JUDGMENT OF THE COURT OF FIRST INSTANCE (Second Chamber)

3 December 2003 *

In Case T-16/02,

Audi AG, established in Ingolstadt (Germany), represented by L. von Zumbusch, lawyer,

applicant,

v

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

defendant,

ACTION against the decision of the First Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) of 8 November 2001 (Case R 652/2000-1), as rectified by decision of 19 November 2001, on the application for registration of the word mark TDI as a Community trade mark,

* Language of the case: German.

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

composed of: N.J. Forwood, President, J. Pirrung and A.W.H. Meij, Judges,

Registrar: D. Christensen, Administrator,

having regard to the application lodged at the Registry of the Court of First Instance on 30 January 2002,

having regard to the response of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) lodged at the Registry of the Court of First Instance on 21 May 2002,

further to the hearing on 13 May 2003,

gives the following

Judgment

1 On 7 March 1996, the applicant filed an application for a Community word mark at the Office for Harmonisation in the Internal Market (Trade Marks and Designs) ('the Office') 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 The mark in respect of which registration was sought is the word mark TDI.

3 The goods and services in respect of which registration of the mark was sought are in Classes 12 and 37 of the Nice Agreement concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks of 15 June 1957, as revised and amended, and correspond, for each of those two classes, to the following description:

— Class 12: 'Vehicles and constructive parts thereof';

— Class 37: 'Repair and maintenance of vehicles'.

4 By communication of 24 November 1997, the examiner informed the applicant that, under Article 7(1)(b) of Regulation No 40/94, the trade mark was not registrable.

5 By letter of 12 December 1997, the applicant submitted its observations and claimed, in the alternative, that the mark applied for had acquired distinctive character as a result of the use which had been made of it. In addition, it requested that oral proceedings be organised.

6 Following a telephone conversation with the examiner of 16 December 1998, the applicant's representative submitted, by letter of 22 January 1999, a survey of a representative sample of consumers conducted in Germany in August 1996,

statistics on its exports to various countries, including the Member States other than Germany, during the period from 1994 to 1997, sales catalogues and press articles on car tests.

7 By decision of 28 April 2000, the examiner refused the application under Article 38 of Regulation No 40/94 on the ground that, in relation to the goods and services concerned, the word mark TDI was devoid of any distinctive character within the meaning of Article 7(1)(b) of Regulation No 40/94. Moreover, the examiner took the view that the evidence produced by the applicant was insufficient to show that the mark applied for had acquired distinctive character as a result of the use made of it.

8 On 16 June 2000, the applicant brought before the Office an appeal under Article 59 of Regulation No 40/94 against the examiner's decision. In the written statement setting out the grounds of appeal, dated 13 July 2000, the applicant submitted, first, that the examiner's decision had been adopted in breach of the right to be heard. It claimed, in particular, that it had not been given an opportunity to submit its observations on the examiner's finding that the evidence produced in the course of the proceedings was insufficient to establish that the mark applied for had acquired distinctive character as a result of the use made of it. Second, the applicant stated that the examiner's decision was vitiated by an error of assessment since the mark applied for was not devoid of inherent distinctive character. Third, it submitted, in the alternative, that the mark applied for had acquired distinctive character as a result of the use made of it. It claimed, in particular, that the examiner had misinterpreted the documents produced during the proceedings before her and that she had failed to state adequate grounds for her decision. The applicant also put forward arguments intended to show why it was possible to find on the basis of the evidence contained in those documents that the mark applied for had acquired distinctive character through use.

9 By decision of 8 November 2001 ('the contested decision'), which was notified to the applicant on 21 November 2001, the First Board of Appeal dismissed the appeal on the ground that the mark applied for fell within the scope of Article 7(1)(b) and (c) of Regulation No 40/94.

10 The Board of Appeal found, essentially, that, although the examiner's decision was based on Article 7(1)(b) of Regulation No 40/94, it was clear from the grounds stated by the examiner that it was also intended to be based on Article 7(1)(c) of that regulation (paragraph 20 of the contested decision). The Board of Appeal stated, essentially, that the letters 'T', 'D' and 'I' stand for 'turbo', 'diesel' or 'direct' and 'injection'. The Board of Appeal therefore took the view that, despite the two possible meanings of the mark TDI, the average consumer would, immediately and without further reflection, understand it as standing for 'turbo direct injection' or 'turbo diesel injection' and that, therefore, the mark applied for was devoid of distinctive character. According to the Board of Appeal, the use of descriptive abbreviations is common practice in the car industry. Accordingly, the Board of Appeal took the view that the undertakings in that sector had a legitimate interest in being able to use such abbreviations without any restriction (paragraphs 23 to 26 of the contested decision).

11 With respect to the question whether the mark applied for had become distinctive as a result of the use made of it, the Board of Appeal found, essentially, as follows:

'The evidence produced by the applicant was insufficient to show that, at the time the application for registration was lodged, the mark had acquired distinctive character throughout the European Union as a result of the use made of it. [Moreover,] in view of the unitary character of the Community trade mark, the fact that the mark is distinctive in Germany is insufficient, particularly as it is not only the German public which is familiar with the combination of letters "TDI". Nor can it be inferred from any distinctiveness acquired through use of the mark in Germany that the mark applied for has become distinctive on the entire

European market.... in determining whether a mark has become distinctive as a result of the use which has been made of it, account must be taken of all the factors from which it may be inferred that the mark has become capable of being used as an indication of origin [of the goods or services]. Thus, account is to be taken of factors such as the market share held by the mark, how intensive, geographically widespread and long-standing use of that mark has been, the amount invested by the undertaking in its promotion, the proportion of the relevant class of persons who, because of the mark, identify goods or services as originating from a particular undertaking and statements made by chambers of commerce and industry or other trade and professional associations. It is also possible to refer to consumer surveys. Whether the conditions for acceptance of the mark by the relevant trade circles may be regarded as satisfied cannot be shown to exist solely by reference to general, abstract data such as predetermined percentages. Rather that question must be determined on the basis of an examination case by case which takes account of all the evidence submitted.... Consequently, neither the examiner nor the Boards of Appeal or any other division of the Office can inform the applicant in advance of what evidence will be sufficient, in a particular case, to establish that the mark has become accepted in the relevant trade circles.' (Paragraphs 31 to 33 of the contested decision.)

