JUDGMENT OF THE COURT OF FIRST INSTANCE (First Chamber)

28 June 2005 *

In Case T-301/03,

Canali Ireland Ltd, established in Dublin (Ireland), represented by C. Gielen and O. Schmutzer, lawyers,

applicant,

v

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), represented by A. Apostolakis and S. Laitinen, acting as Agents,

defendant,

* Language of the case: English

the other party to the proceedings before the Board of Appeal of OHIM, intervening before the Court of First Instance, being

Canal Jean Co. Inc., established in New York (United States), represented by M. Cover, Solicitor,

ACTION brought against the decision of the Second Board of Appeal of OHIM of 17 June 2003 (Case R 103/2002-2) relating to Opposition Proceedings No 78859 between Canali SpA and Canal Jean Co. Inc.,

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

composed of J.D. Cooke, President, I. Labucka and V. Trstenjak, Judges,

Registrar: B. Pastor, Deputy Registrar,

having regard to the application lodged at the Registry of the Court on 29 August 2003,

having regard to the response lodged by OHIM at the Registry of the Court on 17 December 2003,

having regard to the response lodged by the intervener at the Registry of the Court on 15 December 2003,

having regard to the reply lodged at the Registry of the Court on 2 February 2004,

further to the hearing on 15 February 2005,

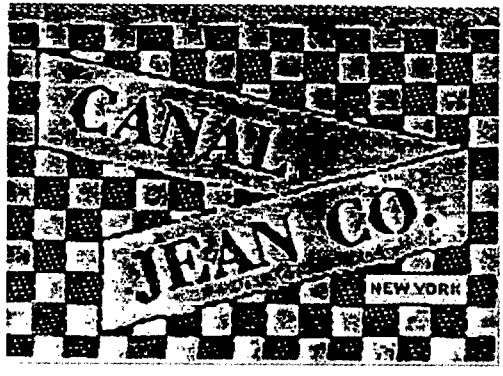
gives the following

Judgment

Background to the dispute

1 On 22 November 1996, the intervener filed with the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) an application for registration of a Community trade mark under Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1), as amended.

2 Registration was sought in respect of the following figurative mark:



3 The goods and services designated in the application for registration fall within Class 25 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, and are described as follows: 'Clothing, footwear, headgear'.

4 The application was published in *Community Trade Marks Bulletin* No 42/98 of 8 June 1998.

5 On 3 September 1998, Canali SpA filed a notice of opposition pursuant to Article 42 (1) of Regulation No 40/94 against registration of the mark on the ground of likelihood of confusion, within the meaning of Article 8(1)(b) of Regulation No 40/94, between the mark applied for and the earlier mark held by it.

6 The earlier trade mark relied on in support of the opposition is the word mark CANALI and covers goods and services in Classes 3, 6, 9, 14, 16, 18, 20, 25, 34 and 42.

7 Canali SpA directs its opposition against all the goods designated in the Community trade-mark application.

8 By decision of 27 November 2001, the Opposition Division allowed the opposition, refusing registration of the mark applied for on the ground that, in combination with the identity of the goods designated by each mark and the high degree of distinctiveness of the earlier mark, the high likelihood of association outweighed the low degree of similarity between the signs and led to a likelihood of confusion.

9 On 25 January 2002, the intervener brought an appeal under Articles 57, 58 and 59 of Regulation No 40/94 and Rule 48 of Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Regulation No 40/94 (OJ 1995 L 303, p. 1), seeking to have the decision annulled for infringement of Article 8(1)(b) of Regulation No 40/94.

10 By decision of 17 June 2003 ('the contested decision'), the Second Board of Appeal of OHIM granted the appeal.

Procedure and forms of order sought

11 Upon hearing the report of the Judge-Rapporteur, the Court of First Instance (First Chamber) decided to open the oral procedure and, by way of measures of organisation of procedure, asked the parties to answer certain questions. The Court first invited the parties to lodge their observations on the admissibility of the action, in view of the fact that the party to the proceedings before OHIM was Canali SpA and not the applicant. The parties presented their observations within the prescribed time-limit. The Court also asked OHIM and the intervener to confirm that, taking into account the documents submitted by the applicant in the course of the present proceedings, Canali Ireland Ltd in fact replaced Canali SpA in so far as the administrative steps before OHIM were concerned. This was confirmed by OHIM. The intervener made no objection in that regard.

