



# Enhanced protection: trademarks with reputation

It appears that an ample and adequate legal framework is in place for protecting trademarks with a reputation in the EU, but is this really the case, asks **Marina Perraki** of Tsibanoulis & Partners Law Firm.

**D**irective Nos. 89/104/EC and 2008/95/EC, in place to approximate the laws of EU member states relating to trademarks, introduced the optional provision of protection against trademark dilution. This is namely for protecting trademarks with reputation against an identical or similar sign from being used in relation to dissimilar goods where the use of the later sign takes unfair advantage of, or is detrimental to, the distinctive character or the reputation of the prior trademark.

This provision has been implemented in all EU member states and has been extended by the Court of Justice of the European Union (CJEU) to also apply in cases of use relating to similar goods or services. The Community Trade Mark Regulation 207/2009 includes a similar provision.

As the CJEU has confirmed (*Intel v CPM UK*), it is sufficient that only one of the three types of injury exists (detriment to the distinctive character of the earlier mark, detriment to the repute of that mark, or taking unfair advantage of the distinctive character or the reputation of that mark).

Detriment to distinctive character lies parallel to pure dilution—namely, blurring the distinctive character of the mark. Similarly, detriment to the reputation of the mark is

parallel to tarnishment: the harmful impact of undesirable connotations on the reputation of the mark. Unfair advantage relates to ‘free-riding’ by a third party.

It appears from the above that an ample and adequate legal framework is in place for protecting trademarks with a reputation in the EU. But is this really the case?

## Blurring

As laid down by the CJEU, with respect to dilution by blurring the trademark owner needs to provide evidence of detriment to the distinctive character of the trademark, either actual and present or seriously likely to occur in the future.

Proof that use of the later mark is or would be detrimental to the distinctive character of the mark requires evidence of change or a serious likelihood of change in the economic behaviour of the average consumer as a consequence of the use of the later mark.

The reputation of the earlier mark and the calling into mind of the earlier mark need to be proved as well, but this is not sufficient to establish detriment to its distinctive character.

The CJEU has stated that it is immaterial whether the owner of the later mark “draws real commercial benefit from the distinctive character

of the earlier mark”. Therefore, the earlier trademark owner need not claim and prove that the owner of the later trademark has presented increased profits as a result of using the mark.

However, does the earlier trademark owner need to claim and prove that its turnover is decreased as a result of the same use? What else could “change in economic behaviour” mean?

Dilution by blurring applies primarily to cases of non-competing goods, where any financial loss is unlikely, at least in the early stages of dilution or serious likelihood of it. This means that the owner of an earlier trademark with reputation that does not have any financial data to support the dilution by blurring claim, or has not (yet) suffered any financial loss, should in practice be deprived of its right to file a mere cease-and-desist dilution by blurring claim.

It would also deprive the trademark owner from protection in cases where the later mark is merely applied for and not used. This would appear contrary to the wording of the directive.

## Applicability issues

In *Environmental Manufacturing v Office for Harmonization in the Internal Market (OHIM)* in May 2012, the General Court was asked to apply the above-mentioned case law. Not doing so, it found that it was not necessary to plead

"IN SUCH CASES PROTECTION MAY BE GRANTED EVEN WHEN NO EVIDENCE OF HARM TO THE TRADEMARK OR ITS PROPRIETOR IS PRODUCED."

It is clear that the CJEU had in mind use in relation to similar (competing) goods/services. However, the rationale of dilution by blurring is initially based on use concerning dissimilar goods/services. In this latter case, no concerns about a restriction of competition are raised.

The CJEU confirmed further in a somewhat contradictory way that "logical deductions" are allowed—not on the basis of "mere suppositions" but on the basis of "an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the circumstances of the case".

The General Court, to which the case returned, on February 5, 2015 gave a second ruling. In these proceedings one of the parties attempted to apply the "logical deductions". These were a) the reputation and the highly distinctive character of the earlier mark; and b) the fact that the goods concerned were identical or highly similar, emphasising the fact that the choice of a mark so similar to the earlier highly distinctive trademark in the relevant sector was not founded on any good reason.

However, the General Court rejected this argument on formal grounds, as no plea of an existence of a possibility of change in the economic behaviour had been put forward in the original proceedings. The General Court went on to confirm the rejection of the dilution by blurring claim.

### Free-riding

As regards free-riding, the CJEU has confirmed that a mere attempt to ride on the coat-tails of a mark with a reputation could be sufficient for a finding of taking unfair advantage of the distinctive character or reputation of the trademark, without any requirement for finding a detriment to the trademark or its proprietor. It follows, therefore, that in such cases protection may be granted even when no evidence of harm to the earlier trademark or its proprietor is produced.

The General Court examined free-riding for the first time in its second ruling in the *Environmental Manufacturing* case. Drawing from earlier General Court case law, it affirmed that in certain instances the risk of free-riding may be presumed to be "obvious" and "at first sight".

Such cases are those where the earlier mark has an exceptionally high reputation or, alternatively, where the earlier trademark has "a longstanding reputation and a very distinctive character".

In all other cases, said the General Court, invoking the order in *Japan Tobacco v OHIM* from April 30, 2009, it is necessary to prove that the image or quality characteristics of the earlier mark can be transferred to the goods/services covered by the later mark.

An example of how this can be proved is found in the General Court's ruling of January 22, 2015 in *Kenzo Tsujimoto v OHIM*, where evidence was provided to convince the court that the image conveyed by the earlier trademark used for clothes could be transferred to the sector of the later mark, namely the wine sector.

The expansion of traditional (ie, concerning dissimilar goods/services) dilution by blurring to similar goods/services has been welcomed by trademark owners. However it has raised concerns about the CJEU's balancing of trademark protection and effective EU competition. It has even led the CJEU to set up high evidence thresholds for trademark owners with a reputation. Ultimately it has made the traditional dilution by blurring claims hard to apply.

### Practitioners' concerns

Taking unfair advantage and free-riding appear easier. To the extent they may be established in the form of a presumption that brings the burden of proof to the later owner to provide good reasons for the choice of trademark, this is indeed the case.

However, to the extent that the actual transfer of image and/or good qualities of the earlier trademark to the goods/services of the later mark needs to be proved, this legal basis also becomes also harder to apply.

It remains to be seen whether national courts applying the above case law will in practice strengthen the dilution provisions of the EU legislation or restrict the protective legal framework for trademarks with reputation. ■



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and prove that use of a later mark would have an effect on the behaviour of consumers using goods covered by the earlier mark.

The court ruled that this change can be established if the owner of the earlier mark has shown that the mark's ability to identify the goods or services is weakened, as use of the later mark leads to the dispersion of the earlier mark's identity in the public's mind. This ruling was overturned by the CJEU for not following the guidelines in *Intel*.

Following an appeal in that case, the CJEU confirmed that it is not sufficient, in order for the consumer's economic behaviour to be affected, for the consumer to consider the sign with a reputation to be less attractive, prestigious or exclusive as a result of use of the later sign. Here, the consumer's perception, not behaviour, would have changed. A consumer's perception and the fact that it notices the presence of the later sign is a subjective element, from which change cannot be solely deduced.

The CJEU also stated that: "Accepting the criterion put forward by the General Court could, in addition, lead to a situation in which economic operators improperly appropriate certain signs, which could damage competition."