Procedure and the forms of order sought

12 The applicant claims that the Court should:

— annul the contested decision;

— order the Office to pay the costs.

13 The Office contends that the Court should:

— dismiss the action;

— order the applicant to pay the costs.

Law

14 The applicant raises five pleas in support of its action. The first, second and third pleas allege, respectively, infringement of Articles 7(1)(c), 7(1)(b) and 7(3) of Regulation No 40/94. The fourth plea alleges infringement of the right to be heard, which is laid down in Article 73 of Regulation No 40/94. The fifth plea alleges a breach of the duty to state reasons.

The first plea: infringement of Article 7(1)(c) of Regulation No 40/94

Arguments of the parties

15 The applicant disputes that the letters 'T', 'D' and 'I' have specific meanings as initials. Moreover, it observes that the contested decision recognises that, as initials, those letters may stand for very different words and that even the mark

TDI as such may have two different meanings. According to the applicant, that finding is incompatible with the argument that the mark would be understood by the relevant public immediately and without further reflection.

16 Similarly, the applicant objects to the Office's argument that the relevant public, namely the average consumer, will, immediately and without further reflection, understand the mark as standing for 'turbo direct injection' or 'turbo diesel injection'. It argues that the concepts covered by those terms are technically very specific. In addition, it claims that 'turbo diesel injection' is tautologous given that all diesel engines are injection engines. At most, the mark TDI could be an abbreviation of 'turbo direct injection'. However, the applicant states that the mark is not used and understood in that way since it relates to a diesel engine which, in practice, is designated by the term 'diesel engine' and not by the term 'injection engine'.

17 According to the applicant, the associations which the relevant public may be led to make with the different letters of which the mark applied for is composed are vague within the meaning of the judgment in Case T-87/00 *Bank für Arbeit und Wirtschaft* v *OHIM (EASYBANK)* [2001] ECR II-1259, paragraph 31. It argues that it follows from paragraphs 39 and 40 of the judgment in Case C-383/99 P *Procter & Gamble* v *OHIM* [2001] ECR I-6251 that the absolute ground for refusal referred to in Article 7(1)(c) of Regulation No 40/94 is applicable only if the mark TDI, taken as a whole, is directly descriptive. In the applicant's view, that is not the case. Moreover, the applicant observes that, in Case T-193/99 *Wrigley* v *OHIM (DOUBLEMINT)* [2001] ECR II-417, the Court of First Instance took the view that, as a general rule, it is sufficient that one of the components of a mark consisting of two words has a double meaning for it to be excluded that the mark taken as a whole is descriptive. Similarly, it is, the applicant argues, clear from that judgment that, where a mark consists of several components each of which has several meanings, the various combinations give rise to multiple meanings of the mark taken as a whole, which rules out the possibility that that mark may be perceived by the public as a directly descriptive indication.

18 Accordingly, the applicant submits that, since the mark is not descriptive of the goods and services concerned, there is no longer any requirement that that mark remain available to competitors.

19 Finally, the applicant relies on the fact that the word mark TDI has been registered as a national trade mark in Germany, the Benelux countries, France and Italy and as an international trade mark. According to the applicant, those registrations constitute significant evidence that the mark applied for is not descriptive since the national bodies responsible for trade marks each have, as far as their respective area of jurisdiction is concerned, better knowledge than the Office of the terminology usually used in the various territories and language areas of the Community. In that connection, the applicant refers to both Case T-331/99 *Mitsubishi HiTec Paper Bielefeld* v *OHIM (Giroform)* [2001] ECR II-433 and point 8.1.4. of the Office's Examination Guidelines.

20 Referring to paragraph 28 of the judgment in Case T-356/00 *DaimlerChrysler* v *OHIM (CARCARD)* [2002] ECR II-1963, the Office observes that, for the purposes of Article 7(1)(c) of Regulation No 40/94, it must be examined, on the basis of a given meaning of the word mark in question, whether, from the point of view of the intended public, there is a sufficiently direct and specific association between the sign and the categories of goods and services in respect of which registration is sought. In addition, it cites paragraph 30 of that judgment, in which it was found that, in order for a word mark to fall within the scope of Article 7(1)(c) of Regulation No 40/94, it is sufficient that at least one of its possible meanings identifies a feature of the goods or services concerned.

21 The Office takes the view that combinations of letters such as abbreviations, which are not in themselves intelligible words, may also be descriptive provided that the relevant public associates the combination of letters with the notion which it represents. It gives the example of the combination of letters 'SA', which, in the minds of the public, represents the notion of 'société anonyme' (limited company).

22 According to the Office, the Board of Appeal was right to find that the majority of the relevant public understands the abbreviation TDI as meaning 'turbo diesel injection' and that it is therefore descriptive. The fact that, according to the applicant, that abbreviation is meaningless from a technical point of view and that consumers therefore have a false idea of its descriptive content has no bearing on that finding since the descriptiveness of a mark must be assessed from the point of view of the relevant public — in the present case, current and potential buyers of motor cars — and not that of the manufacturer. Similarly, the Office argues that the fact that the sign TDI describes a type of engine and not an entire vehicle is irrelevant as regards the lawfulness of the contested decision since a mark is also descriptive where it describes an essential component of the product.

23 Relying on paragraph 41 of Case T-88/00 *Mag Instrument* v *OHIM (Torch shape)* [2002] ECR II-467, the Office points out that the previous national registrations relied on by the applicant do not bind the Office and cannot be used as evidence. It observes further that registration of the mark TDI was met with criticism in Germany and has been challenged in legal writing.

