JUDGMENT OF THE COURT (Second Chamber)

16 September 2004 *

In Case C-329/02 P,

APPEAL under Article 56 of the Statute of the Court of Justice,

lodged at the Court on 12 September 2002,

SAT.1 SatellitenFernsehen GmbH, established in Mayence (Germany) represented by R. Schneider, Rechtsanwalt, with an address for service in Luxembourg,

appellant,

the other party to the proceedings being:

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), represented by D. Schennen, acting as Agent, with an address for service in Luxembourg,

defendant at first instance,

* Language of the case: German.

THE COURT (Second Chamber),

composed of: C.W.A. Timmermans, President of the Chamber, J.-P. Puissochet (Rapporteur), R. Schintgen, F. Macken and N. Colneric, Judges,

Advocate General: F.G. Jacobs,
Registrar: H. von Holstein, Deputy Registrar

having regard to the written procedure and further to the hearing on 8 January 2004,

after considering the observations submitted on behalf of the parties,

after hearing the Opinion of the Advocate General at the sitting on 11 March 2004,

gives the following

Judgment

1 By its appeal, SAT.1 SatellitenFernsehen GmbH ('the appellant') is seeking that the judgment of the Court of First Instance of the European Communities of 2 July 2002 in Case T-323/00 *SAT.1* v *OHIM (SAT.2)* [2002] ECR II-2839, 'the contested judgment', in which it dismissed its application, be set aside insofar as the Court of First Instance found that the Second Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) ('the Office')

had not infringed Article 7(1)(b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1, 'the regulation') or failed to observe the principle of non-discrimination by refusing, by its decision of 2 August 2000 (Case R 312/1999-2, 'the contested decision'), to register as a Community trade mark the term 'SAT.2' in respect of services which, in the registration application, are connected with satellite broadcasting.

The legal framework

2 Under Article 4 of the regulation:

'A Community trade mark may consist of any signs capable of being represented graphically, particularly words, including personal names, designs, letters, numerals, the shape of goods or of their packaging, provided that such signs are capable of distinguishing the goods or services of one undertaking from those of other undertakings.'

3 Article 7 of that regulation provides:

'1. The following shall not be registered:

(a) signs which do not conform to the requirements of Article 4;

(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;

...

2. Paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community.

3. 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.'

4 According to Article 12 of the regulation:

'A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade:

...

(b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service;

...

provided he uses them in accordance with honest practices in industrial or commercial matters.'

5 Article 38(1) of the regulation provides:

'Where, under Article 7, a trade mark is ineligible for registration in respect of some or all of the goods or services covered by the Community trade mark application, the application shall be refused as regards those goods or services.'

Background to the dispute

6 On 15 April 1997, the appellant applied to the Office to register the term 'SAT.2' as a Community trade mark in respect, first, of various goods coming within Classes 3, 9, 14, 16, 18, 20, 25, 28, 29 and 30 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, secondly, of services coming within Classes 35, 38, 41 and 42 of that agreement.

7 When that application was rejected, so far as concerned the services within Classes 35, 38, 41 and 42, by a decision of 9 April 1999 of the examiner at the Office, the appellant appealed to the Office.

8 By the contested decision, the Second Board of Appeal of the Office dismissed the appeal on the ground that Article 7(1)(b) and (c) of the regulation precluded registration of the term SAT.2 for services falling within the abovementioned classes.

Procedure before the Court of First Instance and the contested judgment

9 By application lodged at the Registry of the Court of First Instance on 16 October 2000, the appellant brought an action seeking the annulment of the contested decision.

10 The Court, in the contested judgment, upheld the application in part only.

11 First, it observed that the Second Board of Appeal of the Office had failed to rule on the appellant's claims regarding the Class 35 services set forth in the registration application. It then annulled the contested decision to that extent.

12 Secondly, the Court of First Instance annulled the contested decision so far as concerns the services within Classes 38, 41 and 42, but only inasmuch as it refused to register the term 'SAT.2' for the services falling within those classes as set out in paragraph 42 of the contested judgment.

13 In annulling the decision, the Court of First Instance, first, upheld the plea of the appellant alleging that the contested decision had been wrongly based on Article 7(1)(c) of the regulation. By basing itself on the relevant meaning of the trade mark, established not only on the basis of its various components but also on its meaning as a whole, accepting only such characteristics of the goods or services as are likely to be taken into account by the relevant public when making its choice, the Court found that the term 'SAT.2' was not descriptive of the services coming within Classes 38, 41 and 42, within the meaning of Article 7(1)(c). In its view, the term relates to no specific characteristic of the services concerned which is likely to be taken into account by the relevant public when making its choice.