12 The parties presented oral arguments and replied to the questions of the Court at the hearing on 15 February 2005.

13 The applicant claims that the Court should:

— annul the contested decision;

— allow the opposition entered against the application for registration and refuse the application to register the trade mark in its entirety and/or make any other order it deems fit;

— order the intervener to pay the costs.

14 OHIM contends that the Court should:

— dismiss the action;

— order the applicant to pay the costs.

15 The intervener contends that the Court should:

— dismiss the action;

— make an award of costs in its favour in relation to the costs of the intervention.

Admissibility

Arguments of the parties

16 During the written procedure, OHIM and the intervener pointed out that the applicant was not a party to the proceedings before OHIM and that it claimed to be the new holder of the earlier trade mark CANALI. According to them, the applicant has not shown that it has standing to bring the present action and the deed of assignment annexed to the application does not refer to the earlier mark relied on in the opposition proceedings.

17 In its reply, the applicant explains that, whilst the deed of assignment does not mention the original registration number of the earlier mark CANALI, it refers to the number and date of the renewal certificate (No 822119 of 3 May 1999) for that mark. The database of the Italian Trade Mark Office reports the last renewal number, as the renewal certificate indicates the previous registrations which have been renewed. The renewal certificate clearly indicates that it concerns renewal of the Italian trade mark CANALI, first registration number 513948, dated 2 October 1989, which was the earlier mark relied on in the opposition proceedings.

Findings of the Court

18 Article 63(4) of Regulation No 40/94 provides that an action against a decision of a Board of Appeal is 'open to any party to proceedings before the Board of Appeal adversely affected by its decision'.

19 The Court holds that, in accordance with Article 63(4) of Regulation No 40/94, the new owners of an earlier trade mark may bring an action before the Court and should be accepted as a party to the proceedings once they have proven ownership of the right invoked before OHIM.

20 The Court finds that since the new holder of the earlier Italian trade mark has submitted proof of transfer of the mark in question, for his part, and OHIM has recorded the transfer of the Italian trade mark CANALI from Canali SpA to the applicant following the proceedings before the Board of Appeal, the applicant becomes the party to the proceedings before OHIM.

Substance

21 In relation to the first head of claim, seeking annulment of the contested decision, the applicant puts forward a single plea in law alleging infringement of Article 8(1)(b) of Regulation No 40/94.

Arguments of the parties

22 The applicant claims that the contested decision is unfounded, inasmuch as the Board of Appeal wrongly found that there was no likelihood of confusion between the two marks.

23 So far as similarity between the signs is concerned, the applicant takes the view that, given the similarity of the goods and the marks concerned, it is the likelihood of confusion on the part of the relevant public, in this case average consumers in Italy, which must be assessed.

24 As regards the signs themselves, the applicant submits that the word 'canal' is the dominant verbal element of the mark applied for and bears a close similarity to the earlier mark. The additional elements of the mark applied for are too common to play a decisive role which would make the average Italian consumer perceive them as distinctive elements.

25 The applicant admits, first, that visually the mark applied for contains a number of elements that are different from the earlier mark.

26 Second, the applicant submits that the signs in question are aurally similar. When consumers discuss the intervener's products with each other or with a shopkeeper, they will almost certainly refer to those products as 'Canal' or 'Canal Jean(s)'. The element 'canal' is therefore the most striking element of the mark applied for.

27 Third, the applicant takes the view that the signs are conceptually similar: 'canali' means 'channels' and a large number of consumers will associate the term 'canal' in the mark applied for with the concept of channel, because this word means 'channel' in some dialects of Northern Italy.

28 Fourth, given the conceptual and aural similarity of the signs, the visually different elements in the application cannot counteract the likelihood of confusion.

