JUDGMENT OF THE COURT
29 September 1998 *

In Case C-39/97,

REFERENCE to the Court under Article 177 of the EC Treaty by the Bundesgerichtshof (Germany) for a preliminary ruling in the proceedings pending before that court between

Canon Kabushiki Kaisha

and

Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation,

on the interpretation 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),

THE COURT,

composed of: G. C. Rodríguez Iglesias, President, C. Gulmann (Rapporteur), H. Ragnemalm, M. Wathelet and R. Schintgen (Presidents of Chambers), P. J. G. Kapteyn, J. L. Murray, D. A. O. Edward, G. Hirsch, P. Jann and L. Sevón, Judges,

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

* Language of the case: German.

after considering the written observations submitted on behalf of:

— Canon Kabushiki Kaisha, by Götz Jordan, Rechtsanwalt, Karlsruhe,

— Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation, by Wolf-W. Wodrich, Rechtsanwalt, Essen,

— the French Government, by Kareen Rispal-Bellanger, Assistant Director in the Legal Affairs Directorate of the Ministry of Foreign Affairs, and Philippe Martinet, Secretary of Foreign Affairs in the same Directorate, acting as Agents,

— the Italian Government, by Professor Umberto Leanza, Head of the Legal Service in the Ministry of Foreign Affairs, acting as Agent, and Oscar Fiumara, Avvocato dello Stato,

— the United Kingdom Government, by Lindsey Nicoll, of the Treasury Solicitor's Department, acting as Agent, and Daniel Alexander, Barrister,

— the Commission of the European Communities, by Jürgen Grunwald, Legal Adviser, and Berend Jan Drijber, of its Legal Service, acting as Agents,

having regard to the Report for the Hearing,

after hearing the oral observations of Canon Kabushiki Kaisha, represented by Axel Rinkler, Rechtsanwalt, Karlsruhe; Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation, represented by Wolf-W. Wodrich and Joachim K. Zenz, Patentanwalt, Essen; the French Government, represented by Anne de Bourgoing, Chargé de Mission in the Legal Affairs Directorate of the Ministry of

Foreign Affairs, acting as Agent; the Italian Government, represented by Oscar Fiumara; the United Kingdom Government, represented by Daniel Alexander; and the Commission, represented by Jürgen Grunwald, at the hearing on 20 January 1998,

after hearing the Opinion of the Advocate General at the sitting on 2 April 1998,

gives the following

Judgment

1 By order of 12 December 1996, received at the Court on 28 January 1997, the Bundesgerichtshof (Federal Court of Justice) referred to the Court for a preliminary ruling under Article 177 of the EC Treaty a question on the interpretation 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, 'the Directive').

2 That question was raised in proceedings between the Japanese company Canon Kabushiki Kaisha ('CKK') and the American corporation Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation ('MGM'), following MGM's application in Germany in 1986 for registration of the word trade mark 'CANNON' to be used in respect of the following goods and services: 'films recorded on video tape cassettes (video film cassettes); production, distribution and projection of films for cinemas and television organisations'.

3 Referring to Paragraph 5(4)(1) of the Warenzeichengesetz (former Trade Mark Law, 'the WZG'), CKK opposed that application before the Deutsches Patentamt

(German Patent Office) on the ground that it infringed its earlier word trade mark 'Canon', registered in Germany in respect of, *inter alia*, 'still and motion picture cameras and projectors; television filming and recording devices, television retransmission devices, television receiving and reproduction devices, including tape and disc devices for television recording and reproduction'.

4 The first examiner of the German Patent Office considered that the two marks were analogous and therefore refused registration on the ground that the respective goods and services were similar within the meaning of Paragraph 5(4)(1) of the WZG. The second examiner set aside that decision and dismissed the opposition for lack of similarity.

5 The Bundespatentgericht (Federal Patent Court) dismissed CKK's appeal against the latter decision, holding that there was no similarity within the meaning of Paragraph 5(4)(1) of the WZG. It stated that such similarity could be taken to exist only where the goods or services, having regard to their economic significance and method of use and, in particular, their usual place of manufacture and sale, were so similar that the average purchaser might form the opinion that they were manufactured by the same enterprise in so far as similar or supposedly similar distinguishing signs were used. The court considered that in the circumstances of the case that condition was not satisfied.

6 CKK brought an appeal against the order of the Bundespatentgericht before the Bundesgerichtshof.

7 In its order for reference, the Bundesgerichtshof makes the preliminary point that the case pending before it must be decided on the basis of the Markengesetz (the new German Law on Trade Marks), which entered into force on 1 January 1995 and which transposed the Directive into German law and Paragraph 9(1)(2) of which corresponds to Article 4(1)(b) of the Directive.

