JUDGMENT OF THE COURT OF FIRST INSTANCE (Second Chamber)
8 July 1999 *

In Case T-163/98,

The Procter & Gamble Company, a company incorporated under the law of the State of Ohio, having its registered office at Cincinnatti, Ohio, United States of America, represented by Thierry van Innis, of the Brussels Bar, with an address for service in Luxembourg at the Chambers of Katia Manhaeve, 56-58 Rue Charles Martel,

applicant,

v

Office for Harmonisation in the Internal Market (Trade Marks and Designs), represented by Oreste Montalto, Director of its Legal Service, and Fernando López de Rego, Head of the Legal Affairs and Litigation Department of the same Service, acting as Agents, with an address for service in Luxembourg at the office of Carlos Gómez de la Cruz, a member of the Commission's Legal Service, Wagner Centre, Kirchberg,

defendant,

APPEAL against the decision of the First Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) of 31 July

* Language of the case: French.

1998 (Case R 35/1998-1), which was notified to the applicant on 7 August 1998,

THE COURT OF FIRST INSTANCE
OF THE EUROPEAN COMMUNITIES (Second Chamber),

composed of: A. Potocki, President, C.W. Bellamy and A.W.H. Meij, Judges,

Registrar: H. Jung,

having regard to the application lodged at the Registry of the Court on 6 October 1998,

having regard to the response lodged at the Registry of the Court on 23 December 1998,

having regard to the measures of organisation of procedure of 25 January and 10 February 1999,

and following the hearing on 20 May 1999,

gives the following

Judgment

Background to the dispute

1 By letter of 3 April 1996 the applicant filed an application for a Community trade mark at the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (hereinafter 'the Office'). That application was received by the Office on 9 April 1996.

2 The trade mark in respect of which registration was sought was the term 'BABY-DRY'.

3 The goods in respect of which registration was sought were 'disposable diapers made out of paper or cellulose' and 'diapers made out of textile', in classes 16 and 25, respectively, of the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.

4 By decision of 29 January 1998 the examiner refused the application for registration under Article 38 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), as amended by Council Regulation (EC) No 3288/94 of 22 December 1994, for the implementation of the agreements concluded in the framework of the Uruguay Round (OJ 1994 L 349, p. 83, hereinafter 'Regulation No 40/94').

5 On 16 March 1998 the applicant appealed to the Office against the examiner's decision under Article 59 of Regulation No 40/94. The written statement setting out the grounds of appeal was filed on 28 May 1998.

6 The appeal was submitted to the examiner for interlocutory revision under Article 60 of Regulation No 40/94.

7 On 29 June 1998 the appeal was remitted to the Board of Appeal.

8 The appeal was dismissed by decision of 31 July 1998 (hereinafter 'the contested decision'). The Board of Appeal essentially found that the sign in respect of which registration was applied for should be refused on the grounds set out in Article 7(1)(b) and (c) of Regulation No 40/94. It also rejected as inadmissible the applicant's arguments relating to Article 7(3) of the regulation.

Forms of order sought by the parties

9 The applicant claims that the Court should:

— annul the contested decision in so far as it finds that the mark does not satisfy the conditions laid down in Article 7(1)(b) and (c) of Regulation No 40/94;

— order the Office to accord a date of filing in respect of the application for a Community trade mark;

— in the alternative, annul the contested decision in so far as it holds the applicant's arguments based on Article 7(3) of Regulation No 40/94 to be inadmissible;

— grant the applicant leave to show that the term 'BABY-DRY' has become distinctive in consequence of the use which has been made of it;

— at the very least remit the case to the Board of Appeal for it to determine that issue;

— order the respondent to pay the costs.

10 The Office contends that the Court should:

— reject the principal claim;

— adjudicate on the alternative claim that the case be remitted to the Board of Appeal for it to decide whether the mark has become distinctive in consequence of the use allegedly made of it;

— dismiss the applicant's alternative claim for leave to show in the proceedings before the Court of First Instance that the mark has become distinctive in consequence of the use allegedly made of it;

— order the applicant to pay the costs.

11 In the context of the measure of organisation of procedure taken on 25 January 1999, the applicant stated that it was withdrawing its claim for an order requiring the Office to accord a date of filing in respect of its application for a Community trade mark, and the Court has taken formal notice thereof. However, the applicant has asked the Court to make an order requiring the Office to publish the application for a Community trade mark pursuant to Article 40 of Regulation No 40/94.

Claim for annulment

12 The applicant claims that the Board of Appeal failed to take account of Article 7(1)(b) and (c) of Regulation No 40/94. Since the arguments submitted in support of those two grounds of appeal are closely linked, it is appropriate to consider them together. In the alternative, the applicant pleads infringement of Article 62 of Regulation No 40/94.

Infringement of Article 7(1)(b) and (c) of Regulation No 40/94

Arguments of the parties

13 The applicant's arguments may be summarised as follows.

14 The essential feature of a trade mark is its capacity to distinguish the goods of one undertaking from those of another. When assessing the validity of a trade mark, therefore, all that matters is whether the sign concerned is capable of being perceived as indicating that the goods originate from a particular undertaking.