29 The applicant submits further that it is common in the clothing sector for the same mark to be configured in different ways according to the type of product for which it is used and that it is common for the same clothing manufacturer to use sub-brands.

30 The applicant claims, finally, that there is a likelihood of confusion between the signs in question owing to the highly distinctive character of the earlier mark and the identity of, or high degree of similarity between, the goods in question.

31 OHIM contends that there are considerable differences between the two marks. It takes the view that the applicant reaches its conclusion that the signs are similar by focusing entirely and exclusively on the word element 'canal' in the mark applied for and ignoring, at least as far as the aural and conceptual aspects are concerned, the other elements of that mark.

32 It observes that this was essentially the reasoning of the Board of Appeal in the contested decision when it held that to conclude that the mark applied for and the earlier mark are similar would require a radical deconstruction of the mark, a process which the consumers are unlikely to attempt, let alone perform. Thus, contrary to what the applicant claims, the additional elements of the mark applied for must likewise be taken into account when comparing the signs, given that some of them are, to a certain extent, distinctive in their own right.

33 Comparing the signs, OHIM points out that, visually, the mark applied for contains some elements that are different from the earlier mark. The chequered pattern and the additional words 'jean co. New York' in the mark applied for clearly counterbalance the similarity between the earlier mark CANALI and the word 'canal' of the trade mark applied for.

34 As regards the aural aspect, the trade mark applied for will be pronounced as 'Canal Jean Co. New York' because it is unusual for figurative elements to be described when pronouncing a sign. There are certain aural similarities between the opposing signs, given that five of the six letters in the earlier mark CANALI coincide with the word 'canal' in the mark applied for. Nevertheless, as that mark contains four additional words consumers will not disregard them entirely in their pronunciation of the mark, so that it will be distinguished aurally from the earlier mark.

35 Conceptually, the earlier mark may be perceived either as a surname or as the plural of the Italian word 'canale'. Bearing in mind in particular the goods in question (clothing) and the particular market, namely the Italian fashion sector, in which surnames are widely used, it is more than likely that the Italian consumer will perceive it as a name rather than as that term. On the other hand, taken as a whole, and disregarding its dominant elements, the mark applied for will be perceived as referring to a company and a city.

36 OHIM argues that the goods designated in the application for a trade mark here are clothing, footwear and headgear, that is to say, products which are not usually ordered or referred to orally but are chosen by consumers on the basis of their appearance, suitability, colour and size. They are usually picked up and tried on, or in any event closely inspected, before being purchased. It is evident that the aural or conceptual impact of the trade mark is less important. Thus, the visual dissimilarities between the signs at issue are particularly relevant.

37 OHIM concludes therefore that the Board of Appeal was right to hold that, overall, the signs are dissimilar.

38 As regards the risk that the public might believe that the goods in question come from the same undertaking, OHIM observes first that the mark applied for does not reproduce the earlier mark. A sub-brand must, by definition, include the original mark itself. Next, it argues that the mark applied for includes far too many additional elements for consumers to believe that it is a sub-brand of the applicant's mark. In order for consumers to make the connection between the principal mark and the sub-brand, the latter must include an indication as to the type of clothing to be marketed under that sub-brand.

39 Finally, as regards the acquired distinctiveness of the earlier mark, the Board of Appeal did not, in the contested decision, consider whether the Opposition Division's assessment of that was correct but assumed, for 'reasons of procedural economy', that the earlier mark had enhanced distinctiveness. As the applicant did not contest that assumption, it is not the subject of these proceedings.

40 It follows from all the foregoing that the Board of Appeal was right to hold that, because the signs are dissimilar and despite the identity of, or similarity between, the goods and despite the enhanced distinctiveness acquired by the earlier mark, there is no likelihood of confusion on the part of the public in the area in which the earlier mark is protected.

41 The intervener considers that there is no likelihood of confusion between the marks at issue and supports the arguments put forward by OHIM. It adds that each of the elements of the mark applied for points to a New York clothing company with a connection to the fashionable Canal Street area. All the elements combine to give a single overall impression which is quite distinct from the earlier mark.