8 Article 4(1)(b) provides:

'(1) A trade mark shall not be registered or, if registered, shall be liable to be declared invalid:

...

(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, which includes the likelihood of association with the earlier trade mark.'

9 In order to illustrate the context and significance of the question referred the Bundesgerichthof gave the following information:

— in this instance the two signs, 'CANNON' and 'Canon', are pronounced in the same way and the mark 'Canon' has a reputation; in addition, as the Bundespatentgericht noted, the public perception is that 'films recorded on video tape cassettes (video film cassettes)' and 'recording and reproduction devices for video tapes (video recorders)' do not come from the same manufacturer;

— in conformity with the principles laid down in the WZG, the Bundespatentgericht attached no importance in its decision to the identical nature of the signs or to the reputation of the opposing party's trade mark;

— since the Markengesetz must henceforth be applied, it is necessary to establish the criteria to be applied in interpreting the concept of 'similarity of the goods or services covered by the trade marks' for the purposes of Article 4(1)(b) of the Directive;

— if no account is taken in this case of the reputation of the earlier mark when assessing the likelihood of confusion, because there is no similarity between the goods or services covered by the two marks, then on the basis of the findings made by the Bundespatentgericht the appeal brought by the opposing party cannot succeed;

— it is possible, however, to interpret Article 4(1)(b) of the Directive as meaning that the reputation of the earlier mark may not only reinforce the distinctiveness of the mark as such, but may also be sufficient to exclude the view held by the public concerning the place of origin (*'Herkunftsstätte'*) of those goods or services from the assessment of the similarity of the goods or services covered;

— according to academic opinion, when the likelihood of confusion within the meaning of the Markengesetz is assessed, it may be necessary to establish a correlation between the similarity of the goods, on the one hand, and the degree of similarity of the respective signs and the distinctive character of the mark to be protected, on the other, in such a way that the closer the marks resemble one another and the more distinctive the mark for which protection is sought, the less the similarity of the goods need be.

10 Finally, the Bundesgerichtshof points out that the interpretation of Article 4(1)(b) of the Directive is of particular importance in practice in view of the fact that the ground for refusing registration provided for by Paragraph 9(1)(3) of the Markengesetz cannot be relied on in a national opposition procedure but only before the ordinary courts in the course of an action for cancellation of a trade mark or for its infringement (this paragraph transposes Article 4(4)(a) of the Directive, according to which the Member States may provide for broader protection in the case of trade marks with a reputation, derogating from the requirement that the goods or services should be similar).

11 In the light of those considerations the Bundesgerichtshof stayed the proceedings and referred the following question to the Court of Justice for a preliminary ruling:

'May account be taken, when assessing the similarity of the goods or services covered by the two marks, of the distinctive character, in particular the reputation, of the mark with earlier priority (on the date which determines the seniority of the later mark), so that, in particular, likelihood of confusion within the meaning of Article 4(1)(b) of Directive 89/104/EEC must be taken to exist even if the public attributes the goods and/or services to different places of origin ("*Herkunftsstätten*")?'

12 In the first part of the question, the Bundesgerichtshof asks in substance whether, on a proper construction of Article 4(1)(b) of the Directive, the distinctive character of the earlier trade mark, and in particular its reputation, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks is sufficient to give rise to the likelihood of confusion.

13 CKK, the French and Italian Governments and the Commission are essentially in agreement in proposing that the question be answered in the affirmative.

14 On the other hand, MGM and the United Kingdom Government consider that similarity between goods and services must be assessed objectively and independently, and no account should be taken of the distinctive character of the earlier mark or in particular of its reputation.

15 It is to be noted, first, that the tenth recital of the preamble to the Directive states that 'the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services; ... the protection applies also in case of similarity between the mark and the sign and the goods or services; ... it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; ... the likelihood of confusion,

the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, [on] the association which can be made with the used or registered sign, [and on] the degree of similarity between the trade mark and the sign and between the goods or services identified, constitutes the specific condition for such protection'.

16 Second, the Court has held that the likelihood of confusion on the part of the public, in the absence of which Article 4(1)(b) of the Directive does not apply, must be appreciated globally, taking into account all factors relevant to the circumstances of the case (Case C-251/95 *SABEL* v *Puma* [1997] ECR I-6191, paragraph 22).

17 A global assessment of the likelihood of confusion implies some interdependence between the relevant factors, and in particular a similarity between the trade marks and between these goods or services. Accordingly, a lesser degree of similarity between these goods or services may be offset by a greater degree of similarity between the marks, and vice versa. The interdependence of these factors is expressly mentioned in the tenth recital of the preamble to the Directive, which states that it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion, the appreciation of which depends, in particular, on the recognition of the trade mark on the market and the degree of similarity between the mark and the sign and between the goods or services identified.