Findings of the Court

24 First of all, the Board of Appeal was right to find that, although the examiner's decision refers expressly only to Article 7(1)(b) of Regulation No 40/94, it is clear from the grounds for that decision that it was likewise based on Article 7(1)(c) of that regulation (paragraph 20 of the contested decision). Accordingly, in basing its own decision on the latter provision, the Board of Appeal did not, of its own motion, state a new absolute ground for refusal on which it was required to give the applicant a prior opportunity to comment.

25 Under Article 7(1)(c) of Regulation No 40/94, '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' are not to be registered. Moreover, Article 7(2) of Regulation No 40/94 states that 'paragraph 1 shall apply notwithstanding that the grounds of non-registrability obtain in only part of the Community'.

26 Article 7(1)(c) of Regulation No 40/94 prevents the signs or indications referred to by it from being reserved to a single undertaking because they have been registered as trade marks. That provision thus pursues an aim which is in the public interest, namely that such signs or indications may be freely used by all (see, by analogy, Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee* [1999] ECR I-2779, paragraph 25; Joined Cases C-53/01 to C-55/01 *Linde and Others* [2003] ECR I-3161, paragraph 73; and Case C-104/01 *Libertel* [2003] ECR I-3793, paragraph 52).

27 In view of the above, the signs and indications referred to in Article 7(1)(c) of Regulation No 40/94 are those which may serve in normal usage from the point of view of the target public to designate, either directly or by reference to one of their essential characteristics, the goods or services in respect of which registration is sought (*Procter & Gamble*, cited above, paragraph 39). Therefore, the descriptiveness of a sign can be assessed only in the light of the goods or services concerned and of the relevant public's understanding of that sign.

28 In the present case, the Board of Appeal found, in paragraph 26 of the contested decision, that the goods and services concerned are intended to be used by the average consumer, which the applicant did not dispute. The average consumer is deemed to be reasonably well-informed and reasonably observant and circum-

spect (see, to that effect, Case C-342/97 *Lloyd Schuhfabrik Meyer* [1999] ECR I-3819, paragraph 26, and Case T-359/99 *DKV* v *OHIM (EuroHealth)* [2001] ECR II-1645, paragraph 27).

29 As regards the applicant's argument that third parties and, more specifically, its competitors have no need to use the word mark in question to designate the goods and services in respect of which registration is sought, it should be noted that the application of Article 7(1)(c) of Regulation No 40/94 does not depend on there being a real, current and serious need for a sign to be available (see, by analogy, *Windsurfing Chiemsee*, cited above, paragraph 35). Moreover, the public interest underlying Article 7(1)(c) requires that any trade mark which consists exclusively of a sign or indication and which may serve to designate the characteristics of goods or a service within the meaning of that provision be freely available to all and not be registrable (see, by analogy, *Linde*, cited above, paragraph 74). Accordingly, for the purposes of Article 7(1)(c) of Regulation No 40/94, it need only be examined, on the basis of a given meaning of the word mark in question, whether, from the point of view of the relevant public, there is a sufficiently direct and specific association between the mark and the characteristics of the categories of goods and services in respect of which registration is sought.

30 First, the word mark TDI consists of three letters. It is apparent from the documents submitted to the Court by the Office that combinations of letters are commonly used in the motor car industry to describe the characteristics of a vehicle or, more specifically, those of engines. The form of the mark is therefore not unusual.

31 As regards the meaning of the word mark TDI, it is clear from paragraph 26 of the contested decision and the statements made by the Office in its reply that, in the Office's view, that mark is an abbreviation of 'turbo diesel injection' or 'turbo

direct injection'. The applicant is wrong to argue that the word mark in question has no clear and specific meaning. In view of the goods and services in respect of which registration is sought and the relevant public's understanding of the mark, the meanings identified by the Board of Appeal are correct.

32 That finding is not affected by the applicant's argument that none of the letters 'T', 'D' or 'I' has a specific meaning since, as initials, each of them may evoke very different words. The meaning of a word mark must be examined on the basis of the mark as such, that is to say, by considering it as a whole. That also applies where, as in the case of the mark applied for, a word mark is composed of a combination of several free-standing letters. Accordingly, it is irrelevant for the purposes of assessing the meaning of such a word mark whether the various letters of which the mark is composed, considered separately, also have a clear and specific meaning. The same is true of the question whether other combinations of those letters, regardless of whether other letters are added, have such a meaning.

33 Second, even assuming that it is correct from a technical point of view, the applicant's argument that 'turbo diesel injection' is tautologous is likewise irrelevant. For the purposes of assessing the descriptiveness of a word mark, account need only be taken of the point of view of the relevant public, which, in the present case, is unlikely to have the technical knowledge necessary to detect that that term is tautologous. The fact that a word mark is tautologous does not mean that it has no clear and specific meaning. Moreover, the applicant itself concedes that the mark TDI may stand for 'turbo direct injection' while at the same time claiming that this is not how it is used and understood since it relates to a diesel engine which, in practice, is designated by the term 'diesel engine' and not 'injection engine'. However, that argument merely confirms the Office's contention that, from the point of view of the relevant public, the mark TDI may stand for 'turbo diesel injection'.

34 The contested decision contains no information regarding the nature of the link between the word mark TDI and the goods and services in respect of which registration is sought. However, it is the quality of the first category of goods referred to in the trade mark application, namely vehicles, which is designated by the word mark. Being equipped with a 'turbo diesel injection' or 'turbo direct injection' engine is an essential characteristic of a vehicle. As regards the second category (constructive parts for vehicles), the word mark TDI designates the type of goods.

35 The word mark TDI designates the intended use of the repair and maintenance services in respect of which registration is sought. It is true, in this connection, that those categories of service may well also include services which are not linked to vehicles equipped with a TDI engine and that, therefore, the word mark is not descriptive of all the services in those categories. Nevertheless, the applicant sought registration of the word mark in question in respect of all the services as a whole. The assessment made by the Board of Appeal must therefore be confirmed in so far as it relates to those services as a whole (see, to that effect, *EuroHealth*, cited above, paragraph 33).

