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JUDGMENT OF THE COURT

20 September 2001 [\(1\)](#)

(Appeal - Admissibility - Community trade mark - Regulation (EC) No 40/94 - Absolute ground for refusal to register - Distinctive character - Marks consisting exclusively of descriptive signs or indications - BABY-DRY)

In Case C-383/99 P,

Procter & Gamble Company, established in Cincinnati (United States), represented by T. van Innis, avocat, with an address for service in Luxembourg,

appellant,

APPEAL against the judgment of the Court of First Instance of the European Communities (Second Chamber) of 8 July 1999 in Case T-163/98 *Procter & Gamble v OHIM (BABY-DRY)*[1999] ECR II-2383, seeking to have that judgment set aside in so far as the Court of First Instance ruled that the First Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) had not infringed Article 7(1)(c) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1) in adopting its decision of 31 July 1998 (Case R 35/1998-1)

the other party to the proceedings being:

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), represented by O. Montalto and E. Joly, acting as Agents, with an address for service in Luxembourg,

defendant at first instance

THE COURT,

composed of: G.C. Rodríguez Iglesias, President, C. Gulmann, M. Wathelet and V. Skouris (Presidents of Chambers), J.-P. Puissechet (Rapporteur), P. Jann, L. Sev?n, R. Schintgen, F. Macken, N. Colneric and S. von Bahr, Judges,

Advocate General: F.G. Jacobs,

Registrar: D. Louterman-Hubeau, Head of Division,

having regard to the Report for the Hearing,

after hearing oral argument from the parties at the hearing on 30 January 2001, at which Procter & Gamble Company was represented by T. van Innis and by F. Herbert, avocat, and the Office for Harmonisation in the Internal Market (Trade Marks and Design) by O. Montalto and E. Joly,

after hearing the Opinion of the Advocate General at the sitting on 5 April 2001,

gives the following

Judgment

1.

By an application lodged at the Registry of the Court on 8 October 1999, Procter & Gamble Company (hereinafter Procter & Gamble) brought an appeal under Article 49 of the EC Statute of the Court of Justice against the judgment of the Court of First Instance of 8 July 1999 in Case T-163/98 *Procter & Gamble v OHIM (BABY-DRY)* [1999] ECR II-2383 (hereinafter the contested judgment), in which the Court of First Instance, on the basis of a single plea of infringement of Article 62(1) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark (OJ 1994 L 11, p. 1), annulled the decision of the First Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (hereinafter the OHIM) of 31 July 1998 (Case R 35/1998-1, hereinafter the contested decision) dismissing the appeal lodged by Procter & Gamble against the refusal to register BABY-DRY as a Community trade mark in respect of disposable diapers made out of paper or cellulose and diapers made out of textile.

Regulation No 40/94

2.

Article 7 of Regulation No 40/94 provides as follows:

1. The following shall not be registered:

(a) signs which do not conform to the requirements of Article 4;

(b) trade marks which are devoid of any distinctive character;

(c) trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;

...

2. Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.

3. Paragraph 1(b), (c) and (d) shall not apply if the trade mark has become distinctive in relation to the goods or services for which registration is requested in consequence of the use which has been made of it.

3.

Article 62(1) of Regulation No 40/94 provides as follows:

Following the examination as to the allowability of the appeal, the Board of Appeal shall decide on the appeal. The Board of Appeal may either exercise any power within the competence of the department which was responsible for the decision appealed or remit the case to that department for further prosecution.

Facts of the case

4.

By letter of 3 April 1996, Procter & Gamble filed an application with the OHIM for registration of BABY-DRY as a Community trade mark in respect of disposable diapers made out of paper or cellulose and diapers made out of textile.

5.

