JUDGMENT OF THE COURT (Fifth Chamber)

11 June 2009 *

In Case C-542/07 P,

APPEAL under Article 56 of the Statute of the Court of Justice, lodged on 30 November 2007,

Imagination Technologies Ltd, established in Kings Langley, Hertfordshire (United Kingdom), represented by M. Edenborough, Barrister, instructed by P. Brownlow and N. Jenkins, Solicitors,

appellant,

the other party to the proceedings being:

Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM), represented by D. Botis, acting as Agent,

defendant at first instance,

* Language of the case: English.

THE COURT (Fifth Chamber),

composed of M. Ilešič, President of the Chamber, A. Tizzano and J.-J. Kasel (Rapporteur), Judges,

Advocate General: Y. Bot,
Registrar: M. Ferreira, Principal Administrator,

having regard to the written procedure and further to the hearing on 12 February 2009,

having decided, after hearing the Advocate General, to proceed to judgment without an Opinion,

gives the following

Judgment

1 By its appeal, Imagination Technologies Ltd ('Imagination Technologies') seeks to have set aside the judgment of the Court of First Instance of the European Communities of 20 September 2007 in Case T-461/04 *Imagination Technologies* v *OHIM (PURE DIGITAL)* ('the judgment under appeal'), by which that Court dismissed its action for annulment of the decision of the Second Board of Appeal of the Office for Harmonization in the Internal Market (Trade Marks and Designs) (OHIM) of 16 September 2004 refusing to register as a Community trade mark the word sign 'PURE DIGITAL' ('the contested decision'), on the grounds that the trade mark in question was 'descriptive and devoid of any distinctive character' within the meaning of

Article 7(1)(b) and (c) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1) and that, in the light of the evidence provided, Article 7(3) was not applicable.

Legal context

2 Regulation No 40/94 was repealed by Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009. Nevertheless, the case in the main proceedings remains governed, having regard to the time when the facts occurred, by Regulation No 40/94.

3 Under Article 7(1) of Regulation No 40/94, the following may not be registered:

'…

(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;

…’

4 Under Article 7(3) of Regulation No 40/94 ‘[p]aragraph 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’.

5 Article 9(3) of Regulation No 40/94 provides:

‘3. The rights conferred by a Community trade mark shall prevail against third parties from the date of publication of registration of the trade mark. Reasonable compensation may, however, be claimed in respect of matters arising after the date of publication of a Community trade mark application, which matters would, after publication of the registration of the trade mark, be prohibited by virtue of that publication. The court seized of the case may not decide upon the merits of the case until the registration has been published.’

6 Article 51(1) and (2) of Regulation No 40/9, headed ‘Absolute grounds for invalidity’, provides:

‘1. A Community trade mark shall be declared invalid …:

…

(b) where the applicant was acting in bad faith when he filed the application for the trade mark.

2. Where the Community trade mark has been registered in breach of the provisions of Article 7(1) (b), (c) or (d), it may nevertheless not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.'

Background to the dispute

7 On 1 October 2001, Imagination Technologies filed an application to register a Community trade mark with OHIM pursuant to Regulation No 40/94.

8 The mark applied for is the word sign PURE DIGITAL. The goods and services for which registration was sought are in Classes 9 and 38 of the Nice Agreement of 15 June 1957 concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, as revised and amended, and correspond to the following description:

— Class 9: 'Electric and electronic apparatus for use with multi-media entertaining systems; installation apparatus for receiving, recording and displaying sound, video and digital information; digital video adapters and interactive video adapters for use

with computers, video apparatus; computer hardware, software for use with multimedia and graphics applications; speakers, amplifiers, decoders, DVDs and digital radio systems; computer hand-held devices and communication devices; cards, sound cards, cartridges, tapes, discs, cassettes and other data carriers all for the recordal of data, sound and images; in-car entertainment system namely in-car navigation needs, in-car radios or graphics run on any display system in a car; parts and fittings and electronic components for all the aforesaid goods';

— Class 38: 'Telecommunication of information, computer programmes and computer and video games and programmes; electronic mail services; provision of telecommunication access to computer databases and the Internet'.

