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JUDGMENT OF THE COURT

22 June 1999

(Directive 89/104/EEC - Trade mark law - Likelihood of confusion - Aural similarity)

In Case C-342/97,

REFERENCE to the Court under Article 234 EC (ex Article 177) by the Landgericht München I (Germany) for a preliminary ruling in the proceedings pending before that court between

Lloyd Schuhfabrik Meyer & Co. GmbH

and

Klijsen Handel BV

on the interpretation of Article 5(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: P.J.G. Kapteyn, President of the Fourth and Sixth Chambers, acting as President, J.-P. Puissochet and P. Jann (Presidents of Chambers), G.F. Mancini, J.C. Moitinho de Almeida, C. Gulmann (Rapporteur), D.A.O. Edward, L. Sevón and M. Wathelet, Judges, Advocate General: F.G. Jacobs, Registrar: R. Grass, after considering the written observations submitted on behalf of:

- Lloyd Schuhfabrik Meyer & Co. GmbH, by Jürgen Kroher, Rechtsanwalt, Munich,

- Klijsen Handel BV, by Wolfgang A. Rehmann, Rechtsanwalt, Munich,

- the Commission of the European Communities, by Berend Jan Drijber, of its Legal Service, acting as Agent, assisted by Bertrand Wägenbaur, Rechtsanwalt, Hamburg, and of the Brussels Bar, having regard to the Report for the Hearing, after hearing the oral observations of Lloyd Schuhfabrik Meyer & Co. GmbH, represented by Jürgen Kroher, of Klijsen Handel BV, represented by Wolfgang A. Rehmann, and of the Commission, represented by Karen Banks, of its Legal Service, acting as Agent, assisted by Bertrand Wägenbaur, at the hearing on 22 September 1998, after hearing the Opinion of the Advocate General at the sitting on 29 October 1998, gives the following

Judgment

1. By order of 11 September 1997, received at the Court on 1 October 1997, the Landgericht München I (Munich I Regional Court) referred to the Court for a

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preliminary ruling under Article 234 EC (ex Article 177) four questions on the interpretation of Article 5(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. Those questions were raised in proceedings between the German company Lloyd Schuhfabrik Meyer & Co. GmbH ('Lloyd') and the Dutch company Klijsen Handel BV ('Klijsen') concerning the commercialuse by Klijsen in Germany of the trade mark 'Loint's' for shoes.

3. The Directive, which was implemented in Germany by the Gesetz über den Schutz von Marken und sonstigen Kennzeichen (Law on the Protection of Trade Marks and Other Signs) of 25 October 1994 (BGBl. I, 1994, p. 3082), provides in Article 5, entitled 'Rights conferred by a trade mark':

'1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
...
(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.'

4. A provision in substantially identical terms is to be found in Article 4(1)(b) of the Directive which, for the purposes of registering a trade mark, defines further grounds for refusal or invalidity concerning conflicts with earlier rights.

5. Lloyd manufactures shoes which it has been distributing since 1927 under the 'Lloyd' brand name. It owns a number of word and picture trade marks registered in Germany, all of which comprise the Word 'Lloyd'.

6. Klijsen also manufactures shoes which it has marketed under the trade mark 'Loint's' since 1970 in the Netherlands and since 1991 in Germany. They are distributed through shops specialising in leisure shoes and more than 90% of sales are of women's shoes. Klijsen obtained international registration of the mark 'Loint's' in the Benelux in 1995 and applied for protection to be extended to Germany. It also had a word/picture mark 'Loint's' registered in 1996 in the Benelux with protection also extended to Germany.

7. In the main proceedings Lloyd seeks, in particular, an order restraining Klijsen from using the 'Loint's' sign for shoes and footwear in the course of business in Germany, and Klijsen's consent, *vis-à-vis* the Deutsches Patentamt (the German Patent Office), to the removal of protection for the German parts of the 'Loint's' mark. Lloyd claims, in that regard, that 'Loint's' is likely to be confused with 'Lloyd' because of the aural similarity between them, because of their use for identical products and because of the particularly distinctive character of the 'Lloyd' mark, which arises from the absence of descriptive

elements, from the high degree of recognition of the mark and from its comprehensive, consistent and extensive use over a very long period.