15 For that reason, a sign's capacity to distinguish must necessarily be assessed in the context of the relationship between the sign and a particular product or service, not in the abstract.

16 The need to preserve the right of competitors to use descriptive signs to designate their products cannot be a ground for refusing to register such signs. Indeed, the proprietor of a trade mark does not, under Article 12 of Regulation No 40/94, enjoy a monopoly over the sign constituting the mark. Nor can the validity of a trade mark depend on the extent of the rights which the proprietor would have in the mark if it were registered.

17 A trade mark may be considered to be lawful if the sign or signs of which it is composed are not purely descriptive. In that connection, the sign must be considered as a whole, not by separating it into its various components. A sign which cannot be understood as anything other than a description of the product or of one of its characteristics is purely descriptive. A highly, albeit not purely,

descriptive sign, however, is easy to remember and therefore likely to be a strong brand in the mind of the public.

18 In this case, there can be no doubt that the relevant section of the public will perceive the function of the trade mark 'BABY-DRY' as being, in addition to alluding to or describing one of the characteristics of the product, to indicate that it comes from a particular undertaking.

19 The Office argues that the term 'BABY-DRY' is simply a direct and necessary indication of the expected result of using diapers. In the light of the absolute grounds for refusal set out in Article 7(1) of Regulation No 40/94, therefore, that sign is not eligible for registration.

Findings of the Court

20 Under Article 4 of Regulation No 40/94, the decisive factor if a sign capable of being represented graphically is to be eligible for registration as a Community trade mark is its capacity to distinguish the goods of one undertaking from those of another.

21 One of the implications of this is that distinctive character can be assessed only in relation to the goods or services in respect of which registration of the sign is applied for.

22 Under Article 7(1)(c) of Regulation No 40/94, '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' are not to be registered.

23 It was thus the intention of the legislature that such signs should, by their very nature, be regarded as incapable of distinguishing the goods of one undertaking from those of another.

24 Furthermore, Article 7(2) of Regulation No 40/94 states that Article 7(1) 'shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community'.

25 In this case, the Board of Appeal observed that the dictionary definition of diapers refers to their ability to absorb, their intended purpose being essentially to absorb and thus to keep babies dry. Neither the definition of the goods nor their intended purpose have been challenged by the applicant.

26 That being so, as paragraph 17 of the contested decision makes clear, the term 'Baby-Dry', read as a whole, immediately informs consumers of the intended purpose of the goods.

27 Furthermore, the term 'BABY-DRY' does not seem to exhibit any additional feature which might render the sign as a whole capable of distinguishing the applicant's goods from those of other undertakings.

28 In those circumstances, the Board of Appeal was right to take the view that the sign is composed exclusively of words which may serve in trade to designate the

intended purpose of the goods and to confirm that, on the basis of Article 7(1)(c) of Regulation No 40/94, the term 'BABY-DRY' is not capable of constituting a Community trade mark.

29 As is apparent from Article 7(1) of Regulation No 40/94, it is sufficient for one of the absolute grounds for refusal to apply for the sign to be ineligible for registration as a Community trade mark.

In the alternative, infringement of Article 62(1) of Regulation No 40/94

Arguments of the parties

30 In the applicant's submission, the Board of Appeal was under a duty to consider all the grounds raised by it in its appeal, including those not raised in the procedure before the examiner. It was therefore not open to the Board to declare inadmissible the applicant's offer to adduce evidence that the term 'BABY-DRY' had, for the goods in question, become distinctive in consequence of the use made of it, in accordance with Article 7(3) of Regulation No 40/94.

31 The Office considers that, contrary to the position adopted in the contested decision, and confirmed in subsequent decisions of various Boards of Appeal, the boards should not in principle refuse to give consideration to evidence which was not submitted to the examiner when the latter was appraising the absolute grounds for refusal. It points out, however, that in this case the applicant, in its written statement to the Board of Appeal, merely offered to provide evidence.

Findings of the Court

32 Under Article 7(3) of Regulation No 40/94, Article 7(1)(c) 'shall not apply if the trade mark has become distinctive in relation to the goods... for which registration is requested in consequence of the use which has been made of it'.

33 In this case, it is common ground that the applicant at no time referred to that provision during the procedure before the examiner. In his decision, the examiner found that the term 'BABY-DRY' was ineligible for registration, having regard to the prohibition in Article 7(1)(c) of Regulation No 40/94.

34 In the written statement setting out its grounds of appeal against the examiner's decision, the applicant challenged the examiner's finding. In the alternative, it ended its statement with the words: '... we would wish to submit evidence of acquired distinctiveness to the Office as our "BABY-DRY" diapers are on sale throughout Europe since 1993 and heavily advertised'.

35 At paragraph 22 of the contested decision, the Board of Appeal refused to take account of that argument on the ground that it had not been raised by the applicant in the procedure before the examiner. It stated that a decision cannot be criticised for failing to adopt a position on a ground that was not raised. That would not affect the applicant's right to lodge a fresh application for a Community trade mark, this time adducing evidence of acquired distinctiveness in consequence of use.

