

RESPONSES TO TRADEMARK DILUTION



The CJEU has provided guidance as to protection against dilution through interpretation of various regulations, but complications remain. Marina Perraki reports.

Dilution theory goes back to 1927 when Frank Schechter published his seminal article *The Rational Basis for Trademark Protection*, (40 *Harv L Rev* 813, 1927) where he talked about the need to protect trademarks (referring to identical marks only) against use by unauthorised third parties on non-similar products. Schechter was arguing based on the background of a German decision issued in 1925 (*Landesgericht, Elberfeld, 25 Juristische Wochenschrift* 502).

In this case, the owner of the mouthwash trademark 'Odol' obtained cancellation of the same mark used in relation to steel railroad ties. Such protection was also incorporated into the European Trademark Directives and the European Community Trademark Regulations. The Court of Justice of the European Communities (CJEU) has finally come to afford ample protection against dilution through the interpretation of respective legislative texts. But is the protection as abundant in reality?

Landmark CJEU rulings

C-408/01 of 23.10.2003 *Adidas Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd*

The CJEU found in this case that similarity of marks is not the same in the context of dilution as in the context of confusion. Consumers who establish a link between marks can prove it sufficient to grant protection against dilution, but not in the case of confusion. The court confirmed that if a member state transposes the dilution provisions (the inclusion of such provisions in national legislation being up to the member state), it must grant protection against dilution not only in cases of dissimilar but also in cases of similar goods (this was seen by some US scholars as a 'misunderstanding' of the dilution doctrine).

C-252/07 of 27.11.2008 *Intel Corp Inc v CPM United Kingdom Ltd*

Several years later *Intel* attempted to define dilution within the European context, stating

that "detriment to the distinctive character of the earlier mark" mentioned in Article 5(2) of Directive 89/104/EEC is actually "dilution", "whittling away" or "blurring" (a categorisation existing in the US legal framework).

The CJEU confirmed that such detriment is caused when the mark's ability to identify the goods or services is weakened and this is the case mainly when the earlier mark, which used to elicit immediate association with the goods and services for which it is registered, is no longer capable of doing so. Such injury must be assessed by referring to the average consumers of the goods or services for which the latter mark is requested.

The court explained that a link (sufficient to find similarity of marks, but not to find dilution) exists when the later mark brings the earlier mark to the mind of the public or when the public makes a connection between the conflicting marks. Proof that the use of the latter mark is, or would be, detrimental to the distinctive character of the earlier mark requires evidence of change or a serious likelihood of change "in the economic behaviour of the average consumer" for which the earlier mark was registered, as a consequence of the use of the later mark. The existence of a link and the detriment both need to be proved by the trademark owner.

C-487/07 of 18.6.2009 *L'Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd, Starion International Ltd.*

The three separate types of infringement falling within Article 5(2) of the Directive were clearly stated:

- a) Detriment to the distinctive character which as per *Intel* includes, "dilution", "whittling away" or "blurring";
- b) Detriment to the reputation of the mark, which occurs when the goods or services for which

"THE COURT ALSO MADE REFERENCE TO A 'NEW' TRADEMARK FUNCTION, NAMELY THE 'INVESTMENT FUNCTION' WITHOUT PRESENTING ANY ELEMENTS THAT WOULD CONSTITUTE THIS FUNCTION AS SOMETHING DIFFERENT FROM ADVERTISING."

the sign is used may be perceived by the third party in such a way that the trademark's power of attraction is reduced, in particular when those goods possess a characteristic or quality which is liable to have a negative impact on the image of the mark ("tarnishment"); and

- c) Unfair advantage affecting the distinctive character or reputation of the mark, also referred to as 'parasitism' or 'free-riding', which relates not to the detriment caused to the mark but to the advantage afforded the third party. It covers cases where, by reason of a transfer of image of the mark or of the characteristics which it protects to the goods identified by the identical or similar sign, there is "clear exploitation on the coat-tails of the mark with a reputation".

Any one of those suffices for trademark infringement to be established. The CJEU confirmed that the trademark owner is not required to prove actual and present injury, but merely a serious risk thereof, which is not hypothetical.

The above was confirmed in the subsequent CJEU ruling C-323/09 of 22.9.2011 *Interflora Inc, Interflora British Unit v Marks & Spencer plc, Flowers Direct Online Ltd*. The court also made reference to a "new" trademark function, namely the "investment function" without presenting any elements that would constitute this function as something different from advertising.

C-100/11 P of 10.5.2012 *Helena Rubinstein, L'Oréal SA v Office for Harmonization in the Internal Market (Trade Marks and Designs), Allergan Inc*

In this case the CJEU considered the case on appeal and confirmed that the risk of dilution must be based on logical deductions made from an analysis of probabilities and normal practice in the relevant commercial sector. After confirming similarity of marks and similarity of goods, the court confirmed that there was a link established by consumers and that the disputed marks sought to take advantage of the distinctive character and reputation of the earlier famous marks (parasitic intent). Decisive in this ruling appeared to be the fact that the owners of the disputed marks had acknowledged at the hearing before the general court that they intended to take advantage of the image which was associated with that product under the earlier mark.

Implications for national legal practice

Many years after the entry into force of the first trademark directive (89/104/EEC) the CJEU

finally recognised the protection of famous marks in the EU against dilution and established guidelines for its application. Certain issues remain unclear, such as the issue of proving (risk of) dilution by blurring. The change in the economic behaviour of consumers, suggested by the CJEU, would not be a practical criterion, as economic behaviour changes (assuming that by this the CJEU means a decrease in sales) might not even occur in a dilution case (usually the sales do not decrease because of a third party's unauthorised use) and if they occur, they might be causally linked with a number of different factors totally unrelated to third party use (eg, the global financial crisis).

However, the aforementioned case law has helped national courts give life to the respective provisions of the directive and expand the protection of famous marks.

It appears that most national courts in the EU would be relatively familiar with free-riding cases drawing upon their legal traditions on unfair competition or passing off. However, dilution by blurring still remains difficult to establish and prove. It remains to be seen how the CJEU guidelines will be applied by national courts and/or be further clarified by the CJEU. ■

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