8. Klijsen applied for those claims to be dismissed on the ground that there is no likelihood of confusion between the two marks. It contended, in particular, that Lloyd products have not been shown to enjoy a high degree of recognition. Moreover, those products do not have any points of contact with its own products since Lloyd has no appreciable activity on the leisure shoe market, while Klijsen manufactures only that category of products. Finally, in the shoe sector, there is no likelihood of confusion with respect to sound, but only with respect to the graphic form of the mark.

9. The national court took the view that the decision in the main proceedings depended on the interpretation of the Directive and pointed out, in particular, that:

- There probably would be considered to be a likelihood of confusion under current German case-law. However, the court doubts that that case-law can be upheld as consistent with the Directive.

- A likelihood of confusion as regards sound is, at least, possible.

- According to a survey conducted in November 1995, the degree of recognition of the 'Lloyd' mark is 36% of the total population aged 14 to 64. According to an inquiry carried out in April 1996, 10% of males aged 14 or over said 'Lloyd' in response to the question 'which brands of men's shoes do you know?'

- The court doubts that an enhanced distinctive character, based on a degree of recognition of 36% in the relevant section of the public, can give rise to a likelihood of confusion, even if account is taken of the likelihood of association. It is important to point out in that regard that it is clear from the survey conducted in 1995 that 33 brands of shoes had a degree of recognition of over 20%, 13 a degree of recognition of 40% or more, and 6 a degree of recognition of 70% or more.

- It should be considered that, in this case, there is identity of products, the range of products of the two parties consisting of shoes and the current tendency being to extend the scope of goods sold under a mark.

- Even if similar signs are almost never perceived simultaneously by purchasers of shoes, the 'inattentive purchaser' cannot be taken as a basis for assessing the likelihood of confusion.

10. In the light of those observations the Landgericht München I decided to stay proceedings and refer the following questions to the Court of Justice for a preliminary ruling:

' 1. Does it suffice, for there to be a likelihood of confusion because of similarity between the sign and the trade mark and identity of the goods or services covered by the

sign and the mark, that the mark and the sign each consist of a single syllable only, are identical in sound both at the beginning and as regards the only combination of vowels and the - single - final consonant of the mark recurs in the sign in similar form ("t" instead of "d") in a consonant cluster of three consonants including "s"; specifically, do the designations "Lloyd" and "Loint's" for shoes conflict?

2. What is the significance in this connection of the wording of the Directive which provides that the likelihood of confusion includes the likelihood of association between the sign and the trade mark?

3. Must a special distinctive character, and hence an extended material scope of protection of a distinguishing sign, already be taken to exist where there is a degree of recognition of 10% in the relevant section of the public? Would that be the case with a degree of recognition of 36%? Would such an extension of the scope of protection lead to a different answer to Question 1, if that question were to be answered by the Court of Justice in the negative?

4. Is a trade mark to be taken to have an enhanced distinctive character simply because it has no descriptive elements?'

11. At the outset, it is necessary to recall, as did the Advocate General at paragraphs 8 to 13 of his Opinion, the consistent case-law relating to the division of functions provided for by Article 234 EC, under which the role of the Court of Justice is limited to providing the national court with the guidance on interpretation necessary to resolve the case before it, while it is for the national court to apply the rules of Community law, as interpreted by the Court, to the facts of the case under consideration (see, to this effect, Case C-320/88 *Shipping and Forwarding Enterprise SAFE* [1990] ECR I-285, paragraph 11). It follows that it is for the national court to rule on the question whether there exists between the two marks at issue in the main proceedings a likelihood of confusion within the meaning of the Directive.