36 In that context, contrary to what the applicant claims, it is irrelevant that the word mark TDI may have two different meanings. Having regard to each of its possible meanings, the word mark designates, in the minds of the relevant public, a characteristic of the goods and services concerned which that public is likely to take into account when making its choice. That finding remains valid even where, for a certain section of the relevant public, only one of the two possible meanings of the word mark TDI comes to mind. In order for a word mark to fall within the scope of Article 7(1)(c) of Regulation No 40/94, it is sufficient that, from the point of view of the relevant public, at least one of its possible meanings identifies a feature of the goods or services concerned (*CARCARD*, cited above, paragraph 30; see also the Opinion of Advocate General Jacobs in Case C-191/01 P *OHIM* v *Wrigley* [2003] ECR I-12447, I-12449 paragraphs 42 to 47).

37 Consequently, from the point of view of the relevant public, there is a sufficiently direct and specific link between the word mark TDI and the characteristics of the goods and services in respect of which registration is sought. That finding is borne out by the fact that, in certain promotional publications, the applicant itself uses the word mark to describe the different models of vehicles which it sells. Thus, one advertisement, which is reproduced in Annex K8 to the application and concerns the A2 model, is worded as follows: 'Un' auto interamente in alluminio, da oggi anche in versione TDI' (a car made entirely of aluminium, now also available as TDI). Similarly, in another advertisement, reproduced in Annex K8 to the application, the engine of the model A6 is presented as the 'first V 6 TDi engine'.

38 In paragraph 31 of the contested decision, the Board of Appeal implied that the word mark TDI is descriptive of the goods and services concerned in the entire Community. That assessment is correct. Since the vehicles are, in principle, sold under the same names on the entire internal market, there is no difference between the various parts of the Community in terms of the relevant public's understanding of the meaning of a word mark of this kind — and in particular of the mark TDI — and of the link between that mark and the goods and services in respect of which registration is sought.

39 It follows that the Board of Appeal did not err in law in finding that, from the point of view of the relevant public, the word mark TDI may serve to designate, within the meaning of Article 7(1)(c) of Regulation No 40/94, the essential characteristics of the goods and services in respect of which registration is sought.

40 As regards the registrations of the word mark TDI as a national trade mark in several Member States, on which the applicant relies, it should be observed that the Community trade mark regime is an autonomous system with its own set of rules which has objectives peculiar to it and which applies independently of any national system (Case T-32/00 *Messe München* v *OHIM (electronica)* [2000]

ECR II-3829, paragraph 47, and Case T-91/01 *BioID* v *OHIM (BioID)* [2002] ECR II-5159, paragraph 45). Accordingly, the registrability of a sign as a Community trade mark can be assessed only on the basis of the relevant Community rules. The Office and, as the case may be, the Community judicature are not bound by a decision adopted by a Member State or a non-member country recognising that sign as registrable as a national trade mark. That is the case even where that decision has been taken in accordance with national legislation harmonised under 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). The applicant's arguments based on the abovementioned registrations are therefore irrelevant. Moreover, the applicant has put forward no substantive argument which could be derived from those national decisions and relied on in support of the plea raised.

41 It follows that the plea alleging infringement of Article 7(1)(c) of Regulation No 40/94 must be rejected.

The third plea: infringement of Article 7(3) of Regulation No 40/94

Arguments of the parties

42 The applicant challenges the reasoning contained in the examiner's decision that the fact that an undertaking uses only — or much more frequently than others — a particular descriptive indication, which means that a large section of the relevant public associates that indication with that undertaking, is insufficient to enable it to have that indication registered as a trade mark.

43 The applicant claims that it is clear from the survey which it submitted during the proceedings before the examiner that, contrary to the way in which the examiner interpreted that survey, when the application for registration of the mark was lodged, that is to say, in 1996, 30% of those interviewed associated the mark TDI with the applicant's undertaking and, generally, 65% were familiar with the mark. The applicant adds that these figures are high and are reached by only a very small number of marks. Moreover, the applicant argues that the levels of acceptance of its mark in the other Member States, particularly France and Italy, were and are comparable with the level of acceptance in Germany since sales and advertising expenditure were also comparable.

44 In that connection, the applicant submits that since 1990 it has made considerable use of the mark applied for. It thus claims to have sold, up to the end of 1996, 426 353 vehicles under that mark in the entire Community, which is equivalent to a turnover of approximately EUR 10.6 billion. According to the applicant, the figures for the period beyond the end of 2001 amount to 1 611 337 vehicles, which is equivalent to a turnover of approximately EUR 45 billion. In addition, the applicant maintains that the annual advertising expenditure incurred by it for the sale of its vehicles under the mark in question amounts, in Germany, to several tens of millions of German marks (DEM) and, in the other Member States, such as France, the United Kingdom, Italy and Spain, to several millions of German marks. Finally, it claims to hold throughout the Community a 5% share of the market for cars equipped with a diesel engine, which, it argues, is tantamount to the position of market leader in that market sector.

45 Moreover, the applicant claims that, in order to assess the proportion of the relevant public able to perceive a mark as indicating the trade origin of the goods or services concerned ('the degree of market acceptance'), account must also be taken of the use made of the mark by other undertakings either by virtue of a licence or, in the case of undertakings belonging to the same group as the applicant for the mark, by virtue of a simple authorisation. In the present case, account must, in the appellant's view, be taken of the use made of the mark applied for by the undertakings in the Volkswagen group, namely Volkswagen, Seat and Skoda. The applicant claims that, throughout the Community, those

undertakings have sold under the mark applied for 475 266 vehicles up to the end of 1996 and 2 185 174 vehicles up to the end of 2000. Moreover, according to the applicant, the advertising expenditure incurred in Germany by the undertakings in the Volkswagen group for the purpose of selling vehicles under the mark applied for amounted to approximately DEM 4.4 million in 1995, DEM 18.9 million in 1996, DEM 2.9 million in 1997, DEM 2.7 million in 1998, DEM 29.2 million in 1999 and DEM 28.4 million in 2000. Further, the applicant states that, at least since 1995, those undertakings have spent several million German marks per annum on advertising in each of the larger Member States.