36 The Court notes that the Office was established by Regulation No 40/94 to register Community trade marks under the conditions which that regulation lays down. The Community trade mark, which is valid throughout the territory of the

Member States, is an important instrument for the completion of the internal market, as the first recital in the preamble to the regulation makes clear.

37 The Boards of Appeal, which form part of the Office, also contribute, within the limits set by the regulation, to the application of that instrument.

38 In that sense, there is continuity in terms of their functions between the examiner and the Boards of Appeal.

39 That view is borne out by the close interconnection between their duties, as laid down by the rules governing the lodging and preliminary examination of applications. Thus, if an applicant wishes to contest the examiner's decision, he must first file an appeal 'at the Office' (Article 59 of Regulation No 40/94). The appeal is then submitted to the examiner for 'interlocutory revision' (Article 60(1) of the regulation). Finally, if the decision is not rectified within one month, it is immediately and automatically remitted to the Board of Appeal (Article 60(2) of the regulation).

40 The procedure before the Boards of Appeal is divided into two separate stages; examination and decision.

41 Under Article 61(2) of Regulation No 40/94, 'In the examination of the appeal, the Board of Appeal shall invite the parties, as often as necessary, to file observations, within a period to be fixed by the Board of Appeal, on communications... issued by itself.'

42 Under Article 62(1) of Regulation No 40/94, 'Following the examination as to the allowability of the appeal, the Board of Appeal shall decide on the appeal'. That provision also states that the Board is to determine the appeal either by exercising any power within the competence of the department which was responsible for the decision appealed or by remitting the case to that department for further action.

43 It follows from those provisions and from the scheme of Regulation No 40/94 that it was not open to the Board of Appeal, which enjoys the same powers in determining an appeal as the examiner, simply to reject the applicant's arguments based on Article 7(3) of Regulation No 40/94 solely on the ground that they were not raised before the examiner. Having considered the appeal, it should have either ruled on the substance of that issue or remitted the matter to the examiner.

44 That does not by any means preclude the Board of Appeal, under Article 74(2) of Regulation No 40/94, from disregarding facts or evidence which the parties did not submit to it in due time. But that cannot be the case here. First of all, the applicant clearly indicated at the end of the written statement setting out its grounds of appeal that it intended to rely on Article 7(3) of Regulation No 40/94, and secondly, it was not given any time-limit within which to submit the evidence that it had offered to adduce.

45 In the light of all those factors, the Court finds that, by declaring the applicant's arguments based on Article 7(3) of Regulation No 40/94 to be inadmissible, the Board of Appeal has infringed Article 62 of that regulation.

Other claims

The claim that the applicant should be permitted to adduce before the Court evidence that the term 'BABY-DRY' has become distinctive in consequence of the use made of it

46 The applicant has not put forward any specific submissions in support of this claim.

47 The respondent has argued that the Court should not uphold the claim because the Office has never considered the merits of the question.

48 It is common ground that the Office did not examine the possibility that Article 7(3) of Regulation No 40/94 might be applicable.

49 Under Article 63(3) of Regulation No 40/94, the Court 'has jurisdiction to annul or to alter the contested decision'.

50 That provision must be read in the light of Article 63(2) which provides that an 'action may be brought on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaty, of this regulation or of any rule of law relating to their application or misuse of power', and in the context of Articles 172 (now Article 229 EC) and 173 (now, after amendment, Article 230 EC) of the EC Treaty.

51 Accordingly, it is not for the Court to determine a claim on the possible application of Article 7(3) of Regulation No 40/94, where the merits of the claim have not been considered by the Office.

The claim for an order requiring the Office to publish the application for a trade mark pursuant to Article 40 of Regulation No 40/94

52 Under Article 44(1) of the Rules of Procedure of the Court, the application must contain, *inter alia*, the form of order sought by the applicant. This particular claim was made not in the application but in the applicant's response to a measure of organisation of procedure. It follows that the claim must be dismissed as inadmissible.

53 Furthermore, under Article 63(6) of Regulation No 40/94, the Office is to take the necessary measures to comply with the judgment of the Court of Justice. Accordingly, the Court of First Instance is not entitled to issue directions to the Office. It is for the latter to draw the consequences of the operative part of this judgment and the grounds on which it is based. The claim is therefore inadmissible in this respect as well.

Conclusion

54 In the light of paragraphs 32 to 45 above, the Court finds that the contested decision must be annulled, inasmuch as the Board of Appeal was wrong to refuse to examine the applicant's arguments based on Article 7(3) of Regulation No 40/94. As has already been pointed out, it is for the Office to take the necessary measures to comply with this judgment.

Costs

55 Under Article 87(3) of the Rules of Procedure, the Court may rule that each party is to bear its own costs where each party succeeds on some and fails on other heads. In this case, it is appropriate to order the parties to bear their own costs.

On those grounds,

THE COURT OF FIRST INSTANCE (Second Chamber)

hereby rules:

1. 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) is annulled.

2. The parties shall bear their own costs.

Potocki Bellamy Meij

Delivered in open court in Luxembourg on 8 July 1999.

H. Jung A. Potocki

Registrar President