9 By decision of 12 December 2003, the OHIM examiner refused the application for registration on the ground that the mark in question was descriptive and devoid of any distinctive character within the meaning of Article 7(1)(b) and (c) of Regulation No 40/94. In the light of the evidence provided by Imagination Technologies, the examiner also refused to apply Article 7(3).

10 On 29 January 2004, Imagination Technologies filed an appeal before OHIM against that decision. By the contested decision, the Second Board of Appeal of OHIM dismissed the appeal, thus confirming the refusal to register the mark applied for.

Procedure before the Court of First Instance and the judgment under appeal

11 By application lodged at the Registry of the Court of First Instance on 1 December 2004, Imagination Technologies brought an action seeking annulment of the contested decision.

12 In support of its action, the applicant raised three pleas in law alleging:

— first, infringement of Article 7(1)(b) and (c) of Regulation No 40/94, in that the Board of Appeal's analysis that the sign had no inherent distinctive character was incorrect;

— secondly, infringement of Article 38(2) of Regulation No 40/94, in that the Board did not take into account the possibility of requesting the disclaimer provided for by that provision, and

— thirdly, infringement of Article 7(3) of Regulation No 40/94, in that the Board should have acknowledged that the mark had become distinctive through the use which the applicant had made of it.

13 After rejecting the first and second pleas as unfounded, the Court of First Instance ruled on the arguments relating to Article 7(3) of Regulation No 40/94, in particular the argument relating to failure to take into account the evidence of use on the ground that it related to a date after the application had been filed.

14 In that regard, referring, in paragraph 77 of the judgment under appeal, to its settled case-law (see Case T-247/01 *eCopy* v *OHIM (ECOPY)* [2002] ECR II-5301, paragraph 36; Case T-8/03 *El Corte Inglés* v *OHIM — Pucci (EMILIO PUCCI)* [2004] ECR II-4297, paragraphs 71 and 72; and Case T-262/04 *BIC* v *OHIM (Shape of a lighter)* [2005] ECR II-5959, paragraph 66), the Court of First Instance first of all noted that a mark must have become distinctive through use before the application for registration was filed.

15 In the view of the Court, that interpretation is the only one compatible with the logic of the system of absolute and relative grounds for refusal in regard to the registration of Community trade marks, according to which the date of filing of the application for registration determines the priority of one mark over another. That interpretation also makes it possible to avoid a situation in which the applicant for a mark may take undue advantage of the length of the registration procedure in order to prove that his mark has become distinctive through use subsequent to the filing of the application.

16 The Court then, in paragraph 78 of the judgment under appeal, dismissed the applicant's argument based on Article 51(2) of Regulation No 40/94, on the ground that that provision is justified by reason of the legitimate expectations of the proprietor of the mark and the investments made in the period which has elapsed since registration, but that, by contrast, there are no legitimate expectations in the case where there is a mere application for registration. Consequently, no account need be taken of possible use of the mark subsequent to the filing of the application for registration.

17 Lastly, in paragraph 79 of the judgment under appeal, the Court of First Instance ruled that evidence relating to a subsequent period does not allow any conclusions to be

drawn on the usage of the mark as at the time when the application was filed (see, by analogy, the orders in Case C-259/02 *La Mer Technology* [2004] ECR I-1159, paragraph 31, and Case C-192/03 P *Alcon* v *OHIM* [2004] ECR I-8993, paragraph 41).

18 The Court therefore also rejected the third plea as unfounded.

19 In doing so, the Court dismissed the action in its entirety.

Procedure before the Court of Justice

20 In its appeal, the appellant claims that the Court should:

— set aside the judgment under appeal;

— reimburse its costs in these appeal proceedings and in the proceedings before the Court of First Instance.

21 OHIM contends that the Court should:

— dismiss the appeal in its entirety;

— order the appellant to pay the costs incurred by the Office.

The appeal

Arguments of the parties

22 In support of its appeal, Imagination Technologies relies on a single plea alleging infringement of Article 7(3) of Regulation No 40/94 by the Court of First Instance in so far as the latter took the view that the distinctive character of a trade mark for which registration has been sought should have been acquired before the date of filing of the application.

23 Imagination Technologies takes the view that the distinctive character required does not necessarily have to exist before the date of filing of the application, but that it may also be acquired during the registration procedure up until the date on which a decision on distinctiveness is taken, that is to say, the point at which OHIM determines whether there are any absolute grounds for refusing registration of the trade mark.