The OHIM's examiner refused that application on 29 January 1998. In the contested decision, the First Board of Appeal of the OHIM dismissed the appeal brought by Procter & Gamble against the examiner's decision. The Board found that BABY-DRY consisted exclusively of words which may serve, in trade, to designate the intended purpose of the goods, that it was also devoid of distinctive character and that it was therefore not eligible for registration under Article 7(1)(b) and (c) of Regulation No 40/94. The Board furthermore found Procter & Gamble's submission relating to the distinctiveness allegedly acquired by the trade mark following the use made of it, within the meaning of Article 7(3) of Regulation No 40/94, to be inadmissible on the ground that it had not been made before the examiner at the OHIM.

The contested judgment

6.

In the contested judgment the Court of First Instance held first of all that BABY-DRY was not capable of constituting a Community trade mark, thus upholding the contested decision's finding on that point.

7.

The Court of First Instance held that signs composed exclusively of words which may serve in trade to designate the intended purpose of goods must be regarded as intrinsically incapable of distinguishing the goods of one undertaking from those of another, even if the ground for refusal obtains only in part of the Community. Since the purpose of nappies is to be absorbent, in order to keep babies dry, it concluded that the term BABY-DRY merely conveyed to consumers the intended purpose of the goods but exhibited no additional feature to render the sign distinctive.

8.

Secondly, the Court of First Instance examined the appellant's alternative submission that the contested decision was wrong in finding that Procter & Gamble's offer to adduce evidence that BABY-DRY had acquired distinctive character through use, within the meaning of Article 7(3) of Regulation No 40/94, was inadmissible on the ground that it had not been made earlier to the examiner. It held that, in making that finding of inadmissibility, the Board of Appeal had infringed Article 62 of Regulation No 40/94, which, when viewed against the scheme of the regulation presupposing continuity, within the OHIM, between acts of the examiners and acts of the boards of appeal, did not entitle a board to reject a submission solely on the ground that it had not been raised before the examiner.

9.

The Court of First Instance therefore concluded that the contested decision should be annulled and that the OHIM's Board of Appeal had been wrong to refuse to entertain Procter & Gamble's arguments relating to Article 7(3) of Regulation No 40/94.

10.

It dismissed Procter & Gamble's other pleas and annulled the contested decision.

The appeal

11. Procter & Gamble claims that the Court of Justice should annul the contested judgment in so far as the Court of First Instance held that the OHIM's First Board of Appeal, in adopting the contested decision, had not infringed Article 7(1)(c) of Regulation No 40/94. It also requests that the OHIM be ordered to pay the costs.

12. The OHIM contends that the Court should dismiss the appeal and order Procter & Gamble to pay the costs.

Admissibility of the appeal

Arguments of the parties

13. The appellant maintains that it failed in part before the Court of First Instance because it raised, as against the contested decision, a plea of infringement of Article 7(1)(b) and (c) of Regulation No 40/94 and that submission was rejected by the Court of First Instance.

14. Secondly, it contends that it has an interest in bringing an appeal because, in order to take the necessary measures to comply with the contested judgment, the OHIM will re-examine the trade mark application with reference only to Article 7(3) of Regulation No 40/94 and not with reference to Article 7(1)(b) and (c). The interpretation made in the contested decision of the latter two provisions was upheld by the Court of First Instance and the extent of the obligation to comply with the contested judgment has to be determined by reference to the grounds supporting its operative part.

15. The OHIM accepts that the appellant has an interest in bringing the appeal and the only doubt it raises, as regards admissibility, is whether the ground of appeal relied on, namely an alleged infringement of Community law, is capable of founding an appeal. But since that issue is a question of public policy, it leaves it to the Court of Justice to decide that matter.

Findings of the Court

16. The first and second subparagraphs of Article 49 of the EC Statute of the Court of Justice provide as follows:

An appeal may be brought before the Court of Justice, within two months of the notification of the decision appealed against, against final decisions of the Court of First Instance and decisions of that Court disposing of the substantive issues in part only or disposing of a procedural issue concerning a plea or lack of competence or inadmissibility.