46 As a precaution, the applicant seeks from the Court an order that, as measures of inquiry in relation to the fact that the mark TDI has acquired distinctive character through the use made of it in the European Community, Mr Klaus le Vrang be heard as a witness and a survey be organised.

47 The Office points out that a mark need have acquired distinctive character only in the territory in which there is a ground for refusal of registration. As regards the degree of acceptance, it submits that the case-law has not as yet laid down any precise criteria. It points out that, in paragraph 52 of the judgment in *Windsurfing Chiemsee*, the Court held that the conditions for registration of a mark, as laid down in Article 3(3) of the First Directive 89/104, are satisfied where the relevant class of persons, or at least a significant proportion thereof, associates the mark in question with a particular undertaking but stated that that cannot be established only by reference to general, abstract data such as predetermined percentages. In that context, the Office argues that, even if this is not clear from the *Windsurfing Chiemsee* judgment, in the case of a mark consisting of a single figure or a single letter, the degree of acceptance claimed must be greater than in the case of indications which are descriptive only of certain characteristics of the goods and services.

48 In the present case, the Office submits that, by the survey produced by it, the applicant has shown that a maximum of 22% of those questioned associate the mark TDI with a particular undertaking or several undertakings belonging to the same group. The Office shares the view taken by the examiner and by the Board of Appeal that that figure is too low to serve as a basis for any conclusions as to the degree of acceptance of the mark. According to the Office, the examiner was likewise entitled to extrapolate that figure in order to determine the position of the applicant in the other Member States and to conclude that the percentages in those states would probably be even lower. It adds that that assessment is not affected by either the advertising expenditure or the turnover relied on by the applicant.

49 According to the Office, the same is true of the new documents annexed to the application with a view to proving the degree of acceptance of the mark applied for, even assuming that their production before the Court is admissible. The Office states that, while the figures in those documents prove that the applicant has been very active in the field of advertising and sales, they do not, however, show that there was a greater degree of acceptance of the mark applied for at the time when the application for registration was filed than at the time when the survey was conducted.

Findings of the Court

50 Under Article 7(3) of Regulation No 40/94, the absolute grounds for refusal of registration laid down in Article 7(1)(b) to (d) do not preclude registration of a mark if, in respect of the goods or services for which registration is sought, it has acquired distinctive character as a result of the use which has been made of it. In the case provided for in Article 7(3), the fact that the sign of which the mark in question consists is actually perceived by the relevant public as an indication of the trade origin of the goods or service is the result of the economic effort made

by the trade mark applicant. That fact justifies putting aside the public-interest considerations underlying Article 7(1)(b) to (d), which require that the marks referred to in those provisions may be freely used by all in order to avoid conceding an unjustified competitive advantage to a single trader (Case T-323/00 *SAT.1* v *OHIM (SAT.2)* [2002] ECR II-2839, paragraph 36).

51 First, it is clear from the case-law on the interpretation of Article 3(3) of First Directive 89/104, the substantive content of which is, essentially, identical to that of Article 7(3) of Regulation No 40/94, that the acquisition of distinctive character through use of the mark requires that at least a significant proportion of the relevant public identifies the goods or services as originating from a particular undertaking because of the trade mark. However, the circumstances in which that requirement for acquisition of distinctive character through use may be regarded as satisfied cannot be established solely by reference to general, abstract data such as predetermined percentages (see, to that effect, *Windsurfing Chiemsee*, paragraph 52, and Case C-299/99 *Philips* [2002] ECR I-5475, paragraphs 61 and 62).

52 Second, in order to have the registration of a trade mark accepted under Article 7(3) of Regulation No 40/94, the distinctive character acquired through the use of that trade mark must be demonstrated in the substantial part of the Community where it was devoid of any such character under Article 7(1)(b), (c) and (d) of that regulation (Case T-91/99 *Ford Motor* v *OHIM (OPTIONS)* [2000] ECR II-1925, paragraph 27).

53 Third, when assessing in a particular case whether distinctive character has been acquired through use, account must be taken of factors such as, inter alia, the market share held by the mark, the intensity, geographical scope and duration of the use of the mark and the amount invested by the undertaking in promoting the

mark. Proof that distinctive character has been acquired may, in particular, be found in statements made by chambers of commerce and industry or other trade and professional associations or in the results of surveys (see, to that effect, *Windsurfing Chiemsee*, paragraphs 51 and 53, and *Philips*, cited above, paragraph 60).

54 Fourth, the mark must have acquired distinctive character through use before the application for registration is filed (Case T-247/01 *eCopy* v *OHIM (ECOPY)* [2002] II-5301, paragraph 36).

55 The question whether, in the present case, the Board of Appeal erred in law in finding that the mark applied for could not be registered under Article 7(3) of Regulation No 40/94 must be examined in the light of those considerations.

56 As has been pointed out in paragraph 38 above, the absolute ground for refusal of registration of the mark applied for, laid down in Article 7(1)(c) of Regulation No 40/94, applies throughout the Community. Accordingly, in order to be registrable under Article 7(3), that mark must have become distinctive through use in the entire Community.

57 During the administrative procedure before the Office, the applicant implied, in its letter addressed to the examiner of 22 January 1999, that the mark applied for had become distinctive through the use made of it throughout the Community. It reiterated that claim in the statement setting out the grounds of its appeal before the Office, dated 13 July 2000.

58 First of all, as regards the markets in the Member States other than Germany, the applicant merely produced, during the administrative procedure before the Office, statistics on its exports to various countries, including Member States other than Germany, during the period 1994 to 1997, sales catalogues and press articles on car tests. Moreover, the survey produced by the applicant relates solely to the German market.

59 In paragraph 31 of the contested decision, the Board of Appeal found, implicitly and without stating detailed reasons for the finding, that the evidence submitted was insufficient to show that, at the time when the application for registration was filed, the mark applied for had become distinctive through the use made of it in the Member States other than Germany.