24 Imagination Technologies submits first that, following the 'logic of the system' of absolute and relative grounds for refusal, on which the Court of First Instance bases its reasoning in paragraph 77 of the judgment under appeal, a situation comparable to that resulting from Imagination Technologies' suggested interpretation of Article 7(3) of Regulation No 40/94 is already possible.

25 According to the appellant, Article 51(2) of Regulation No 40/94 provides that where the first trade mark was filed in breach of Article 7(1)(b) or (c) or (d) of that regulation, its registration can no longer be called into question if that trade mark has in the meantime acquired a distinctive character. The first registration therefore precludes a subsequent application, despite the fact that the first mark was not distinctive when the second application was filed.

26 Under Article 51(2) of Regulation No 40/94, the distinctive character of the trade mark may therefore be assessed after registration. The applicant submits that, by contrast, it is not required that the relevant use should also occur after registration. The trade mark may therefore acquire its distinctive character during the application process. If Article 51(2) of Regulation No 40/94 allows evidence of the acquisition of distinctive character through use of the trade mark after the filing of the application for registration, the same reasoning must also apply to Article 7(3) of that regulation.

27 Secondly, the appellant maintains that the legitimate expectations referred to by the Court of First Instance in paragraph 78 of the judgment under appeal in its analysis of Article 51(2) of Regulation No 40/94 must be tempered on account of the fact that the proprietor of a trade mark registered erroneously is perfectly aware of the fragility of its registration.

28 Furthermore, the appellant takes the view that a literal interpretation of Article 7(3) of Regulation No 40/94 according to which the phrase 'registration is requested' relates

only to the moment of filing of the application is of no use in so far as it does not take into account all the events that might occur subsequently, such as an amendment to the specification or withdrawal of the application for registration.

29 The appellant also wishes to take advantage of Article 9(3) of Regulation No 40/94 in so far as it is perfectly consistent with its position as regards the date to be taken into account in assessing the distinctive character of a trade mark. If the cut-off date were the date on which OHIM makes the decision on distinctiveness, 'reasonable compensation … in respect of matters arising after the date of publication of a Community trade mark application', could be granted, under Article 9(3), only where the trade mark is, in fact, distinctive.

30 Lastly, the appellant maintains that there is a principle established by case-law according to which relevant events occurring after the commencement of the judicial proceedings in question must be taken into account. The Court of Justice has taken into account events that occurred after the commencement of infringement proceedings up until the date of the judgment in that action (Case C-145/05 *Levi Strauss* [2006] ECR I-3703, paragraph 37).

31 Furthermore, the Court of First Instance has held that matters that occurred after the filing of an opposition, until the date when the decision on the opposition was made, must be taken into consideration (Case T-191/04 *MIP Metro* v *OHIM — Tesco Stores (METRO)* [2006] ECR II-2855, paragraph 46).

32 OHIM, on the contrary, takes the view that the contested decision correctly applies Article 7(3) of Regulation No 40/94.

33 First, a literal interpretation of Article 7(3) of Regulation No 40/94, in particular the phrase 'registration is requested', confirms the interpretation that the trade mark must have reached the requisite level of distinctiveness before the date on which the application for registration was filed.

34 Secondly, a teleological interpretation of Article 7(3) of Regulation No 40/94, in the light of the 'logic of the system' of absolute and relative grounds for refusal, precludes allowing evidence of distinctiveness acquired after the filing of the application, because of the risk of artificially extending the trade mark owner's monopoly and encouraging applicants to file their applications for trade marks with no distinctive character as quickly as possible with the sole purpose of obtaining a priority date for the protection of the signs in question.

35 Although the protection system established by Regulation No 40/94 allows, under Article 7(3) of that regulation, an exception to the principle that only signs which comply with the requirements of the legislation in question have to be protected as Community trade marks, that is because of the use that has already been made of the sign at the time when the period of protection starts.

36 As regards the alleged fragility of the legitimate expectations, OHIM considers the appellant's argument to be unfounded, to the extent that the appellant can no longer have any legitimate expectations that its trade mark will be registered. OHIM maintains that if all trade mark applicants were aware of the fragility of their application, they would have to be classified as acting in bad faith and the exception contained in Article 51(1)(b) of Regulation No 40/94 would no longer serve any purpose. The phrase 'legitimate expectations' is to be understood as meaning that, by registering a trade mark, OHIM creates a legal presumption that the owner's monopoly is valid.