Such an appeal may be brought by any party which has been unsuccessful, in whole or in part, in its submissions. ...

17. Article 92(2) of the Rules of Procedure of the Court of Justice provides as follows:

The Court may at any time of its own motion consider whether there exists any absolute bar to

proceeding with a case or declare, after hearing the parties, that the action has become devoid of purpose and that there is no need to adjudicate on it; it shall give its decision in accordance with Article 91(3) and (4) of these Rules.

18.

Since Procter & Gamble asked the Court of First Instance to annul the contested decision and the operative part of the contested judgment consisted of a ruling simply annulling that decision, the Court of Justice must examine of its own motion the question whether the appellant was at least only partly unsuccessful in its submissions, thus entitling it to appeal against the contested judgment to the Court of Justice.

19.

It is clear from paragraph 9 of the contested judgment that the appellant asked the Court of First Instance, *inter alia*, as its principal claim, to annul the contested decision in so far as that decision found that the mark did not satisfy the conditions laid down in Article 7(1)(b) and (c) of Regulation No 40/94 and, in the alternative, to annul the contested decision in so far as it found the applicant's submissions based on Article 7(3) of Regulation No 40/94 to be inadmissible.

20.

The Court of First Instance began by explicitly dismissing the principal claim, stating at paragraph 28 of the contested judgment that the First Board of Appeal of the OHIM was correct to take view that BABY-DRY was not capable of constituting a Community trade mark under Article 7(1)(c) of Regulation No 40/94. It was only after dismissing that principal claim that the Court of First Instance found that, in declaring the appellant's submissions based on Article 7(3) inadmissible, the Board had infringed Article 62 of Regulation No 40/94 and went on to uphold the alternative claim in the action.

21.

From its consideration of the two alternative claims, the Court of First Instance reached the overall conclusion, at paragraph 54 of the contested judgment, that the contested decision had to be annulled in so far as the First Board of Appeal of the OHIM was wrong to refuse to examine the applicant's arguments based on Article 7(3) of Regulation No 40/94. It added that it was for the OHIM to take the necessary measures to comply with its judgment.

22.

In those circumstances, and notwithstanding the fact that the operative part of the contested judgment does not expressly restate the limitation expressed in paragraph 54, it must be held that the contested judgment gives the appellant only partial satisfaction.

23.

Although the contested decision takes the form of a single act, the First Board of Appeal of the OHIM in fact adopted two measures, one refusing to register BABY-DRY on the grounds laid down in Article 7(1)(b) and (c) of Regulation No 40/94, and the other dismissing the appellant's arguments based on Article 7(3) as inadmissible.

24.

By annulling the contested decision for refusing to consider the arguments relating to Article 7(3) of Regulation No 40/94 and in doing so on that ground alone, the contested judgment allowed that part of the decision relating to the compatibility of BABY-DRY with the requirements of Article 7(1)(b) and (c) of the regulation to stand.

25. The annulment by the Court of First Instance of the act submitted to it for judicial review was therefore only partial. In order for the OHIM to take the necessary measures to comply with the contested judgment, as these are referred to in paragraph 54 thereof, the OHIM could therefore have simply confined itself to considering the trade mark application in the light of Article 7(3) of Regulation No 40/94 without altering its interpretation of Article 7(1)(b) and (c) of the regulation, which the Court of First Instance had endorsed.

26. Procter & Gamble thus has an interest in bringing the appeal against the contested judgment in so far as that judgment dismissed its application for annulment of the decision to refuse to register the trade mark BABY-DRY made on the basis of Article 7(1)(b) and (c) of Regulation No 40/94.

