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Chapman, Simon

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ment decisions relating to those assets as may be called in question in any given case.

51. Lastly, the Minister may intervene pursuant to Articles 3 and 4 of the Royal Decrees of 10 and 16 June 1994 only where there is a threat that the objectives of the energy policy may be compromised. Furthermore, as the Belgian Government has expressly stated in its written pleadings and at the hearing, without being contradicted on the point by the Commission, any such intervention must be supported by a formal statement of reasons and may be the subject of an effective review by the courts.

52. The scheme therefore makes it possible to guarantee, on the basis of objective criteria which are subject to judicial review, the effective availability of the lines and conduits providing the main infrastructures for the domestic conveyance of energy products, as well as other infrastructures for the domestic conveyance and storage of gas, including unloading and cross-border facilities. Thus, it enables the Member State concerned to intervene with a view to ensuring, in a given situation, compliance with the public service obligations incumbent on SNTC and Distrigaz, whilst at the same time observing the requirements of legal certainty.

53. The Commission has not shown that less restrictive measures could have been taken to attain the objective pursued. There is no certainty that planning designed to encourage natural gas undertakings to conclude long-term supply contracts, to diversify their sources of supply or to operate a system of licences would be enough, on its own, to permit a rapid reaction in any particular situation. Moreover, the introduction of rules precisely defining the standards required of undertakings in the sector concerned, as proposed by the Commission, would appear to be even more restrictive than a right of opposition limited to specific situations.

54. As to the Commission's arguments concerning the gas directive, suffice it to note that the time-limit for transposition of that Directive did not expire until 10 August 2000. Consequently, the

Community framework which, according to the Commission, the Directive is intended to establish as regards the exercise by Member States of powers in relation to the public service obligations imposed on undertakings in the sector concerned cannot in any event affect the present action, since the reasoned opinions were dated 18 December 1998 and the application was lodged on 22 December 1999.

55. The legislation in issue is therefore justified by the objective of guaranteeing energy supplies in the event of a crisis.

56. In those circumstances, there is no need to consider the alternative plea put forward by the Belgian Government, alleging the existence of a principle derived from Article 90(2) of the Treaty.

57. Accordingly, the Commission's application must be dismissed in so far as it concerns Article 73b of the Treaty.

Article 52 of the Treaty

58. The Commission also seeks a declaration of failure to comply with Article 52 of the Treaty, namely the Treaty rules regarding freedom of establishment, in so far as they concern undertakings.

59. It should be noted in that regard that Article 56 of the Treaty, like Article 73d, provides for a ground of justification based on public security. Thus, even if it were assumed that the power of a Member State to oppose any transfer, use as security or change in the intended use of certain assets of an existing undertaking, or certain management decisions taken by that undertaking, may constitute a restriction on freedom of establishment, such a restriction would be justified for the reasons set out in paragraphs 43 to 55 of this judgment.

60. It follows that the Commission's application must also be dismissed in so far as it concerns Article 52 of the Treaty. (...)"

EUROPEAN INTELLECTUAL PROPERTY LAW

Trade marks for functional shapes:
Comment on *Philips v Remington* (C-299/99)

*Simon Chapman**

I. Introduction

The legal battle between Philips and Remington concerning the manufacture and sale of triple-headed rotary shavers, which commenced almost seven years ago, took a major step towards its conclusion when the ECJ delivered its judgment on 18 June 2002 regarding four of the seven questions which had been referred to it.

Concurring with the earlier conclusions of English courts, the ECJ decision in effect opens the door for genuine competition in a European market sector over which Philips had at-

tempted to obtain a perpetual monopoly. However, the judgment has implications beyond this specific case, particularly for the registration and validity of trade marks within the EU for shapes which are functional.

II. Procedural history

Philips originally commenced the proceedings in November 1995 in the English High Court. In those proceedings, Philips, whose patents for the triple-headed rotary shaver technology had expired, alleged trade mark and registered design infringement by Remington. Remington defended the action and counter-claimed for the revocation of Philips' registered trade mark. Philips' claim was unsuccessful and the

* Partner, Laytons Solicitors, Guildford (GB), Technology and Media Group, which acted for Remington in the case. Mr Chapman specialises in intellectual property litigation and can be reached at simon.chapman@laytons.com.