37 OHIM also submits that Articles 7(3) and 51(2) of Regulation No 40/94 are substantively and legally so different that it is not possible to reason by analogy. That is all the more so the case because those provisions, as exceptions to the principle that signs caught by absolute grounds should not be registered, must be interpreted narrowly. The very existence of Article 51(2) of Regulation No 40/94 shows, furthermore, that the Community legislature sought to attach significance to distinctiveness acquired after the registration in this situation alone.

38 As regards Article 9(3) of Regulation No 40/94 concerning the damages that may be claimed from the date of publication of the trade mark, OHIM is of the opinion that that provision in no way affects the rights conferred on the proprietor by the priority date of its registration.

39 OHIM maintains that, in any event, to follow the appellant's reasoning would create the risk of infringing the principles of procedural economy and legal certainty in that applicants would then be tempted systematically to ask for extensions to their application, thereby making the examination procedure longer, raising administrative costs and increasing the risk that third parties will apply to register signs which are identical to those for which the registration process is in progress.

40 Lastly, as regards the judgments cited by the appellant, OHIM states that these concerned proceedings relating to the need for an earlier right to remain valid owing to facts that occurred after the registration of the mark, with the result that no conclusion can be drawn from them for the purposes of this case.

Findings of the Court

41 In order to rule on the plea raised by the appellant in its appeal, it must be pointed out that under Article 7(3) of Regulation No 40/94 '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'.

42 It is apparent from the very wording of that provision and more particularly from the use of the verbs in the past tense in the phrases 'the mark has become' and 'in consequence of the use which has been made of it' that the mark must, at the time of filing of the application for registration, already have acquired distinctive character through prior use.

43 It must be pointed out that that finding, which relates to the French version of Regulation No 40/94, is borne out by examination of the various other language versions such as, inter alia, the English, German, Italian and Dutch versions.

44 Furthermore, the development of the relevant legislation clearly indicates it was the intention of the Community legislature to grant protection as a Community trade mark only to those marks whose distinctive character had been acquired through use prior to the date of application for registration.

45 Article 7(3) of Regulation No 40/94 is identical, in essence, to Article 3(3) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1), which was repealed by Directive 2008/95/EC of the European Parliament and of the Council of 22 October

2008 to approximate the laws of the Member States relating to trade marks (Codified version) (OJ 2008 L 299, p. 25) ('Directive 89/104'), which entered into force on 28 November 2008.

46 Article 3(3) of Directive 89/104 states:

'A trade mark … shall not be declared invalid in accordance with paragraph 1(b), (c) or (d) if, before the date of application for registration and following the use which has been made of it, it has acquired a distinctive character. Any Member State may in addition provide that this provision shall also apply where the distinctive character was acquired after the date of application for registration or after the date of registration.'

47 In that regard the fourth recital in the preamble to Directive 89/104 states that that directive does not deprive the Member States of the right to continue to protect trade marks acquired through use, but takes them into account only in regard to the relationship between them and trade marks acquired by registration.

48 However, in so far as Community law, since the entry into force of Regulation No 40/94, the objective of which is to establish Community arrangements for trade marks, no longer provides for the option for Member States to apply Article 7(3) of that regulation to trade marks which acquired distinctive character after the date of application for registration or after the date of registration, it must be concluded that the Community legislature intended to restrict the protection of marks under Article 7(3) of that regulation only to marks whose distinctive character had been acquired through use prior to the date of application for registration.

49 A literal interpretation of both Article 7(3) of Regulation No 40/94 and the first sentence of Article 3(3) of Directive 89/104 thus supports the conclusion that distinctive character must have been acquired through use of the trade mark prior to the date of application for registration.

50 In so far as the appellant seeks to challenge the literal interpretation of Article 7(3) of Regulation No 40/94 by submitting that that interpretation does not make it possible for events which might occur after the application for registration has been filed to be taken into consideration, it is sufficient to point out that the appellant's argument does not state in what respect an amendment to the specification or withdrawal of the application for registration might affect the date to be taken into account in assessing the distinctive character of a trade mark. That argument must therefore be rejected.