14 On the other hand, the Court of First Instance dismissed, so far as concerns part of the services coming within Classes 38, 41 and 42, the appellant's plea in law alleging that the contested decision could not refuse registration of the term 'SAT.2' on the basis of Article 7(1)(b) of the regulation. It found that, in view of its constitutive elements, the term was devoid of any distinctive character within the meaning of that provision in relation to services which, in the application registration, are connected with satellite broadcasting, that is to say the services referred to in paragraph 3 of the contested judgment to which the Court of First Instance does not refer in paragraph 42 of that judgment.

15 Finally, it rejected the appellant's plea in law alleging that the refusal to register the term in question was contrary to the principle of equal treatment since signs which were, according to the appellant, altogether similar, had been registered as Community trade marks by the Office.

The appeal

16 The appellant claims that the Court should set the contested judgment aside insofar as the Court of First Instance dismissed the remainder of the heads of claim it submitted before it and order the Office to pay the costs.

17 The Office contends that the Court should dismiss the appeal and order the appellant to pay the costs.

Arguments of the parties

18 By its first ground of appeal, the appellant argues that the interpretation by the Court of First Instance of Article 7(1)(b) of the regulation is vitiated by an error of law in two respects.

19 First, contrary to what the Court of First Instance states at paragraph 36 of the contested judgment, that provision did not pursue an aim which is in the public interest, which requires that the signs they refer to may be freely used by all. Its aim is in fact to enable the final consumer or user to distinguish without any possible confusion the origin of goods or services, in accordance with the view which the Community legislature and the Court have of the main function of trade marks. The Court of First Instance thus applied a test which is appropriate in the context of Article 7(1)(c) and (e) of the regulation rather than in that of Article 7(1)(b) thereof and it accordingly failed to ascertain exactly in what way the term in question was capable of fulfilling that function of a trade mark.

20 Secondly, the appellant claims that, after observing, correctly, that it was necessary to examine the overall impression made by the term 'SAT.2' on the consumers concerned in order to assess whether the sign had a distinctive character, the Court of First Instance did not apply that rule of analysis correctly in the present case. Instead it broke down the term into its constituent elements in order to found its refusal to register. However, such a breakdown is not the way in which consumers appraise and interpret the trade mark when they perceive it. Moreover, the Court of First Instance wrongly based the absence of distinctive character on the fact that the term was composed of elements commonly used, in trade, for the presentation of the goods or services concerned, whereas that kind of element can be taken into consideration only when applying Article 7(1)(c) of the regulation.

21 The Office responds to that ground of appeal by stating that Article 7(1)(b) of the regulation pursues an aim which is in the public interest, namely to ensure that the signs concerned are freely available The case-law of the Court of Justice shows that the grounds for refusal laid down in Article 7(1)(b) and (c) of the regulation do indeed pursue such an aim since they preclude non-distinctive signs from being covered by the protection afforded by registration as a trade mark.

22 The Office shares the argument of the appellant that the term concerned must be assessed as a whole and that 'distinctive character' must be understood to mean the ability of a trade mark to identify the goods and services which it designates according to their origin. It considers, however, that the term 'SAT.2' is devoid of any distinctive character because it consists of elements which are not distinctive combined in a customary way and that the Court of First Instance has not misapplied Article 7(1)(b) of the regulation when carrying out the relevant assessment. Furthermore, the contested judgment did not confuse the respective scopes of that provision and that of Article 7(1)(c) of that regulation. Neither is it contradictory, since the Court of First Instance was able to observe, without committing an error of law, that the term was not descriptive within the meaning of Article 7(1)(c) and that it was not, by the same token, distinctive within the meaning of Article 7(1)(b).

Findings of the Court

23 First, the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin (see, in particular, Case 102/77 *Hoffmann-La Roche* [1978] ECR 1139, paragraph 7, and Case C-299/99 *Philips* [2002] ECR I-5475, paragraph 30). Article 7(1)(b) of the regulation is thus intended to preclude registration of trade marks which are devoid of distinctive character which alone renders them capable of fulfilling that essential function.

24 Secondly, in order to determine whether a sign presents a characteristic such as to render it registrable as a trade mark, it is appropriate to take the viewpoint of the relevant public. Where the goods or services with which the registration application is concerned are intended for all consumers, the relevant public must be deemed to be composed of the average consumer, reasonably well-informed and reasonably observant and circumspect (see Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 26, and Case C-104/01 *Libertel* [2003] ECR I-3793, paragraph 46).

25 Thirdly, it is important to observe that each of the grounds for refusal to register listed in Article 7(1) of the regulation is independent of the others and requires separate examination. Moreover, it is appropriate to interpret those grounds for refusal in the light of the general interest which underlies each of them. The general interest to be taken into consideration when examining each of those grounds for refusal may or even must reflect different considerations according to the ground for refusal in question (Joined Cases C-456/01 P and C-457/01 P *Henkel* v *OHIM* [2004] ECR I-5089, paragraphs 45 and 46).

