JUDGMENT OF THE COURT (First Chamber)

23 March 2006 *

In Case C-206/04 P,

APPEAL under Article 56 of the Statute of the Court of Justice brought on 6 May 2004,

Muehlens GmbH & Co. KG, established in Cologne (Germany), represented by T. Schulte-Beckhausen and C. Musiol, Rechtsanwälte,

appellant,

the other parties to the proceedings being:

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

defendant at first instance,

* Language of the case: English.

Zirh International Corp., established in New York (United States), represented by L. Kouker, Rechtsanwalt,

intervener at first instance,

THE COURT (First Chamber),

composed of P. Jann, President of the Chamber, N. Colneric, J.N. Cunha Rodrigues, M. Ilešič (Rapporteur) and E. Levits, Judges,

Advocate General: D. Ruiz-Jarabo Colomer,
Registrar: M. Ferreira, Principal Administrator,

having regard to the written procedure and further to the hearing on 6 October 2005,

after hearing the Opinion of the Advocate General at the sitting on 10 November 2005,

gives the following

Judgment

1 By its appeal, Muehlens GmbH & Co. KG seeks to have set aside the judgment of the Court of First Instance of the European Communities of 3 March 2004 in

Case T-355/02 *Muehlens* v *OHIM — Zirh International (ZIRH)* [2004] ECR II-791 (hereinafter 'the judgment under appeal'), dismissing its action for annulment of the decision of the Second Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) of 1 October 2002 (Case R 247/2001-2), rejecting the appellant's opposition to the application for registration of the word sign 'ZIRH' (hereinafter 'the contested decision').

Legal framework

2 Article 8(1) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1) provides:

'Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered:

...

(b) 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; the likelihood of confusion includes the likelihood of association with the earlier trade mark.'

3 Article 8(2) of that regulation is in the following terms:

'For the purposes of paragraph 1, "Earlier trade marks" means:

(a) trade marks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the Community trade mark, taking account, where appropriate, of the priorities claimed in respect of those trade marks:

(i) Community trade marks; ...

...'

4 Article 8(1)(b) of Regulation No 40/94 is in terms substantially identical to those of Article 4(1)(b) 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).

Background to the dispute

5 On 21 September 1999, Zirh International Corp. (hereinafter 'Zirh Corp.') applied to OHIM for registration as a Community trade mark of the word sign 'ZIRH' for the goods and services in Classes 3, 5 and 42 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 (hereinafter 'the Nice Agreement').

6 On 24 May 2000, the appellant filed notice of opposition under Article 42 of Regulation No 40/94 to registration of the trade mark for all the goods and services covered by the application. That opposition was based on the existence of an earlier Community trade mark, a mixed word and figurative mark containing the verbal element 'SIR' accompanied by a heraldic figure, which had been registered for goods in Class 3 of the Nice Agreement corresponding to the following description: 'Perfumery, essential oils, cosmetics, hair lotions, dentifrices, soaps' (hereinafter 'the earlier mark').

7 That opposition was rejected by a decision of 29 June 2001 of the Opposition Division, which held, in particular, that even though the goods and services in question might be marketed through the same channels of distribution or in the same points of sale, the differences between the two marks manifestly outweighed the phonetic similarity which could exist between those marks in certain official languages of the European Union, with the result that there is no likelihood of confusion between the two marks.

8 On 10 July 2001, the appellant brought an appeal against that decision before the Second Board of Appeal of OHIM, which, by the contested decision, dismissed the appeal and upheld the Opposition Division's decision, the grounds of which it adopted.

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

9 By application lodged at the Registry of the Court of First Instance on 4 December 2002, the appellant brought an action against the contested decision, seeking its annulment on the basis of a single plea in law alleging misconstruction of the expression 'likelihood of confusion' for the purposes of Article 8(1)(b) of Regulation No 40/94.

10 The Court of First Instance first recalled, in paragraphs 33 to 43 of the judgment under appeal, the applicable legislation and appropriate case-law regarding 'likelihood of confusion' with an earlier trade mark.