51 Furthermore, as the Court of First Instance correctly held in paragraph 77 of the judgment under appeal, such a literal interpretation of Article 7(3) of Regulation No 40/94 is the only one compatible with the logic of the system of absolute and relative grounds for refusal in regard to the registration of Community trade marks, according to which the date of filing of the application for registration determines the priority of one mark over another.

52 Moreover, a trade mark which is devoid of any distinctive character at the time when the application for registration is filed might serve as a basis for the application, in the context of opposition proceedings or an application for a declaration of invalidity, of a relative ground for refusal against a second mark whose filing date is after that of the first mark. Such a situation is particularly unacceptable when the second mark already has distinctive character at the time of filing whereas the first has not yet acquired it through use.

53 In that regard, the appellant's argument to the effect that Article 51(2) of Regulation No 40/94 allows evidence of use of the trade mark after the application for registration has been filed cannot be accepted.

54 First, Article 51(2) of Regulation No 40/94 must be interpreted restrictively in so far as it establishes an exception to the absolute grounds for invalidity governed by Article 51(1) and cannot therefore serve as a basis for reasoning by analogy in the interpretation of Article 7(3) of that regulation.

55 Secondly, as the Court of First Instance correctly pointed out in paragraph 78 of the judgment under appeal, Article 51(2) of Regulation No 40/94 is justified by reason of the legitimate expectations of the proprietor of the mark in respect of the registration of that mark and it is on the basis of those expectations that the proprietor of the mark may have made investments in the period which has elapsed since registration. Clearly, it cannot be claimed that such legitimate expectations in respect of the registration of the mark exist at the time when the application for registration is filed.

56 In that context the appellant cannot convincingly argue that the legitimate expectations which may be relied on by the proprietor of a trade mark registered erroneously must be tempered on account of his awareness of the fragility of the registration of the mark. If each proprietor of a trade mark registered erroneously were to be regarded as having acted in bad faith, Article 51(1)(b) of Regulation No 40/94, which establishes bad faith on the part of the applicant as an absolute ground for invalidity, would have to be applied in all cases where trade marks were registered erroneously with the result that Article 51(2) would be rendered meaningless.

57 In so far as the appellant claims that to assess the distinctive character of the trade mark at the time when the grounds of refusal are examined is perfectly consistent with its reading of Article 9(3) of Regulation No 40/94, it is sufficient to point out that that article, besides the fact that it also consistent with the interpretation that distinctive character must have been acquired before the date of application for registration, relates to the compensation which may be imposed on third parties in respect of matters arising after the date of publication of the Community trade mark application but prior to registration of that trade mark. The appellant has failed to prove how the fact that the rights conferred by a Community trade mark prevail against third parties from the date of publication of registration of the trade mark is capable of affecting the issue of the distinctiveness of the trade mark at the time when the application for registration is lodged.

58 As regards the judgments relied on by the appellant in support of its argument, it must be noted, first, that in the judgment in *Levi Strauss* the Court ruled on the consequences of the proprietor's conduct on the scope of protection of a trade mark which had been lawfully acquired and, secondly, that in the judgment in *MIP Metro* v *OHIM — Tesco Stores (METRO)* the Court of First Instance held that account must be taken of changes in circumstances that occur between the filing of the opposition and the decision on the opposition.

59 Those judgments are clearly not relevant to a decision on the point of law raised in the present case, which relates to an application for registration of a trade mark devoid of any distinctive character at the time of filing.

60 In the light of the foregoing, it must be held that the Court of First Instance was right to hold that the trade mark in question must have acquired distinctive character before the date of application for registration in consequence of the use which had been made of it.

61 Consequently, the single plea alleging infringement of Article 7(3) of Regulation No 40/94 is unfounded and thus the appeal must be dismissed.

Costs

62 Under Article 69(2) of the Rules of Procedure, which applies to appeal proceedings by virtue of Article 118 thereof, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Since OHIM has applied for costs and Imagination Technologies has been unsuccessful, Imagination Technologies must be ordered to pay the costs.

On those grounds, the Court (Fifth Chamber) hereby:

1. **Dismisses the appeal;**

2. **Orders Imagination Technologies Ltd to pay the costs.**

[Signatures]