High Court held its trade mark registration invalid on a number of grounds.¹

Philips then sought review before the Court of Appeal (“CA”), which delivered a preliminary view upholding the High Court decision.² However, the CA determined that most of the issues between the parties raised difficult questions of construction relating to the Trade Mark Directive 89/104/EEC of 21 December 1988³ and therefore that a reference to the ECJ was necessary before reaching a final decision.

III. Legal arguments before the ECJ

The CA referred a total of seven questions to the ECJ. However, the Court only addressed questions 1 through 4 concerning trade mark validity. Questions 5 through 7, which dealt with infringement, only required consideration if the ECJ failed to uphold the CA’s interpretation of Article 3 of the Directive. As it upheld the findings of the CA, these questions were discarded.

1. Distinctiveness of trade marks

The first question dealt with distinctiveness and was framed by Philips in the following terms:

Is there a category of marks which is not excluded from registration by Article 3(1)(b), (c) and (d) and Article 3(3) (...) which is none the less excluded from registration by Article 3(1)(a) (...) (as being capable of distinguishing the goods of the proprietor from those [of] other undertakings)?

Articles 3(1)(a) and (b) state that “signs which cannot constitute a trademark” and “trademarks which are devoid of any distinctive character” are incapable of being registered or, if registered, subject to invalidation. Thus, the purpose of this question is to reconcile Article 3(1)(a) with Article 3(1)(b), two provisions which clearly have common characteristics.

There also exists a distinction between the two paragraphs in that the prohibition on registrations under paragraph (b) can be overcome by virtue of Article 3(3) if one can show that the trade mark has acquired a distinctive character “before the date of application for the registration and following the use which has been made of it”. The same is not applicable to paragraph (a).

The obvious starting point is Article 2 of the Directive, which states:

A trade mark may consist of any sign capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or their packaging, provided that such signs are capable of distin-

guishing the goods or services of one undertaking from those of other undertakings.

The Article is in two parts. Part 1 is the requirement for the sign to be capable of being represented graphically and part 2 is the qualification that such signs are also capable of distinguishing.

Philips argued that if a mark acquired a reputation, the grounds for refusal or invalidity under (a) or (b), read in conjunction with Article 3(3) in the case of (b), could not apply and that such a mark could not be characterised as devoid of distinctive character as a matter of law.

The ECJ held that

(...) it is clear from the wording of Article 3(1)(a) and the structure of the Directive that that provision is intended essentially to exclude from registration signs which are not generally capable of being a trade mark and thus cannot be represented graphically and/or are not capable of distinguishing the goods or services of one undertaking from those of other undertakings.

Accordingly, Article 3(1)(a) of the Directive, like the rules laid down by Article 3(1)(b), (c) and (d), precludes the registration of signs or indications which do not meet one of the two conditions imposed by Article 2 of the Directive – that is to say, the conditions requiring such signs to be “capable of distinguishing the goods or services of one undertaking from those of other undertakings”.

The ECJ has therefore interpreted the two paragraphs in accordance with their literal meanings. Paragraph (a) is interpreted as applying to both parts of Article 2 while paragraph (b) applies only to the second part of Article 2. Consequently, the short answer given by the ECJ to the first question was “No”.

2. Non-functional features and “capricious additions”

The second question referred asked:

Is the shape (or part of the shape) of an article (being an article in respect of which the design is registered) only capable of distinguishing for purposes of Article 2 if it contains some capricious addition (being an embellishment which has no functional purpose) to the shape of the article?

In evidence given before the English courts, it was argued that Philips’ trade mark did not comprise any features which were additional to features which were directed by technical considerations. The question’s purpose was therefore to establish whether trade marks could only be capable of distinguishing under Article 2 if there exists a capricious addition to the shape beyond those present for technical considerations.

The ECJ also responded to this question in the negative. Although one can understand the reasoning behind this answer, as there is nothing in the Directive requiring a mark to include a capricious addition in order to be capable of distinguishing, it is regrettable that the ECJ decided not follow the earlier use of these words which were adopted by the English courts in their judgments since it is an apt definition for non-functional features.

¹ *Philips Electronics NV v Remington Consumer Products Ltd.* [1998] R.P.C. 283.

² *Philips Electronics NV v Remington Consumer Products Ltd.* [1999] R.P.C. 809.

³ 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, at 1).