11 The Court of First Instance then proceeded to make a global assessment of all relevant factors, bearing in mind, in particular, their distinctive and dominant components, as a result of which it found that the phonetic similarity between the marks in question is to a large extent counteracted. The Court expressed itself in the following terms:

> '44 As regards the visual comparison of the opposing marks, it should be stated, first, that although the verbal elements of those two marks have in common the second and third letters used, namely the letters "ir", the visual differences between them are not negligible in that the first two letters, "s" and "z" respectively, are different. Moreover, those verbal elements are composed of a different number of letters, the letters "ir" being followed by the letter "h" in the trade mark applied for. Furthermore, the verbal sign of the earlier mark is accompanied by a heraldic device, whilst the mark applied for is made up

exclusively of a verbal sign written in ordinary characters. Accordingly, in the global assessment of the signs in question, the existence of elements particular to each sign means that the overall impression of each sign is different.

45 As regards the phonetic similarity, OHIM does not dispute that the verbal elements contained in the two trade marks have similarities in certain official languages of the European Union. As OHIM rightly pointed out at paragraph 26 of its response, in a number of Member States the earlier mark will most probably be pronounced as it is in English because "sir" is a well-known English word, even to non-English speakers. Even if the Community mark applied for can be pronounced in various ways in different languages, it must be held, as OHIM accepts, that the trade marks in question are phonetically similar, at least in the English-speaking countries and in Spain, given that the respective differences between the pronunciations in English and in Spanish are not particularly marked. Accordingly, the marks must be regarded as phonetically similar in those countries.

46 As regards the conceptual comparison between the opposing trade marks, the applicant does not challenge OHIM's findings on this point. As OHIM rightly submitted, there is no conceptual similarity since it is likely that the average consumer in the Member States will think of the English word "sir" given the widespread acquaintance with that word in Europe. Since the word "zirh" has no obvious meaning in any of the 11 official languages of the European Union, the general public will accordingly perceive the word "zirh" as being an invented word. It must for that reason be held that there is no conceptual similarity between the two trade marks.

47 Consequently, there is no visual or conceptual similarity between the trade marks SIR and ZIRH. The trade marks in question are phonetically similar in certain countries. It should be noted in that connection that, according to the

case-law, it is possible that mere phonetic similarity between trade marks may create a likelihood of confusion ([Case C-342/97] *Lloyd Schuhfabrik Meyer* [[1999] ECR I-3819], paragraph 28, and Case T-99/01 *Mystery Drinks* v *OHIM — Karlsberg Brauerei (MYSTERY)* [2003] ECR II-43, paragraph 42).

48 As has already been stated above at paragraphs 39 and 42, it is necessary to make a global assessment of all factors relevant to the circumstances of the case based on the overall impression created by the trade marks in question, bearing in mind, in particular, their distinctive and dominant components.

49 According to the case-law of the Court, the phonetic similarities may be counteracted by the conceptual differences between the trade marks in question. For there to be such a counteraction, at least one of the marks at issue must have, from the point of view of the relevant public, a clear and specific meaning so that the public is capable of grasping it immediately ([Case T-292/01 *Phillips-Van Heusen* v *OHIM — Pash Textilvertrieb und Einzelhandel (BASS)* [2003] ECR II-4335], paragraph 54).

50 In this case that is the position in relation to the verbal element of the earlier trade mark SIR, as has just been pointed out in paragraph 46. That view is not invalidated by the fact that that word mark does not refer to any characteristic of the goods in respect of which the registration of that mark has been made. That fact does not prevent the relevant public from immediately grasping the meaning of that verbal element of the earlier mark. The fact that one of the marks at issue has such a meaning is sufficient — where the other mark does not have such a meaning or only a totally different meaning — to counteract to a large extent the phonetic similarities between the two marks (see, to that effect, *BASS*, ... paragraph 54).

51 In the present case, that counteraction is corroborated by the fact that the marks SIR and ZIRH are also visually different. In that connection, it should be noted, as OHIM rightly stated, that the degree of phonetic similarity between two marks is of less importance in the case of goods which are marketed in such a way that, when making a purchase, the relevant public usually also perceives visually the mark designating those goods (see, to that effect, *BASS*, ... paragraph 55).