Findings of the Court

42 Article 8(1)(b) of Regulation No 40/94 provides that upon opposition by the proprietor of an earlier trade mark, the trade mark applied for is not to be registered 'if because of its identity with or similarity to the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier

trade mark is protected', 'likelihood of confusion' including 'likelihood of association with the earlier trade mark'. Furthermore, under Article 8(2)(a)(ii) of Regulation No 40/94, 'earlier trade marks' means trade marks registered in a Member State with a date of application for registration which is earlier than that of the application for registration of the Community trade mark.

43 According to settled case-law, the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings constitutes a likelihood of confusion.

44 The same case-law dictates that the likelihood of confusion must be assessed globally, according to the perception which the relevant public has of the signs and of the products or services in question and taking into account all the factors relevant to the circumstances of the case, in particular the interdependence between the similarity of the signs and that of the goods or services designated (see Case T-162/01 *Laboratorios RTB* v *OHIM — Giorgio Beverly Hills (GIORGIO BEVERLY HILLS)* [2003] ECR II-2821, paragraphs 31 to 33 and the cases cited).

45 In the present case, given that the earlier trade mark is registered in Italy and that the goods are everyday consumer items, namely clothing, the relevant public for assessing the likelihood of confusion is composed of average consumers in Italy.

46 It is common ground that the goods designated by the mark applied for and the goods covered by the earlier mark are at least similar. It is therefore necessary to compare the relevant signs in this case visually, aurally and conceptually.

47 The global assessment of the likelihood of confusion must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by them, bearing in mind, in particular, their distinctive and dominant components (Case T-292/01 *Phillips-Van Heusen* v *OHIM — Pash Textilvetrieb und Einzelhandel (BASS)* [2003] ECR II-4335, paragraph 47).

48 As regards, first, the visual comparison, the Board of Appeal held that it would require a radical deconstruction of the mark applied for to arrive at the conclusion that the elements to be compared are merely 'canal' and 'canali' (paragraph 21 of the contested decision). The mark applied for has a number of components, both verbal and figurative, differentiating it from the opposing mark, such as 'jean', 'co.', 'New York' and the checkerboard design. These elements will assist the consumer with an imperfect memory to distinguish between the marks. The goods of the mark applied for may for instance be recalled as the ones from the company in New York or as the ones with the checkerboard.

49 The Court observes that the fact that the earlier mark and the mark applied for contain the words 'canali' and 'canal', which bear a certain resemblance to one another, is of little consequence in the context of a global comparison of the signs and is not in itself sufficient to justify the conclusion that the signs are visually similar.

50 Because the mark applied for contains other word elements, namely the words 'jean', 'co.' and 'New York', the overall impression conveyed by each sign is different. In addition, the mark applied for includes a figurative element, the checkerboard design. It should be recalled that, as held in *GIORGIO BEVERLY HILLS*, cited above, (paragraph 33), the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.

51 It follows that the Board of Appeal was right to hold that the differences between the relevant signs are sufficient to support the conclusion that the signs as a whole are not visually similar.

52 As regards, next, the aural comparison, the Board of Appeal did not specifically evaluate the signs in question. It merely stated that the elements 'jean', 'co.' and 'New York' also accentuate the aural differences between the marks (paragraph 21 of the contested decision).

53 It must be observed in that connection that the contested mark is composed of six syllables, of which only one, the syllable 'ca', is the same as in the earlier mark, which is composed of three syllables. Five out of six letters of the word 'canali' of the earlier mark are the same as in the first word of the mark applied for, 'canal'. The Court therefore considers that, as the mark applied for contains four additional words, consumers are unlikely to disregard those words and will thus distinguish the earlier mark in their pronunciation of the mark.

54 In this context the Court considers that the applicant is mistaken in seeking to rely on the judgments in Case T-104/01 *Oberhauser* v *OHIM — Petit Liberto (Fifties)* [2002] ECR II-4359, Case T-6/01 *Matratzen Concord* v *OHIM — Hukla Germany (MATRATZEN)* [2002] ECR II-4335, in which the Court of First Instance found that the dominant word element was present in each sign. In this case, by contrast, only part of the first word of the earlier mark is present in the mark applied for.