18 Furthermore, according to the case-law of the Court, the more distinctive the earlier mark, the greater the risk of confusion (*SABEL*, paragraph 24). Since protection of a trade mark depends, in accordance with Article 4(1)(b) of the Directive, on there being a likelihood of confusion, marks with a highly distinctive character, either *per se* or because of the reputation they possess on the market, enjoy broader protection than marks with a less distinctive character.

19 It follows that, for the purposes of Article 4(1)(b) of the Directive, registration of a trade mark may have to be refused, despite a lesser degree of similarity between the goods or services covered, where the marks are very similar and the earlier mark, in particular its reputation, is highly distinctive.

20 Against that interpretation, MGM and the United Kingdom Government have argued that to take into account the distinctiveness of the earlier mark when assessing the similarity of the goods or services involves the danger of prolonging the registration procedure. However, the French Government has stated that in its experience consideration of that factor when assessing the similarity of the goods or services covered did not have the effect of unduly lengthening or complicating the registration procedure.

21 In this context, it is important to note that even if the suggested interpretation makes the registration procedure much lengthier, that cannot be decisive for the interpretation of Article 4(1)(b) of the Directive. In any event, for reasons of legal certainty and proper administration, it is necessary to ensure that trade marks whose use could successfully be challenged before the courts are not registered.

22 It is, however, important to stress that, for the purposes of applying Article 4(1)(b), even where a mark is identical to another with a highly distinctive character, it is still necessary to adduce evidence of similarity between the goods or services covered. In contrast to Article 4(4)(a), which expressly refers to the situation in which the goods or services are not similar, Article 4(1)(b) provides that the likelihood of confusion presupposes that the goods or services covered are identical or similar.

23 In assessing the similarity of the goods or services concerned, as the French and United Kingdom Governments and the Commission have pointed out, all the relevant factors relating to those goods or services themselves should be taken into account. Those factors include, *inter alia*, their nature, their end users and their method of use and whether they are in competition with each other or are complementary.

24 In the light of the foregoing, the answer to be given to the first part of the question must be that, on a proper construction of Article 4(1)(b) of the Directive, the distinctive character of the earlier trade mark, and in particular its reputation, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks is sufficient to give rise to the likelihood of confusion.

25 In the second part of the question the Bundesgerichtshof asks in substance whether there can be a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive where the public perception is that the goods or services have different places of origin ('*Herkunftsstätten*').

26 There is a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive where the public can be mistaken as to the origin of the goods or services in question.

27 Indeed, Article 2 of the Directive provides that a trade mark must be capable of distinguishing the goods or services of one undertaking from those of other undertakings, while the tenth recital in the preamble to the Directive states that the function of the protection conferred by the mark is primarily to guarantee the indication of origin.

28 Moreover, according to the settled case-law of the Court, the essential function of the 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. For

the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish, it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality (see, in particular, Case C-10/89 *HAG GF (HAG II)* [1990] ECR I-3711, paragraphs 14 and 13).

29 Accordingly, the risk that the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, constitutes a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive (see *SABEL*, paragraphs 16 to 18). Consequently, as the Advocate General states at point 30 of his Opinion, in order to demonstrate that there is no likelihood of confusion, it is not sufficient to show simply that there is no likelihood of the public being confused as to the place of production of the goods or services.

30 The answer to be given to the second part of the question must therefore be that there may be a likelihood of confusion within the meaning of Article 4(1)(b) of the Directive even where the public perception is that the goods or services have different places of production. By contrast, there can be no such likelihood where it does not appear that the public could believe that the goods or services come from the same undertaking or, as the case may be, from economically-linked undertakings.

Costs

31 The costs incurred by the French, Italian and United Kingdom Governments and by the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the question referred to it by the Bundesgerichtshof by order of 12 December 1996, hereby rules:

On a proper construction 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, the distinctive character of the earlier trade mark, and in particular its reputation, must be taken into account when determining whether the similarity between the goods or services covered by the two trade marks is sufficient to give rise to the likelihood of confusion.

There may be a likelihood of confusion within the meaning of Article 4(1)(b) of Directive 89/104 even where the public perception is that the goods or services have different places of production. By contrast, there can be no such likelihood where it does not appear that the public could believe that the goods or services come from the same undertaking or, as the case may be, from economically-linked undertakings.

Rodríguez Iglesias Gulmann Ragnemalm

Wathelet Schintgen Kapteyn

Murray Edward Hirsch

Jann Sevón

Delivered in open court in Luxembourg on 29 September 1998.

R. Grass G. C. Rodríguez Iglesias

Registrar President