3. Distinctiveness and extensive use

The third question, like the first, concerned distinctiveness. It asked:

Where a trader has been the only supplier of particular goods to the market, is extensive use of a sign, which consists of the shape (or part of the shape) of those goods and which does not include any capricious addition, sufficient to give the sign a distinctive character for the purpose of Article 3(3) in circumstances where as a result of that use a substantial portion of the relevant trade and public

(a) associate the shape with that trader and no other undertaking;

(b) believe the goods of that shape come from the trader absent a statement to the contrary?

The ECJ gave a qualified “yes” to the question – something approximating a “maybe” if certain criteria are met. Basic surveys that demonstrate recognition without being able to show that it is evidence of trade mark recognition will no longer be acceptable.

Before the mark can acquire distinctiveness, the national court must apply the criteria set out by the ECJ in *Windsurfing Chiemsee*.⁴ It must take the following into account:

(...) the market share held by the mark; how intensive, geographically widespread and long-standing use of the mark had been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant class of persons who, because of the mark, identify goods as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations.⁵

And furthermore:

(...) the identification, by the relevant class of persons, of the product as originating from a given undertaking must be the result of the use of the mark as a trade mark and thus as a result of the nature and effect of it, which makes it capable of distinguishing the product concerned from those of other undertakings.⁶

4. Registrability of shape of goods

Question 4, however, was the pivotal question of the case. It relates to Article 3(1)(e)(ii) of the Directive, which provides that signs which consist exclusively of “the shape of goods which is necessary to obtain a technical result” shall not be registered or, if registered, be liable to be declared invalid. Question 4 thus dealt with the issue of functionality and asked:

(a) Can the restriction (...) appearing in Article 3(1)(e)(ii) be

overcome by establishing that there are other shapes which can obtain the same technical result or

(b) is the shape unregistrable by virtue thereof if it is shown that the essential features of the shape are attributable only to the technical result or

(c) is some other and, if so, what test appropriate for determining whether the restriction applies?

The CA held that Philips had established that the shape depicted in the trade mark was not necessary to achieve a particular standard of shaving and that they had produced designs which would have an equivalent technical performance and could be produced at equivalent cost. To obtain such a performance, it was not necessary to have three rotary heads as opposed to one or four. There was also no technical reason to arrange the heads in an equilateral triangle and they could, for instance, be arranged in a single row, a crescent or an isosceles triangle formation. The parties were divided over whether there was a defence to Article 3(1)(e)(ii) by showing that the registered trade mark was not the only shape capable of producing the technical result.

Philips focused on the word “exclusively” to support their submission that the whole of the shape must obtain a technical result. They also argued that the word “necessary” limited the exclusion to those shapes that were essential for the technical result of the goods. Under this line of reasoning, Article 3(1)(e)(ii) does not preclude registration if there are shapes available which are just as effective.

Remington, however, argued that the evidence established the essential features of the shape shown in the trade mark were designed to achieve and do achieve a technical result and that this was sufficient to prevent registration of the trade mark. The argument was simply that if one analyses all the essential features of the shape and concludes that they exist for technical reasons, then the shape is not registrable in spite of the fact that there may be other shapes for achieving the same technical result.

The ECJ opted for this view. It considered the rationale behind the grounds for refusal of registration laid down in Article 3(1)(e)

(...) to prevent trade mark protection from granting to the proprietor a monopoly on technical solutions or functional characteristics of a product which a user is likely to seek in the products of competitors. Article 3(1)(e) is thus intended to prevent the protection conferred by the trade mark right from being extended, beyond signs which serve to distinguish a product or service from those offered by competitors, so as to form an obstacle preventing competitors from freely offering for sale products incorporating such technical solutions or functional characteristics in competition with the proprietor of the trade mark.⁷

The Court continued, stating that Article 3(1)(e)(ii) was

(...) intended to preclude the registration of shapes whose essential characteristics perform a technical function, with the result that the exclusivity inherent in the trade mark

⁴ ECJ 4 May 1999 – Joined Cases C-108/97 and C-109/97 – *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber and Franz Attenberger* [1999] ECR I-2779.

⁵ ECJ 18 June 2002 – C-299/99 – *Koninklijke Philips Electronics NV v Remington Consumer Products Ltd* [2002] ECR, nyr, para. 60 = printed in this edition at 294.

⁶ *Philips v Remington* (*supra* note 5), para. 64.