27. The appeal, which seeks annulment of that aspect of the contested judgment, must therefore be declared admissible.

Merits of the appeal

Arguments of the parties

28. In support of its appeal the appellant relies on a single plea - that the Court of First Instance interpreted the absolute ground for refusal to register a mark, based on the exclusively descriptive character of the signs or indications of which it consists, too broadly. In the appellant's view, only signs or indications which could only be perceived by the public as designating the characteristics of the goods concerned and which as such are deemed incapable of fulfilling the distinguishing function of a trade mark of enabling goods to be associated with the undertaking marketing them, by distinguishing them from goods of the same kind from competing undertakings, may be refused registration as Community trade marks under Article 7(1)(c) Regulation No 40/94.

29. In holding that BABY-DRY immediately conveys to the consumer the intended purpose of the goods and does not possess any additional element to render the sign as a whole capable of distinguishing the appellant's goods from those of other undertakings, the Court of First Instance wrongly interpreted and applied the provision in question.

30. The appellant argues that the judgment delivered by the Court of First Instance was based on an outdated view of trade marks, according to which registration of a trade mark gives the holder of the mark a monopoly right over the signs or indications of which it is composed, so that any signs or indications which are descriptive and need to be left free for trade use are by definition not capable of constituting trade marks.

31. Rather, the modern view underlying Regulation No 40/94 excludes monopoly rights in signs or indications constituting trade marks, so that third parties are entitled to go on making normal use of them. Similarly, there is no category of signs or indications which can be deemed incapable of constituting trade marks in the abstract. The descriptiveness of a sign or an indication, like generic character, is only one aspect of the ground for refusing to register a sign

or an indication for not being distinctive, and both notions - distinctiveness and not being solely descriptive - must be considered in the round to determine whether the sign or indication filed is capable of identifying the goods concerned as originating from a particular undertaking.

32.

The OHIM does not challenge that theoretical analysis but explains that distinctiveness is the main factor for assessing whether or not a sign is capable of constituting a trade mark, so that, where a sign is solely descriptive, there is a presumption that it lacks distinctive character.

33.

According to the OHIM, a refusal to register on grounds of descriptiveness is dependent on the following three conditions being met:

- there is nothing about the way in which the sign is presented nor does it possess any additional features such as to cause it to be anything other than solely descriptive;
- the sign alludes to an essential quality of the goods, and not a secondary quality or one that is not specific to them;
- that allusion is clear to potential consumers of the goods.

34.

As the Court of First Instance held, BABY-DRY meets the conditions for a sign to be considered solely descriptive.

Findings of the Court

35.

Under Article 7(1) of Regulation No 40/94, trade marks are not to be registered if they are devoid of distinctive character (subparagraph (b)) or if they consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, time of production of the goods or of rendering of the service, or other characteristics of the goods or service (subparagraph (c)).

36.

Under Article 12 of Regulation No 40/94, the rights conferred by the trade mark do not entitle the proprietor to prohibit a third party from using, in the course of trade, indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or the time of rendering the service, or other characteristics of the goods or service, provided he uses them in accordance with honest practices in industrial or commercial matters.

37.

It is clear from those two provisions taken together that the purpose of the prohibition of registration of purely descriptive signs or indications as trade marks is, as both Procter & Gamble and the OHIM acknowledge, to prevent registration as trade marks of signs or indications which, because they are no different from the usual way of designating the relevant goods or services or their characteristics, could not fulfil the function of identifying the undertaking that markets them and are thus devoid of the distinctive character needed for that function.

38.

That interpretation is the only interpretation which is also compatible with Article 4 of Regulation No 40/94, which provides that a Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.

39.

The signs and indications referred to in Article 7(1)(c) of Regulation No 40/94 are thus only those which may serve in normal usage from a consumer's point of view to designate, either directly or by reference to one of their essential characteristics, goods or services such as those in respect of which registration is sought. Furthermore, a mark composed of signs or indications satisfying that definition should not be refused registration unless it comprises no other signs or indications and, in addition, the purely descriptive signs or indications of which it is composed are not presented or configured in a manner that distinguishes the resultant whole from the usual way of designating the goods or services concerned or their essential characteristics.

40.