52 Contrary to the applicant's submission, that is the position in the present case. The applicant's arguments that the goods covered by the earlier mark are not sold exclusively on sight and that an important channel for the sale of the applicant's products is through perfumeries and hairdressing and beauty salons do not undermine that conclusion.

53 It should be noted in that connection that the applicant has entirely failed to demonstrate that its goods are usually sold in such a way that the public does not visually perceive the mark. The applicant merely submits that one traditional sales channel is through perfumeries and hairdressing and beauty salons, such that the consumer cannot select the product directly but only via a seller.

54 Even if perfumeries and hairdressing and beauty salons are important channels for the sale of the applicant's goods, it is not in dispute that, even in those places, the goods are generally displayed on shelves in such a way that consumers are able to examine them visually. Therefore, even if it is not excluded that the goods in question may also be sold in response to an oral order, that method cannot be regarded as the usual method of sale of those goods.'

12 Therefore the Court of First Instance concluded, in paragraph 55 of the judgment under appeal, that the degree of similarity between the marks at issue is not sufficiently great for the Court to find that the relevant public might believe that the goods concerned come from the same undertaking or, as the case may be, from undertakings that are economically linked and, accordingly, dismissed the appellant's action.

The appeal

13 The appellant is asking the Court to set aside the judgment under appeal, to annul the contested decision and to order OHIM to pay the costs. In support of its appeal, it relies on a single ground of appeal, containing two parts, alleging misconstruction of Article 8(1)(b) of Regulation No 40/94. Each of the two parts sets forth two distinct complaints.

14 OHIM and Zirh Corp. contend that the appeal should be dismissed and the appellant ordered to pay the costs.

The first part of the single ground of appeal (the likelihood of confusion)

The first complaint

— Arguments of the parties

15 The appellant submits that the partial similarity and the partial identity between the goods and services concerned, on the one hand, and the phonetic similarity between

the marks in question, on the other hand, lead to the conclusion that there is a likelihood of confusion between those marks. According to the appellant, who relies in that regard on paragraph 28 of the judgment in *Lloyd Schuhfabrik Meyer*, Article 8(1)(b) of Regulation No 40/94 means that obvious similarity in one of the sensory criteria establishes a likelihood of confusion. In this case, that risk results from the phonetic similarity.

16 OHIM does not dispute the appellant's analysis as regards the similarity of the marks. However, it argues that the effect of *Lloyd Schuhfabrik Meyer* consists solely in the acceptance of the possibility that phonetic similarity can be sufficient to establish the likelihood of confusion.

— Findings of the Court

17 At the outset, it must be noted that, according to the seventh recital in the preamble to Regulation No 40/94, the assessment of the likelihood of confusion depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, and the degree of similarity between the trade mark and the sign and between the goods or services identified.

18 The existence of a likelihood of confusion on the part of the public must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case (see, to that effect, in respect of Directive 89/104 Case C-251/95 *SABEL* [1997] ECR I-6191, paragraph 22, and Case C-425/98 *Marca Mode* [2000] ECR I-4861, paragraph 40).

19 That global assessment must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by those marks, bearing in mind, in particular, their distinctive and dominant components (see, in particular, in respect of Directive 89/104, *SABEL*, paragraph 23, and *Lloyd Schuhfabrik Meyer*, paragraph 25).

20 In that regard, after assessing the overall impression created by the two signs at issue, the Court of First Instance held, in paragraph 47 of the judgment under appeal, that those signs are not visually or conceptually similar but that, on the other hand, they are phonetically similar in certain countries, and did not rule out that such similarity alone could create a likelihood of confusion.

21 It is conceivable that the marks' phonetic similarity alone could create a likelihood of confusion within the meaning of Article 8(1)(b) of Regulation No 40/94 (see, in respect of Directive 89/104, *Lloyd Schuhfabrik Meyer*, paragraph 28). However, it must be noted that the existence of such a likelihood must be established as part of a global assessment as regards the conceptual, visual and aural similarities between the signs at issue. In that regard, the assessment of any aural similarity is but one of the relevant factors for the purpose of that global assessment.