⁷ *Philips v Remington* (*supra* note 5), para. 78.

right would limit the possibility of competitors supplying a product incorporating such a function or at least limit their freedom of choice in regard to the technical solution they wish to adopt in order to incorporate such a function in their product.⁸

Therefore, where the essential characteristics of the shape of a product perform a technical function, registration of a sign consisting of that shape is prevented, even if that technical result can be achieved by other shapes or the sign has through use become so distinctive of the proprietor thereby resulting in members of the public exclusively associating that sign with the proprietor. The Court's answer to question 4 was therefore split, with a "no" to 4(a) and a "yes" to 4(b).

IV. Conclusion

The judgment in *Philips v Remington* establishes that trade mark law cannot be used to protect from competition a shape marketed by one undertaking if the essential characteristics of that shape perform a technical function. Such shapes are excluded from registration; there are no ways to circumvent this prohibition.

⁸ *Philips v Remington* (*supra* note 5), para. 79.

ECJ 18 June 2002 – C-299/99 – Koninklijke Philips Electronics NV v Remington Consumer Products Ltd Directive 89/104/EEC¹ – Articles 3(1) and (3), 5(1) and 6(1)(b) – Approximation of laws – Trade marks – Signs capable of being trade marks – Signs consisting exclusively of the shape of the product

There is no category of marks which is not excluded from registration by Article 3(1)(b), (c) and (d) and 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 which is none the less excluded from registration by Article 3(1)(a) thereof on the ground that such marks are incapable of distinguishing the goods of the proprietor of the mark from those of other undertakings.

In order to be capable of distinguishing an article for the purposes of Article 2 of the Directive, the shape of the article in respect of which the sign is registered does not require any capricious addition, such as an embellishment which has no functional purpose.

Where a trader has been the only supplier of particular goods to the market, extensive use of a sign which consists of the shape of those goods may be sufficient to give the sign a distinctive character for the purposes of Article 3(3) of Directive 89/104 in circumstances where, as a result of

that use, a substantial proportion of the relevant class of persons associates that shape with that trader and no other undertaking or believes that goods of that shape come from that trader. However, it is for the national court to verify that the circumstances in which the requirement under that provision is satisfied are shown to exist on the basis of specific and reliable data, that the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect, are taken into account and that the identification, by the relevant class of persons, of the product as originating from a given undertaking is as a result of the use of the mark as a trade mark.

Article 3(1)(e), second indent, of Directive 89/104 must be interpreted to mean that a sign consisting exclusively of the shape of a product is unregistrable by virtue thereof if it is established that the essential functional features of that shape are attributable only to the technical result. Moreover, the ground for refusal or invalidity of registration imposed by that provision cannot be overcome by establishing that there are other shapes which allow the same technical result to be obtained.

Facts: In 1966, Philips developed a new type of three-headed rotary electric shaver. In 1985, the company filed an application to register a trade mark consisting of a graphic representation of the shape and configuration of the head of such a shaver, comprising three circular heads with rotating blades in the shape of an equilateral triangle. That trade mark was registered on the basis of use under the Trade Marks Act 1938.

In 1995, Remington, a competing company, began to manufacture and sell in the United Kingdom the DT 55, which is a shaver with three rotating heads forming an equilateral triangle, shaped similarly to that used by Philips. Philips accordingly sued Remington for infringement of its trade mark. Remington counter-claimed for revocation of the trade mark registered by Philips.

The High Court of Justice of England and Wales, Chancery Division (Patents Court) (United Kingdom), allowed the counter-claim and ordered revocation of the registration of the Philips trade mark on the ground that the sign relied on by Philips was incapable of distinguishing the goods concerned from those of other undertakings and was devoid of any distinctive character. The High Court also held that the trade mark consisted exclusively of a sign which served in trade to designate the intended purpose of the goods and of a shape which was necessary to obtain a technical result and which gave substantial value to the goods. It went on to hold that, even if the trade mark had been valid, it would not have been infringed.

Philips appealed to the Court of Appeal against that decision of the High Court. The Court of Appeal stayed its proceedings and referred the matter to the ECJ for a preliminary ruling.

Extract from the decision: "(...)"

Legal context

Community legislation

3. The purpose of the Directive is, as the first recital in its preamble states, to approximate the laws of the Member States on trade marks in order to remove existing disparities which may impede the free movement of goods and freedom to provide services and may distort competition within the common market.

¹ 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, at 1).