55 In that connection, as OHIM correctly submitted, the degree of aural similarity between the two marks is of less importance, the goods being marketed in such a way that when making a purchase the relevant public usually perceives the mark designating those goods visually. This is certainly the case with clothing (*BASS*, cited above, paragraph 55).

56 Thus aurally the signs have fewer common elements than different ones. The marks in question are therefore aurally dissimilar.

57 Finally, as regards the conceptual comparison of the two signs, the Board of Appeal did not evaluate the signs but stated that the abovementioned elements accentuated the conceptual differences between the marks.

58 The earlier mark CANALI will be perceived rather as being the plural of the Italian word 'canale', meaning 'channel', or as a surname, which is very commonly used in the Italian fashion sector.

59 The word 'canal' will be recognised by the relevant consumer as an English word, 'canal'. The word 'jean' can be understood to refer to some of the goods covered by the mark applied for. The element 'co.' will be recognised by the relevant public as the abbreviation for the English word 'company'. The word 'New York' is a geographical designation, not descriptive of the goods in question, and has a semantic relevance which, combined with the words 'canal jean co.' will be perceived by the Italian public as referring to a New York-based clothing company. As far as the checkerboard design is concerned, the argument of the intervener that the public will associate this with taxis or with the Canal Street Area in New York cannot be accepted. In any event, as a whole the mark applied for has an effect that is conceptually different from that of the earlier mark.

60 Consequently, the Board of Appeal was right to conclude that there is no conceptual similarity between the signs in question.

61 As regards the applicant's argument that it is common in the clothing sector for the same mark to be configured in different ways and for the same clothing manufacturer to use sub-brands for the same clothes, the Court finds that the degree of similarity between the marks at issue is not sufficiently great to justify the conclusion that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from undertakings which are economically linked (Case C-39/97 *Canon* [1998] ECR I-5507, paragraph 29, Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 17; *Fifties*, cited above, paragraph 25).

62 As far as the enhanced distinctiveness of the earlier mark is concerned, as the opposing marks have been found to be visually, aurally and conceptually dissimilar, this cannot alter the overall assessment of the likelihood of confusion (see, to that effect, Case T-311/01 *Les Éditions Albert René* v *OHIM — Trucco (Starix)* [2003] ECR II-4625, paragraph 61).

63 In the light of all those considerations, the Court finds that the Board of Appeal correctly held, in paragraph 21 of the contested decision, that there was no likelihood of confusion in the minds of the relevant public between the mark applied for and the earlier mark, within the meaning of Article 8(1)(b) of Regulation No 40/94.

64 Given the differences between the marks at issue, that finding is not invalidated by the fact that the goods covered by the mark applied for are identical to the goods designated by the earlier trade mark.

65 The plea alleging infringement of Article 8(1)(b) of Regulation No 40/94 is therefore unfounded.

66 It follows that the first head of claim, seeking the annulment of the contested decision, must be rejected.

67 As regards the second head of claim, to the effect that the Court should allow the opposition and refuse the application to register the trade mark in its entirety, the context of the various claims made by the applicant show that this head of claim depends on the success, at least in part, of the application for annulment, so that it is made only in the event that the first head of claim succeeds.

68 As stated in paragraph 65 above, there are no grounds for annulling the contested decision. It follows that there is no need to rule on the admissibility or the merits of the second head of claim.

Costs

69 Under Article 87(2) of the Rules of Procedure, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. As the applicant has been unsuccessful, it must be ordered to pay the costs of OHIM and the intervener, in accordance with the forms of order sought by them.

On those grounds,

THE COURT OF FIRST INSTANCE (First Chamber)

hereby:

1. **Dismisses the application;**

2. **Orders the applicant to pay the costs.**

Cooke Labucka Trstenjak

Delivered in open court in Luxembourg on 28 June 2005.

H. Jung
Registrar

J.D. Cooke
President