60 However, the applicant has submitted no evidence on the basis of which it might be concluded that that finding is incorrect. It cannot be found on the sole basis of the sales figures produced by the applicant, which, moreover, in no way indicate the market share held by the mark applied for, that, in the Member States other than Germany, the relevant public, or at least a considerable proportion thereof, perceives the mark as indicating the trade origin of the goods and services concerned. The same is true of the sales catalogues and press articles.

61 However, in its application, the applicant relies on new facts in order to substantiate its argument that the mark applied for has in fact become distinctive through use in the entire Community. More specifically, it relies on the number of vehicles sold under the mark applied for between 1990 and 2001, the corresponding turnover and the amount spent per annum on advertising to promote the sale of its vehicles bearing that mark. Finally, it claims to hold throughout the Community a 5% share of the market for cars equipped with a diesel engine, which, it argues, is tantamount to the position of market leader in

that market sector. Moreover, as a precaution, it seeks an order from the Court that, as measures of inquiry, one of its employees, Mr Klaus le Vrang, be heard as a witness and a survey be organised.

62 It must be held that reliance on those facts is ineffective.

63 First of all, in accordance with settled case-law, the legality of a Community measure must be assessed on the basis of the elements of fact and of law existing at the time when the measure was adopted (Case T-123/97 *Salomon* v *Commission* [1999] ECR II-2925, paragraph 48, and Case T-126/99 *Graphischer Maschinenbau* v *Commission* [2002] ECR II-2427, paragraph 33). Moreover, under Article 63(2) of Regulation No 40/94, a decision of the Board of Appeal may be annulled or altered only where it is substantially unlawful or has been given in breach of a procedural requirement. The sole purpose of an action before the Community judicature is thus to review the legality of the decision of the Board of the Appeal and not to reopen the case. Therefore, the legality of a decision of the Board of Appeal cannot, in principle, be called into question by submission to the Court of facts which, although they occurred before that decision was adopted, were not relied on during the administrative procedure before the Office. It would be otherwise only if it were shown that the Board of Appeal ought, of its own motion, to have taken account of those facts during the administrative procedure and before giving a ruling on the case.

64 It should be observed that the Board of Appeal is required to take account of a fact which may be relevant to the assessment of whether distinctiveness has been acquired through use only where the trade mark applicant has relied on that fact during the administrative procedure before the Office (*ECOPY*, cited above, paragraph 47).

65 In the present case, the facts referred to in paragraph 61 above were not relied on during the administrative procedure before the Office. Accordingly, those facts, even if established, cannot cast doubt on the legality of the contested decision. As pointed out in paragraph 61 above, reliance on them must therefore be regarded as ineffective.

66 Moreover, for the reasons set out in paragraph 60 above, it cannot be shown on the basis of those facts that the mark applied for has become distinctive through the use made of it in the Member States other than Germany. More specifically, even if it were established that, as the applicant claims, it holds throughout the Community a 5% share in the market for vehicles equipped with a diesel engine, it likewise cannot be found on that basis that, in the Member States other than Germany, the relevant public, or at least a considerable proportion thereof, perceives the mark as indicating the trade origin of the goods and services concerned. In addition, the facts occurring after the application for registration was filed, that is to say, after 7 March 1996, are irrelevant to the assessment of whether distinctiveness has been acquired through use on account of the rule referred to in paragraph 54 above.

67 Nor is it necessary, for the reasons stated in paragraphs 62 to 65 above, to order the measures of inquiry sought by the applicant. The Office is required to take account of evidence intended to establish that the mark claimed has become distinctive through use only if the applicant for the mark produced that evidence during the administrative procedure before it (*ECOPY*, paragraph 48).

68 The applicant has therefore failed to establish that the mark applied for has become distinctive as a result of the use made of it in the Member States other than Germany. That finding is sufficient for the plea alleging infringement of Article 7(3) of Regulation No 40/94 to be rejected and it is unnecessary to examine whether the applicant has established that the mark applied for has become distinctive as a result of the use made of it in Germany.

The fourth plea: infringement of the right to be heard

Arguments of the parties

69 The applicant submits that the Office infringed its right to be heard, which is laid down in Article 73 of Regulation No 40/94. According to the applicant, the examiner, during a telephone conversation, called on it to provide certain documents and thereby gave it to understand that the mark applied for would be registered under Article 7(3) of Regulation No 40/94 once those documents had been provided. In the applicant's view, the Office ought to have informed it that it considered the documents provided to be insufficient so that it could submit additional evidence. Moreover, the Office ought to have told it that, as is clear from paragraph 31 of the contested decision, it required evidence that the mark applied for had become distinctive as a result of the use made of it in the entire Community.

70 The Office contends that the alleged infringement of the right to be heard relied on by the applicant relates to the proceedings before the examiner and not those before the Board of Appeal. Accordingly, it claims that, in any event, the Board of Appeal did not infringe the right to be heard since it examined in full the facts, pleas and arguments put forward by the applicant.

Findings of the Court

71 Under Article 73 of Regulation No 40/94, decisions of the Office may be based only on reasons on which the parties concerned have had on opportunity to present their comments. That article relates to both factual and legal reasons and to the evidence.

72 First of all, the Office's argument that the alleged infringement of the right to be heard relied on by the applicant relates to the proceedings before the examiner and not to those before the Board of Appeal is irrelevant. In the statement setting out the grounds of its appeal, the applicant claimed that it had not been given an opportunity to present its comments on the examiner's finding that the evidence submitted during the proceedings before her was insufficient to show that the mark applied for had become distinctive as a result of the use made of it. Therefore, by the present plea, the applicant is in reality complaining that the Board of Appeal failed to annul the examiner's decision despite the alleged procedural error vitiating that decision.

73 The examiner based her decision on the fact that only 22% of those questioned associated the mark applied for with a particular undertaking. That was apparent from the survey which the applicant itself produced. It was when making her final assessment of that fact in the light of Article 7(3) of Regulation No 40/94 that the examiner found that the condition for acquisition of distinctive character through use was not satisfied in the present case.

