

## The case

- Case C-371/06 Benetton Group SpA v G-Star International BV
- European Court of Justice  
20 September 2007



# Shape Up

## Benetton Group SpA v G-Star International

**Nathan Smith** of Dechert LLP asks is there enough clarity on the meaning of giving “substantial value to the goods?”

In a judgment which will have resonated through design conscious businesses in the fashion industry the ECJ has ruled on the applicability of Article 3(3) of the First Council Directive 89/104/EEC (the “Directive”) to Article 3(1)(e) of the Directive.

Following a reference from the Dutch Supreme Court the ECJ considered whether:

- the third restriction for shape marks under Article 3(1)(e) of the Directive means that the shape of a product which gives substantial value to that product can nevertheless constitute a trademark under Article 3(3) of the Directive, where prior to the application date, it had acquired attractiveness as a result of the recognition of it as a distinctive sign following advertising campaigns presenting the specific characteristics of the product in question.

G-Star International (G-Star) is a Dutch based clothing company, which manufactures and sells mid-to-high-end clothing. It was the registered proprietor of two shape marks for trousers which featured distinctive elements including sloping stitching from

hip height to crotch height and kneepads.

G-Star brought proceedings against Benetton Group SpA (Benetton) for trademark infringement in the Netherlands claiming that Benetton had infringed G-Star’s trademark rights by manufacturing and putting on to the market trousers which featured an oval kneepad and two lines of sloping stitching from hip height to crotch height. Benetton made a counter claim for the cancellation of G-Star’s trademarks on the basis that the shapes at issue determined the market value of the goods to a great extent as a result of their beauty or original character under Article 1 of the Uniform Benelux Law on Trade Marks.

The Dutch Court of First Instance dismissed G-Star’s infringement claims and Benetton’s invalidity claim. Both parties lodged appeals with the Amsterdam Regional Court of Appeal (the Appeal Court) and G-Star’s appeal was successful. The Appeal Court concluded that G-Star had carried out extensive promotion and advertising to give its trousers, and their specific features, recognition as a G-Star product. As a result the reputation of those trousers was mostly attributable to the attractiveness stemming from the

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consumers' recognition of the trademark and most importantly not to the aesthetic attractiveness of the shape of the trousers.

Benetton appealed the judgment of the Appeal Court to the Dutch Supreme Court. The Dutch Supreme Court observed that in its judgment in *Case C-229/99 Philips* [2002] ECH I-5475 the ECJ had held that pursuant to Article 3(3) of the Directive, signs which cannot be registered under Article 3(1)(e) cannot acquire a distinctive character through the use made of them. However, according to the Dutch Supreme Court the ECJ had not resolved the question at the heart of this case which did not relate to the distinctive character of the contested marks.

Therefore, national proceedings were stayed whilst the Dutch Supreme Court referred questions to the ECJ.

### Reference to ECJ

The two questions put to the ECJ were as follows:

- Must the third restriction under Article 3(1)(e) of the Directive be interpreted as permanently precluding the registration of a shape as a trademark where the nature of the product is such that its appearance and shaping determine its market value entirely or substantially as a result of their beauty or original character, or does the prohibition not apply where, prior to the application for registration, the attractiveness of the relevant shape to the public has been determined predominantly by the recognition of it as a distinctive sign?
- If the answer to this first question is to the latter effect, to what extent must this attractiveness have prevailed for the prohibition to no longer apply?

In finding its decision the ECJ cited the decision of the Philips case which had held that:

- If a shape is refused registration under Article 3(1)(e) of the Directive it can in no circumstances be registered as a result of Article 3(3)
- A sign which is refused registration under Article 3(1)(e) of the Directive can never acquire distinctive character for the purposes of Article 3(3) by the use made of it
- Article 3(1)(e) of the Directive concerns signs which do not constitute trademarks and is a primary obstacle liable to prevent a sign consisting of the shape of a product from being registrable with the result that

if any one of the restrictions listed in Article 3(1)(e) is satisfied, a sign which consists exclusively of the shape of the product cannot be registered as a trademark.

### ECJ Ruling

The ECJ ruled that:

- the third restriction of Article 3(1)(e) of the Directive was to be interpreted as meaning that the shape of a product which gave substantial value to that product could not constitute a trademark under Article 3(3) of the Directive where prior to the application date it had acquired attractiveness as a result of its recognition as a distinctive sign following advertising campaigns presenting the specific characteristics of the product in question.

In making its ruling, the ECJ referred to the specific wording of the Directive. The ECJ pointed out that whilst the registration or validity of marks referred to in Article 3(1)(b), (c) or (d) of the Directive is to be allowed where the marks have acquired a distinctive character as a result of use, Article 3(3) does not refer to Article 3(1)(e) for the purpose of establishing such an exception to invalidity.

Given the ECJ's answer to the first question from the Dutch Supreme Court, there was no need for the ECJ to answer the second question.

### Author's Comment

In light of the decision in the Philips case and the wording of Article 3(3) which makes no reference to Article 3(1)(e) this decision will be considered to be relatively unsurprising by many who will feel it gives clarity to the application of Article 3(3) to shape trademarks. Indeed, it seems that a shape mark, which adds substantial value to goods, cannot be registered as a trademark notwithstanding any amount of promotion and advertising spent in an attempt to acquire attractiveness for the shape of the product.

However, the ECJ has perhaps missed an opportunity to provide some insight on the meaning of "gives substantial value to the goods", a phrase which continues to lack certainty in the absence of guidance from the ECJ. It is arguable that where money has been spent on promoting the reputation and attractiveness of the shape of a product the factor that gives substantial value to the

product is not the attractiveness of the shape itself, but that the shape is recognised as indicating the trade origin of the product. The ECJ did not consider this point.

Without trademark protection, design led businesses in the fashion industry such as G-Star will be forced to rely largely on design right (and potentially copyright where local legislation permits) to protect the shape of their products. Given the significant difference between the period of protection afforded by registered and unregistered design right under the Council Regulation on Community designs (6/2002/EC), this may lead to an increase in the registration of designs by mid-level design companies. Whilst the limited duration of a Community registered design may not provide them with the potentially indefinite protection of trademark rights, changing trends in the fashion industry are likely to mean that Community registered design rights will provide protection for as long as is needed by the designer to protect the rights in its products.

A possible alternative way for designers to gain trademark protection would be to apply to register the relevant shape mark with the brand of the designing company forming part of the trademark description. This will likely overcome any objections under Article 3(3) of the Directive, as the trademark will no longer comprise exclusively of a shape, which gives substantial value to the goods. However, any infringement claims will inevitably have to be brought on the basis of Article 5(2) of the Directive due to the difficulty of showing likelihood of confusion where a defendant has applied its own brand to the infringing shape.

Therefore, whilst this case does provides clear guidance on the relationship between Article 3(3) and shape marks we are frustratingly still left with a lack of clarity on the meaning of giving "substantial value to the goods". 