26 As regards the registration as trade marks of colours per se, not spatially delimited, the Court has already ruled, in *Libertel*, paragraph 60, that the public interest underlying Article 3(1)(b) of the 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), a provision which is identical to Article 7(1)(b) of the regulation, is aimed at the need not to restrict unduly the availability of colours for the other operators who offer for sale goods or services of the same type as those in respect of which registration is sought.

27 Furthermore, in view of the extent of the protection afforded to a trade mark by the regulation, the public interest underlying Article 7(1)(b) of the regulation is, manifestly, indissociable from the essential function of a trade mark, as observed in paragraph 23 above.

28 Finally, as regards a trade mark comprising words or a word and a digit, such as that which forms the subject-matter of the dispute, the distinctiveness of each of those terms or elements, taken separately, may be assessed, in part, but must, in any event, depend on an appraisal of the whole which they comprise. Indeed, the mere fact that each of those elements, considered separately, is devoid of distinctive character does not mean that their combination cannot present a distinctive character (see, by analogy, Case C-265/00 *Campina Melkunie* [2004] ECR I-1699, paragraphs 40 and 41, and C-363/99 *Koninklijke KPN Nederland* [2004] ECR I-1619, paragraphs 99 and 100).

29 However, in the present case, the manner in which the Court of First Instance applied Article 7(1)(b) of the regulation reflects a misinterpretation of that provision.

30 First, although it was correctly observed in paragraph 39 of the contested judgment that assessment of the distinctive character of a compound trade mark calls for it to be considered as a whole, the Court of First Instance did not, in fact, base its decision on such an examination.

31 It considered, first of all, in paragraph 41 of the contested judgment, that the Office had proved to the requisite legal standard that the element 'SAT' is the usual abbreviation, in German and in English, for the word 'satellite' and that, as an abbreviation, it did not depart from the lexical rules of those languages. In the same paragraph of that judgment, the Court took the view, furthermore, that it designated a characteristic of most of the services concerned which was likely to be taken into account by the relevant public when making its choice, namely the fact that they have to do with broadcasting via satellite. On the basis of those findings, which it is not for the Court of Justice to call in question in the context of an appeal other than where the clear sense of the evidence is distorted, the Court of First Instance held that the element 'SAT' was devoid of any distinctive character in relation to those services.

32 The Court of First Instance next pointed out, in paragraphs 46 and 47 respectively of the contested judgment, by means of assessments which also do not fall within the purview of the Court of Justice in the context of an appeal, provided that there is no distortion of the clear sense of the evidence, that the element '2' and the element '.' were or could be commonly used, in trade, for the presentation of the goods or services concerned and that those elements were thus devoid of any distinctive character.

33 It concluded from those findings, in paragraph 49 of the contested judgment that 'the fact that a compound trade mark [such as "SAT.2"] consists only of elements devoid of distinctive character generally justifie[d] the conclusion that that trade mark, considered as a whole, is also capable of being commonly used, in trade, for the presentation of the goods or services concerned'.

34 Finally, the Court of First Instance considered, in paragraphs 49 and 50 of the contested judgment, that that conclusion would be invalidated only if concrete evidence, such as, for example, the unusual way in which the various elements are combined, were to indicate that the compound trade mark was greater than the sum of its parts. The Court of First Instance held that the term 'SAT.2' was not combined in an unusual fashion and that 'the appellant's argument that the trade mark applied for, considered as a whole, has an element of imaginativeness, [was] irrelevant'.

35 It is clear from paragraphs 31 to 34 of the present judgment that the Court of First Instance assessed whether the term 'SAT.2' had a distinctive character essentially by means of a separate analysis of each of its elements. To that end, it based itself on the presumption that elements individually devoid of distinctive character cannot, on being combined, present such a character instead of, as it should have done, on the overall perception of that word by the average consumer. It examined the impression as a whole produced by the term only secondarily, refusing to give any relevance to aspects such as the existence of an element of imaginativeness, which ought to be taken into account in such an analysis.

36 Secondly, the contested judgment relies on a criterion according to which trade marks which are capable of being commonly used, in trade, for the presentation of the goods or services in question may not be registered. That criterion is relevant in the context of Article 7(1)(c) of the regulation but it is not the yardstick against which Article 7(1)(b) thereof should be judged. By considering, in particular, at paragraph 36 of the contested judgment, that the later provisions pursued an aim which is in the public interest, which requires that the signs they refer to may be freely used by all, the Court of First Instance deviated from taking into account the public-interest criterion referred to in paragraphs 25 to 27 of the present judgment.

37 In those circumstances, the appellant is justified in arguing that the contested judgment is vitiated by an error of law in its interpretation of Article 7(1)(b) of the regulation.