22 Therefore, one cannot deduce from paragraph 28 of the judgment in *Lloyd Schuhfabrik Meyer* that there is necessarily a likelihood of confusion each time that mere phonetic similarity between two signs is established.

23 The Court of First Instance therefore correctly considered the overall impression created by the two signs at issue, as regards their possible conceptual, visual and aural similarities, for the purpose of the global assessment of the likelihood of confusion.

24 It follows that the first complaint in the first part of the single ground of appeal must be rejected as unfounded.

The second complaint

— Arguments of the parties

25 The appellant submits that aural similarity is sufficient to establish a likelihood of confusion if the goods identified by the marks in question are not bought exclusively on sight. As regards the goods concerned, consumers cannot help themselves in a number of shops where they therefore have to ask for them expressly. In addition, those goods are very frequently bought by telephone. According to the appellant, the consumer who has, in all those situations, only a phonetic perception of the mark 'SIR' has no knowledge of the visual characteristics of the goods identified by that mark.

26 OHIM submits that the aural similarity is not decisive in this case because the goods concerned are normally bought on sight. Indeed, it submits that those goods are marketed in such a way that, at the time of sale, the relevant public perceives the mark as identifying those goods visually. Therefore, although it might be possible to refer verbally to the goods concerned, OHIM argues that the channel of distribution requiring an oral request does not represent the typical situation or means of sale of those goods. Consequently, it concludes that there is, in this case, no likelihood of confusion within the meaning of Article 8(1)(b) of Regulation No 40/94.

— Findings of the Court

27 As regards the appellant's second complaint concerning the effect of the methods of marketing the goods in question, it must be stated that the appeal is asking, in reality, that the Court of Justice substitute its own assessment of the facts for that of the Court of First Instance.

28 The Court of First Instance's decision, contained in paragraphs 52 to 54 of the judgment under appeal, according to which the goods concerned are generally sold in such a way as to enable the relevant public to examine them visually, constitutes a finding of fact which is outside the jurisdiction of the Court of Justice to review on appeal. It is clear from the second subparagraph of Article 225(1) EC and the first paragraph of Article 58 of the Statute of the Court of Justice that an appeal lies on points of law only. The Court of First Instance thus has exclusive jurisdiction to find and appraise the relevant facts and to assess the evidence. The appraisal of those facts and the assessment of that evidence thus do not, save where the facts and evidence are distorted, constitute a point of law which is subject, as such, to review by the Court of Justice on appeal (see Case C-37/03 P *BioID* v *OHIM* [2005] ECR I-7975, paragraph 43, and the case-law there cited).

29 Since the appellant has not relied upon any distortion of the facts and evidence submitted to the Court of First Instance, the second complaint in the first part of the single ground of appeal must be rejected as inadmissible.

30 Therefore, it must be held, so far as the first part of the single ground of appeal is concerned, that the Court of First Instance did not misconstrue the effect of Article 8(1)(b) of Regulation No 40/94.

31 It follows from the foregoing considerations that the first part of the single ground of appeal must be rejected as being in part unfounded and in part inadmissible.

The second part of the single ground of appeal (counteraction of aural similarity)

The first complaint

— Arguments of the parties

32 The appellant submits that the point of departure of the Court of First Instance's reasoning, as expressed in paragraphs 48 and 49 of the judgment under appeal, is wrong. According to the appellant, aural similarity cannot be counteracted by visual and conceptual differences.

33 OHIM contends that if the Court approves the reasoning developed by the Court of First Instance in *Phillips-Van Heusen* v *OHIM — Pash Textilvertrieb und Einzelhandel (BASS)*, paragraph 54, according to which the conceptual and visual differences between two marks are likely to counteract their aural similarities provided that at least one of those marks has, from the point of view of the relevant public, a clear and specific meaning, so that the public is capable of grasping it immediately, it should apply it in this case.