As regards trade marks composed of words, such as the mark at issue here, descriptiveness must be determined not only in relation to each word taken separately but also in relation to the whole which they form. Any perceptible difference between the combination of words submitted for registration and the terms used in the common parlance of the relevant class of consumers to designate the goods or services or their essential characteristics is apt to confer distinctive character on the word combination enabling it to be registered as a trade mark.

41.

It is true that Article 7(2) of Regulation No 40/94 states that Article 7(1) is to apply notwithstanding that the grounds of non-registrability obtain in only part of the Community. That provision, which was rightly cited at paragraph 24 of the contested judgment, implies that, if a combination of words is purely descriptive in one of the languages used in trade within the Community, that is sufficient to render it ineligible for registration as a Community trade mark.

42.

In order to assess whether a word combination such as BABY-DRY is capable of distinctiveness, it is therefore necessary to put oneself in the shoes of an English-speaking consumer. From that point of view, and given that the goods concerned in this case are babies' nappies, the determination to be made depends on whether the word combination in question may be viewed as a normal way of referring to the goods or of representing their essential characteristics in common parlance.

43.

As it is, that word combination, whilst it does unquestionably allude to the function which the goods are supposed to fulfil, still does not satisfy the disqualifying criteria set forth in paragraphs 39 to 42 of this judgment. Whilst each of the two words in the combination may form part of expressions used in everyday speech to designate the function of babies' nappies, their syntactically unusual juxtaposition is not a familiar expression in the English language, either for designating babies' nappies or for describing their essential characteristics.

44.

Word combinations like BABY-DRY cannot therefore be regarded as exhibiting, as a whole, descriptive character; they are lexical inventions bestowing distinctive power on the mark so

formed and may not be refused registration under Article 7(1)(c) of Regulation No 40/94.

45.

The Court of First Instance therefore erred in law in holding that the OHIM'S First Board of Appeal was right to find that BABY-DRY was not capable of constituting a Community trade mark on the basis of that provision.

46.

In those circumstances, the contested judgment must be annulled on the grounds claimed by Procter & Gamble and, in accordance with the forms of order sought by Procter & Gamble before the Court of First Instance, the contested decision must also be annulled in so far as it dismissed the application for registration of BABY-DRY as a trade mark on the basis of Article 7(1)(c) of Regulation No 40/94.

Costs

47.

Under Article 122 of the Rules of Procedure of the Court of Justice, where the appeal is well founded and the Court of Justice itself gives final judgment in the case, the Court is to make a decision as to costs.

48.

Under Article 69(2) of the Rules of Procedure of the Court of Justice, which applies to appeals by virtue of Article 118, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Since Procter & Gamble has applied for costs against the OHIM and the OHIM has been unsuccessful, the latter party must be ordered to pay the costs both at first instance and on appeal.

On those grounds,

THE COURT

hereby:

1. Annuls the judgment of the Court of First Instance of 8 July 1999 in Case T-163/98 Procter & Gamble v OHIM (BABY-DRY), in so far as it found that the First Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) did not infringe Article 7(1)(c) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark in adopting its decision of 31 July 1998 (Case R 35/1998-1);

2. Annuls the decision of the First Board of Appeal of the Office for Harmonisation in the Internal market (Trade Marks and Designs) of 31 July 1998 (Case R 35/1998-1) in so far as it refused the application for registration of BABY-DRY as a trade mark on the basis of Article 7(1)(c) of Regulation No 40/94;

3. Orders the Office for Harmonisation in the Internal Market (Trade Marks and Designs) to pay the costs both at first instance and on appeal.

Rodr?guez Iglesias

Gulmann

Wathelet

Skouris

Puissochet

Jann

Sev?n

Schintgen

Macken

Colneric

von Bahr

Delivered in open court in Luxembourg on 20 September 2001.

R. Grass

G.C. Rodr?guez Iglesias

Registrar

President

[1](#): Language of the case: French.