74 In those circumstances, the examiner was under no obligation to hear the applicant as regards the assessment of the factual evidence which formed the basis for her decision.

75 Assessment of the facts is a part of the decision-making act itself. The right to be heard covers all the factual and legal evidence which forms the basis for the decision-making act but not the final position which the administration intends to adopt (see, to that effect, Joined Cases T-129/95, T-2/96 and T-97/96 *Neue Maxhütte Stahlwerke and Lech-Stahlwerke* v *Commission* [1999] ECR II-17, paragraph 231).

76 Since the examiner was not therefore under an obligation to hear the applicant on the assessment of the facts which formed the basis of her decision, that decision was not adopted in breach of the right to be heard.

77 However, in its application, the applicant claimed that, during a telephone conversation, the examiner had informed it that the mark would be registered under Article 7(3) of Regulation No 40/94 if it were able to produce certain documents relating to the acquisition of distinctiveness through use. Nevertheless, according to paragraph 19 of the contested decision, the examiner merely told the applicant 'which documents might, in principle, come into question [for the purpose of proving that the mark applied for is accepted by the relevant public]' ('welche Unterlagen [zur Glaubhaftmachung der Verkehrsdurchsetzung] grundsätzlich in Frage kommen können'). The applicant has not challenged that finding. At the hearing, it conceded, in response to a question put by the Court, that the examiner had not stated that the documents in question would, in principle, be regarded as sufficient to enable the mark to be registered in accordance with Article 7(3) of Regulation No 40/94.

78 First, it is open to the bodies of the Office, at least in procedures involving only one party, to make use of telephone conversations in order to facilitate the proper conduct of the procedure.

79 Second, in the present case, in view of the content of the conversation, as it has now been admitted by both parties, the examiner did not give the applicant reason to entertain false hopes, which means that the principle of protection of legitimate expectations did not require that she warn the applicant of the legal assessment she was intending to make of the facts apparent from those documents.

80 In any event, even if the examiner's decision had been adopted in breach of the right to be heard, the Board of Appeal would nevertheless have been under no obligation to annul it on that ground alone in the absence of any unlawfulness as to the substance.

81 Given the continuity in terms of their functions between the examiner and the Boards of Appeal (Case T-163/98 *Procter & Gamble* v *OHIM (BABY-DRY)* [1999] ECR II-2383, paragraphs 38 to 44, and Case T-63/01 *Procter & Gamble* v *OHIM (Soap bar shape)* [2002] II-5255, paragraph 21), the Boards of Appeal of the Office have jurisdiction to review the decisions given by the departments of the Office ruling at first instance. In the context of that review, the outcome of the appeal depends on whether a new decision with the same operative part as the decision under appeal may be lawfully adopted at the time of the ruling on the appeal. Thus, even where the decision under appeal is in no way unlawful, the Board of Appeal may grant the appeal on the basis of new facts relied on by the party which brought the appeal or on the basis of new evidence submitted by that party, subject only to Article 74(2) of Regulation No 40/94.

82 Accordingly, where a new decision with the same operative part as the decision under appeal may be adopted at the time of the ruling on the appeal, that appeal must, in principle, be dismissed even if the decision under appeal is unlawful on account of a procedural error. That applies even in the event that, as a result of such an error, the legal or factual basis for the first decision is incomplete because the party concerned was prevented from relying on a legal rule or from introducing new facts or evidence to the proceedings. Such an error may be rectified on appeal since the Board of Appeal is obliged, save where new facts or evidence are submitted in the course of the appeal proceedings, to base its decision on the same legal and factual basis as that on which the department giving the ruling at first instance ought to have based its decision. Thus, save only for the reservation in Article 74(2) of Regulation No 40/94, there is no division

between the procedure before the department ruling at first instance and that before the Board of Appeal. The Office is correct to state that, in the present case, the Board of Appeal examined in full the facts, pleas and arguments put forward by the applicant.

83 In light of the arguments stated in paragraphs 24 to 68 above, it appears, in the present case, that a decision with the same operative part as that of the examiner, namely refusal of the application for registration of the mark, could have been adopted when the ruling on the appeal was given. Accordingly, even if the examiner's decision had been adopted in breach of the right to be heard, the Board of Appeal would nevertheless have been under no obligation to annul it.

84 It follows that the plea alleging infringement of the right to be heard must be rejected.

The fifth plea: infringement of the duty to state reasons

Arguments of the parties

85 The applicant claims that, notwithstanding the requirements laid down in Rule 50(2)(h) of Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing Regulation No 40/94, the statement of reasons given for the contested decision was inadequate. The applicant submits, first, that, in paragraph 31 of the contested decision, the Board of Appeal merely found, with regard to the application of Article 7(3) of Regulation No 40/94, that the evidence produced by the applicant was insufficient without stating the reasons on which that finding was based. Second, the applicant states that only the German-speaking area is referred to expressly in the reasoning set out in

paragraphs 25 and 26 of the contested decision with respect to the lack of inherent distinctiveness of the mark applied for. According to the applicant, the contested decision does not contain an adequate statement of reasons as to why the evidence of the acquisition of distinctive character through use was required in respect of the entire Community market.

86 The Office states that the Board of Appeal confirmed the examiner's findings as regards the application of Article 7(3) of Regulation No 40/94. According to the Office, the Board of Appeal therefore adopted the reasoning contained in the examiner's decision in relation to that point. The Office submits that it is clear from that decision that the examiner took the view that the survey produced by the applicant did not reveal a sufficient degree of public awareness for it to be possible to find that the mark applied for had become distinctive through use, even in respect solely of the German market.

Findings of the Court

87 Under Article 73 of Regulation No 40/94, the decisions of the Office are to state the reasons on which they are based. In addition, Rule 50(2)(h) of Regulation No 2868/95 provides that the Board of Appeal's decision is to contain the reasons. The scope of the duty to state reasons thus laid down is the same as that arising from Article 253 EC.