— Findings of the Court

34 As has been pointed out in paragraph 19 of this judgment, the global assessment must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by those marks, bearing in mind, in particular, their distinctive and dominant components.

35 That global assessment means that conceptual and visual differences between two signs may counteract aural similarities between them, provided that at least one of those signs has, from the point of view of the relevant public, a clear and specific meaning, so that the public is capable of grasping it immediately (see, to that effect, Case C-361/04 P *Ruiz-Picasso and Others* v *OHIM* [2006] ECR I-643, paragraph 20).

36 Therefore, having stated correctly in paragraphs 48 and 49 of the judgment under appeal that the global assessment also includes the assessment of the distinctive and dominant components of the signs in question and that aural similarities may be counteracted by the conceptual differences between those signs, the Court of First Instance could, without misconstruing the effect of Article 8(1)(b) of Regulation No 40/94, decide that the degree of similarity between the signs at issue is not sufficiently great to find that the relevant public might believe that the goods concerned come from the same undertaking or, as the case may be, from undertakings that are economically linked.

37 It follows that the first complaint in the second part of the single ground of appeal must be rejected as unfounded.

The second complaint

— Arguments of the parties

38 The appellant submits that the essential meaning of the trade mark 'SIR' is clear only if that trade mark is pronounced in the English way. Its pronunciation in every other official language of the European Union is meaningless and constitutes a sign of pure fantasy. Therefore, according to the appellant, the Court of First Instance could not find that, in this case, one of the marks in question has a clear and specific meaning in order to decide that the aural similarity is counter-acted by the conceptual and visual differences between the two marks. The Court of First Instance therefore fell into error of law in the interpretation of Article 8(1)(b) of Regulation No 40/94.

39 OHIM argues that the figurative trade mark 'SIR' involves a clear and specific meaning in the terms of the judgment of the Court of First Instance in *Phillips-Van Heusen* v *OHIM – Pash Textilvertrieb und Einzelhandel (BASS)*, paragraph 54. Therefore, the Court of First Instance did not make an error of law in the interpretation of Article 8(1)(b) of Regulation No 40/94.

— Findings of the Court

40 As regards the appellant's second complaint, relating to the assessment of the conceptual and visual differences of the signs at issue, it must be stated that the appeal is, in reality, asking the Court of Justice to substitute its own assessment of the facts for that of the Court of First Instance.

41 It is sufficient to point out, in that regard, that the Court of First Instance's decision contained in paragraphs 50 and 51 of the judgment under appeal, according to which the visual and conceptual differences between the signs at issue counteract their phonetic similarity, constitutes a finding of fact which is outside the jurisdiction of the Court of Justice to review on appeal. Indeed, it is clear from the second subparagraph of Article 225(1) EC and the first paragraph of Article 58 of the Statute of the Court of Justice that an appeal lies on points of law only. The Court of First Instance thus has exclusive jurisdiction to find and appraise the relevant facts and assess the evidence. The appraisal of those facts and the assessment of that evidence thus do not, save where the facts and evidence are distorted, constitute a point of law which is subject, as such, to review by the Court of Justice on appeal (see *BioID* v *OHIM*, paragraph 43, and the case-law there cited).

42 Since the appellant has not relied upon any distortion of the facts or evidence submitted to the Court of First Instance, the second complaint in the second part of the single ground of appeal must be rejected as inadmissible.

43 Therefore, it must be held that, as regards the second part of the single ground of appeal, the Court of First Instance did not misconstrue the effect of Article 8(1)(b) of Regulation No 40/94.

44 It follows from the foregoing considerations that the second part of the single ground of appeal must be rejected as being in part unfounded and in part inadmissible.

45 Since neither part of the single ground of appeal raised by the appellant in support of its appeal is well founded, the appeal must be dismissed.

Costs

46 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 and Zirh Corp. have applied for costs and the appellant has been unsuccessful, the latter must be ordered to pay the costs.

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

1. Dismisses the appeal;

2. Orders Muehlens GmbH & Co. KG to pay the costs.

[Signatures]