38 It follows from the foregoing, without there being any need to examine the other ground of appeal alleging disregard for the principle of equal treatment, that the contested judgment must be set aside insofar as the Court of First Instance held that the Second Board of Appeal of the OHIM had not infringed Article 7(1)(b) of the regulation in refusing, by the contested decision, to register as a Community trade mark the term 'SAT.2' in respect of services which, in the registration application, are connected with satellite broadcasting, that is to say the categories mentioned in paragraph 3 of the contested judgment to which the Court of First Instance does not refer in paragraph 42 thereof.

39 According to the second sentence of the first paragraph of Article 61 of the Statute of the Court of Justice, the latter may, where the decision of the Court of First Instance is quashed, itself give final judgment in the matter, where the state of the proceedings so permits. That is the case here.

40 Although the way in which the term 'SAT.2' is made up is not unusual, in particular as regards the perception which the average consumer may have of services falling within the communications industry, and the juxtaposition of a verbal element such as 'SAT' with a digit such as '2', separated by a '.' does not reflect a particularly high degree of inventiveness, those facts are not sufficient to establish that such a word is devoid of distinctive character within the meaning of Article 7(1)(b) of the regulation.

41 Registration of a sign as a trade mark is not subject to a finding of a specific level of linguistic or artistic creativity or imaginativeness on the part of the proprietor of the trade mark. It suffices that the trade mark should enable the relevant public to identify the origin of the goods or services protected thereby and to distinguish them from those of other undertakings.

42 Where a trade mark which does not fall foul of the ground of refusal laid down in Article 7(1)(c) of the regulation is none the less devoid of distinctive character within the meaning of Article 7(1)(b) thereof, the Office must also set out the reasons why it considers that that trade mark is devoid of distinctive character.

43 However, in this case, the Office merely stated in the contested decision that the elements 'SAT' and '2' were descriptive and in current usage in the sector of media-related services, without stating in what way the term 'SAT.2', taken as a whole, was not capable of distinguishing the services of the appellant from those of other undertakings.

44 The frequent use of trade marks consisting of a word and a number in the telecommunications sector indicates that that type of combination cannot be considered to be devoid, in principle, of distinctive character.

45 Moreover, as the appellant has stated, the Office did not rely on that ground for refusal to register laid down in Article 7(1)(b) of the regulation against applications to register trade marks comparable in their structure to the term 'SAT.2', namely by their use of the element 'SAT'.

46 The fact that the element associated with 'SAT' is in this case the digit '2' and a point, rather than another verbal element has, contrary to the Office's contention, no bearing on that analysis. Furthermore, the Office did not, at any stage in the proceedings, give as a reason for the difference in the treatment afforded to the appellant's application the likelihood of confusion between the sign which the latter sought to register and any previously registered trade mark.

47 It follows from all the foregoing considerations that the grounds on which the Second Board of Appeal of the OHIM considered that the term 'SAT.2' is devoid of character within the meaning of Article 7(1)(b) of the regulation are unfounded.

48 In those circumstances, the contested decision must be annulled insofar as the Second Board of Appeal of the OHIM rejected, on the basis of Article 7(1)(b) of the regulation the application to register the term 'SAT.2' as a Community trade mark. Since the Court of First Instance has already held, in the contested judgment, that the contested decision could not be based on Article 7(1)(c) of that provision and, secondly, that the Second Board of Appeal of the OHIM had, in the aforementioned decision, failed to rule in the appeal brought before it so far as concerns the services falling within Class 35, the contested decision must be annulled as a whole.

Costs

49 Under Article 122 of the Rules of Procedure of the Court of Justice, where the appeal is well founded and the Court of Justice itself gives final judgment in the case, the Court is to make a decision as to costs.

50 Under Article 69(2) of the Rules of Procedure of the Court of Justice, which applies to appeals by virtue of Article 118, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. Since the appellant has applied for costs against the Office and the Office has been unsuccessful, the latter party must be ordered to pay the costs both at first instance and on appeal.

On those grounds the Court (Second Chamber) hereby:

1. **Sets aside the judgment of the Court of First Instance of the European Communities of 2 July 2002 in Case T-323/00 *SAT.1* v *OHIM (SAT.2)* [2002] ECR II-2839 inasmuch as the Court of First Instance found that the Second Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) had not infringed Article 7(1)(b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark by refusing, by its decision of 2 August 2000 (Case R 312/1999-2), to register as a Community trade mark the term 'SAT.2' in respect of services which, in the registration application, are connected with satellite broadcasting, that is to say the services referred to in paragraph 3 of the contested judgment to which the Court of First Instance does not refer in paragraph 42 of the contested judgment;**

2. **Annuls the decision of 2 August 2000 of the Second Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs);**

3. **Orders the Office for Harmonisation in the Internal Market (Trade Marks and Designs) to pay the costs incurred in these proceedings and in those before the Court of First Instance.**

Signatures.