88 It is settled case-law that the statement of reasons required under Article 253 EC must show in a clear and unequivocal manner the reasoning of the author of the act. That duty has two purposes: to allow interested parties to know the justification for the measure so as to enable them to protect their rights and to enable the Community judicature to exercise its power to review the legality of

the decision (see, in particular, Case C-350/88 *Delacre and Others* v *Commission* [1990] ECR I-395, paragraph 15, and Case T-188/98 *Kuijer* v *Council* [2000] ECR II-1959, paragraph 36).

89 Moreover, it is clear from the case-law that the context in which the decision was taken, which is characterised, in particular, by exchanges between the author of the decision and the party concerned, may make the requirements imposed by the duty to state reasons more stringent in certain circumstances (*Kuijer*, cited above, paragraphs 44 and 45).

90 In the present case, the mark applied for would have been registrable under Article 7(3) of Regulation No 40/94 only if it had become distinctive through use in the entire Community (see paragraph 56 above). The Board of Appeal was therefore under an obligation, at least as regards a substantial part of the Community, to state why it was not possible to find on the basis of the evidence produced by the applicant that the mark had become distinctive through use in the entire Community.

91 Those requirements are not satisfied by either the grounds for the contested decision which state generally that it was not possible to find on the basis of the evidence produced by the applicant that, at the time the application was filed, the mark had become distinctive in the entire European Union as a result of the use made of it (first sentence of paragraph 31 of the contested decision) or those by which the Board of Appeal stated that, in view of the unitary character of the Community trade mark, the possibility that the mark is distinctive in Germany was insufficient (second sentence in paragraph 31 of the contested decision). The same is true of the grounds for the contested decision which reiterate the criteria developed in the case-law of the Court of Justice for assessing whether distinctiveness has been acquired through use (paragraph 32 of the contested decision).

92 Unlike the statement of reasons contained in the examiner's decision, that given by the Board of Appeal implicitly left open the question whether the mark applied for had become distinctive as a result of the use made of it in Germany (second and third sentences in paragraph 31 of the contested decision). As regards the possibility that it has become distinctive as a result of the use made of it in the other Member States, the Board of Appeal merely stated that it was not possible to infer from any distinctiveness acquired in Germany that the mark applied for had also become distinctive on the entire European market (third sentence in paragraph 31 of the contested decision).

93 However, in the statement setting out the grounds of its appeal before the Office, the applicant criticised, in particular, the fact that the examiner had misinterpreted the evidence produced in the course of the proceedings before her. In addition, it asserted that the examiner's argument that the degree of acceptance of the mark applied for in the Member States other than Germany was probably less than the degree of acceptance apparent from the survey conducted in Germany did not constitute adequate reasoning. Finally, it submitted arguments intended to show that it was possible to find, on the basis of the evidence produced in the course of the proceedings before the examiner, that the mark applied for had become distinctive through the use made of it in the Member States other than Germany.

94 Accordingly and in the light of the principle referred to in paragraph 89 above, the Board of Appeal ought to have rejected, at least in summary form, the arguments put forward by the applicant against the grounds stated in the examiner's decision and, in particular, stated why it was not possible to find on the basis of the evidence produced during the proceedings before the examiner that the mark applied for had become distinctive as a result of the use made of it in the Member States other than Germany.

95 By failing to provide such explanations, the Board of Appeal failed to comply with the duty to state reasons incumbent upon it under Article 73 of Regulation No 40/94 and Rule 50(2)(h) of Regulation No 2868/95.

96 However, that finding is not sufficient to entail the annulment of the contested decision.

97 Applicants have no legitimate interest in the annulment of a decision on the ground of a procedural defect where annulment of the decision can only lead to the adoption of another decision identical in substance to the decision annulled (see, to that effect, Case 117/81 *Geist* v *Commission* [1983] ECR 2191, paragraph 7; Case T-43/90 *Díaz García* v *Parliament* [1992] ECR II-2619, paragraph 54; and Case T-261/97 *Orthmann* v *Commission* [2000] ECR-SC I-A-181 and II-829, paragraphs 33 and 35). In the present case, it is clear from paragraph 68 above that it has not been established that the mark applied for has become distinctive through use in accordance with Article 7(3) of Regulation No 40/94.

98 Accordingly, the applicant has no legitimate interest in annulment of the contested decision, which is unlawful only as a result of a breach of the duty to state reasons and annulment of which could therefore lead only to the adoption of a new decision identical in substance.

99 The present plea must therefore be rejected as irrelevant.

100 Accordingly, it is unnecessary to examine the plea alleging infringement of Article 7(1)(b) of Regulation No 40/94. According to well-established case-law, it is sufficient for one of the absolute grounds of refusal to apply for the sign to be unable to be registered as a Community trade mark (Case T-24/00 *Sunrider* v *OHIM (VITALITE)* [2001] ECR II-449, paragraph 28, and *BioID*, cited above, paragraph 50).

101 Consequently, the action must be dismissed.

Costs

102 Under Article 87(2) of the Rules of Procedure of the Court of First Instance, the unsuccessful party is to be ordered to pay the costs if they have been applied for in the successful party's pleadings. However, under the first subparagraph of Article 87(3) of the Rules of Procedure, the Court may order that the costs be shared where the circumstances are exceptional.

103 In the present case, the applicant has been unsuccessful but the contested decision is unlawful on the ground of a breach of the duty to state reasons. Therefore, the applicant must be ordered to bear three quarters of its own costs and pay three quarters of those of the Office and the Office must be ordered to bear one quarter of its own costs and pay one quarter of those of the applicant.

On those grounds,

THE COURT OF FIRST INSTANCE (Second Chamber)

hereby:

1. **Dismisses the action;**

2. **Orders the applicant to bear three quarters of its own costs and pay three quarters of those incurred by 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 bear one quarter of its own costs and pay one quarter of those incurred by the applicant.**

Forwood Pirrung Meij

Delivered in open court in Luxembourg on 3 December 2003.

H. Jung J. Pirrung

Registrar President