12. Accordingly, by its questions, which it is appropriate to examine together, the national court is seeking clarification from the Court on the following matters:

- the criteria to be applied in assessing the likelihood of confusion within the meaning of Article 5(1)(b) of the Directive;

- the significance to be attached to the wording of the Directive, according to which the likelihood of confusion includes the 'likelihood of association' with the earlier mark; and

- the effect to be ascribed, in assessing the likelihood of confusion, to the fact that the mark is highly distinctive.

13. In that regard, the national court raises, first, the question whether a likelihood of confusion can be based solely on the aural similarity of the marks in question and,

second, whether the mere fact that a mark has no descriptive elements is sufficient for it to have an enhanced distinctive character.

14. Lloyd proposes, in substance, that the question referred should be answered in the affirmative. It adds that, in determining whether a mark has a particularly distinctive character, it is inappropriate to refer in a systematic way to percentages of recognition which may be revealed in surveys. Acknowledgement of a particularly distinctive character depends, on the contrary, on a qualitative assessment of all the factors constituting the reputation of a trade mark, including the degree of original distinctive character, the duration and extent of the use of the mark, the image of quality that the section of the public concernid associate with the mark, and its degree of recognition. Furthermore, according to Lloyd, a mark without descriptive elements is, in itself, more highly distinctive ['besitzt höhere Kennzeichnungskraft'] than marks which have a weak distinctive character ['mit geringer Unterscheidungskraft'] or are subject to a strong requirement of availability ['Freihaltebedürfnis'], given that the question of the similarity between products plays an important role in determining the likelihood of confusion.

15. Klijsen submits that it is necessary to refer not to an isolated combination of vowels, but to the overall impression created by the two marks, taking into account all the relevant factors in the individual case, in particular the actual contact between the marks on the market. According to Klijsen, the section of the public concerned have a visual perception of the marks since shoes are purchased only after being traed on. The actual situation which characterises the purchase of shoes excludes a likelihood of confusion on the part of an observant and reasonably circumspect consumer. Acknowledgement of a particularly distinctive character cannot depend only on a degree of recognition defined in the abstract. On the contrary, account should be taken of all the factors which actually characterise the respective marks. Of itself, the fact that a mark has no descriptive elements is not sufficient to imply the existence of an enhanced distinctive character.

16. The Commission submits that it is not for the Court of Justice to determine whether the designations 'Lloyd' and 'Loint's', as applied to shoes, are sufficiently similar as regards sound to create a likelihood of confusion. Referring to Case C-251/95 *SABEL* v *Puma* [1997] ECR I-6191, paragraphs 22 and 23, the Commission states that the existence of a likelihood of confusion within the meaning of Article 5(1)(b) of the Directive does not depend only on the question of the similarity of the marks as regards sound.

Furthermore, it submits that the distinctiveness of a mark is not attached solely to the extent of its reputation but must also be assessed as a function of the question whether, and to what extent, its components are descriptive with little imaginative content.

17. According to the case-law of the Court of Justice, 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 5(1)(b) of the Directive
(see, to that effect, *SABEL*, paragraphs 16 to 18, and Case C-39/97 *Canon* [1998] ECR I-5507, paragraph 29). It follows from the very wording of Article 5(1)(b) that the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope (see, to that effect, *SABEL*, paragraphs 18 and 19).

18. According to the same case-law, likelihood of confusion on the part of the public must be appreciated globally, taking into account all factors relevant to the circumstances of the case (see, to that effect, *SABEL*, paragraph 22).

19. That global assessment implies some interdependence between the relevant factors, and in particular a similarity between the trade marks and between the goods or services covered. Accordingly, a lesser degree of similarity between those 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 in 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 (see *Canon*, paragraph 17).

