services.

OPPOSITION PROCEEDINGS

The CFI has continued to follow its

earlier decisions when assessing confusion in opposition proceedings under the CTM Regulation. A precise dissection of the marks in issue should not be made (*Mystery Drinks GmbH v OHIM*).

The CFI clarified in *Kabushiki Kaisha Fernandes v OHIM* that when an opponent is challenged to show genuine use of its trademark, the burden on the opponent is to establish the mark is present in a substantial part of the territory where it is protected and that it functions properly in such territory as to identify the origin of the goods or services. Minimal or any artificial use for the purpose of maintaining a mark on the register will not be sufficient.

EXHAUSTION

As it is well known, under the Harmonization Directive, there is exhaustion within the European Community of the rights conferred by a trademark. However, until the decision of the ECJ in *Zino Davidoff SA v Levi Strauss & Co*, it was unclear whether exhaustion would also apply with respect to goods placed originally on the market outside the European Union. The ECJ concluded that if goods were originally placed on the market outside the European Union, the consent of the trademark owner to the distribution of the goods inside the European Union may only be implied from facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the European Union in circumstances which unequivocally demonstrate that the owner has renounced his rights to oppose the placing of the goods on the market within the European Union. Consent cannot be implied by the mere silence of the trademark owner; from the fact that a trademark owner has not communicated his opposition to the marketing within the European Union;

from the fact that the goods do not carry any warning that it is prohibited to place them on the market within the European Union; or from the fact that the trademark owner transferred ownership of the goods bearing the mark without imposing contractual restrictions.

COMPARISON WITH US PRACTICE

Some broad conclusions can be reached on where European law stands compared to US law on similar issues. Generally speaking, recent decisions from the ECJ and the CFI have brought European Union law closer to US law. The approach with respect to descriptiveness and genericness can be said to be relatively identical. The same rule against dissection of marks when assessing distinctiveness is being followed. European and US law tend to differ when it comes to the protection of non-traditional marks such as smells. However, with respect to color marks, the trend which seems to be emerging in Europe is in line with the US Supreme Court decision of 1995 in *Qualitex Co. v Jacobson Products Co*. The relaxation in Europe of the rules with respect to the similarity of the goods as well as the protection of well known marks is bringing European law closer to US law with respect to infringement and dilution. While evidently European Union and US law will never fully converge on all issues, US trademark owners may find more and more similarities between the two systems. ■

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