20. Furthermore, the more distinctive the earlier mark, the greater will be the likelihood of confusion (*SABEL*, paragraph 24), and therefore marks with a highly distinctive character, either *per se* or because of the recognition they possess on the market, enjoy broader protection than marks with a less distinctive character (see *Canon*, paragraph 18).

21. It follows that, for the purposes of Article 5(1)(b) of the Directive, there may be a likelihood of confusion, notwithstanding a lesser degree of similarity between the trade marks, where the goods or services covered by them are very similar and the earlier mark is highly distinctive (see, to that effect, *Canon*, paragraph 19).

22. In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings (see, to that effect, judgment of 4 May 1999 in Joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee* v *Huber and Attenberger* [1999] ECR I -0000, paragraph 49).

23. In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered; the market share held by the mark; how intensive, geographically widespread and long-standing use of

the mark has been; the amount invested by the undertaking in promoting the mark; the proportion of the relevant section of the public which, because of the mark, identifies the goods or services as originating from a particular undertaking; and statements from chambers of commerce and industry or other trade and professional associations (see *Windsurfing Chiemsee*, paragraph 51).

24. It follows that it is not possible to state in general terms, for example by referring to given percentages relating to the degree of recognition attained by the mark within the relevant section of the public, when a mark has a strong distinctive character (see, to that effect, *Windsurfing Chiemsee*, paragraph 52).

25. In addition, the global appreciation of the likelihood of confusion must, as regards the visual, aural or conceptual similarity of the marks in question, be based on the overall impression created by them, bearing in mind, in particular, their distinctive and dominant components. The wording of Article 5(1)(b) of the Directive - '... there exists a likelihood of confusion on the part of the public ...' - shows that the perception of marks in the mind of the average consumer of the category of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion.

The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details (see, to that effect, *SABEL*, paragraph 23).

26. For the purposes of that global appreciation, the average consumer of the category of products concernid is deemed to be reasonably well-informed and reasonably observant and circumspect (see, to that effect, Case C-210/96 *Gut Springenheide and Tusky* [1998] ECR I -4657, paragraph 31). However, account should be taken of the fact that the average consumer only rarely has the chance to make a direct comparison between the different marks but must place his trust in the imperfect picture of them that he has kept in his mind. It should also be borne in mind that the average consumer's level of attention is likely to vary according to the category of goods or services in question.

27. In order to assess the degree of similarity between the marks concerned, the national court must determine the degree of visual, aural or conceptual similarity between them and, where appropriate, evaluate the importance to be attached to those different elements, taking account of the category of goods or services in question and the circumstances in which they are marketed.

28. In the light of the foregoing, the answer to the questions referred to the Court must be that it is possible that mere aural similarity between trade marks may create a likelihood of confusion within the meaning of Article 5(1)(b) of the Directive. The more similar the goods or services covered and the more distinctive the earlier mark, the greater will be the likelihood of confusion. In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, it is necessary to make a global assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular

undertaking, and thus to distinguish those goods or services from those of other undertakings. In making that assessment, account should be taken of all relevant factors and, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered. It is not possible to state in general terms, for example by referring to given percentages relating to the degree of recognition attained by the mark within the relevant section of the public, when a mark has a strong distinctive character.

Costs

29. The costs incurred by the Commission, which has submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the questions referred to it by the Landgericht München I by order of 11 September 1997, hereby rules:

It is possible that mere aural similarity between trade marks may create a likelihood of confusion within the meaning of Article 5(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 more similar the goods or services covered and the more distinctive the earlier mark, the greater will be the likelihood of confusion.

In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, it is necessary to make a global assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other undertakings. In making that assessment, account should be taken of all relevant factors and, in particular, of the inherent characteristics of the mark, including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered. It is not possible to state in general terms, for example by referring to given percentages relating to the degree of recognition attained by the mark within the relevant section of the public, when a mark has a strong distinctive character.

Delivered in open court in Luxembourg on 22 June 1999.
R. Grass
G.C. Rodríguez Iglesias
Registrar
President