

TRADEMARK DILUTION IN THE EU

Proof of and protection against trademark dilution and blurring are contentious issues where restrictions on competition fall into play, among other concerns, says Marina Perraki.

Frank Schechter, the founder of dilution theory, pointed out in *The Historical Foundations of the Law Relating to Trade-Marks* (166, 1925): “Any theory of trademark protection which ... does not focus the protective function of the court upon the goodwill of the owner of the trademark, inevitably renders such owner dependent for protection ... upon the judicial estimate of the state of the public mind. This psychological element is in any event at best an uncertain factor ...” since “the so-called ordinary purchaser changes his mental qualities with every judge”. At the heart of establishing dilution lies the dichotomy between the objective goodwill of the trademark and the subjective state of mind of the consumer.

Dilution categories

Within the European framework, Directives 89/104/EC and 2008/95/EC of the European Parliament and the Council, approximating the member states’ laws relating to trademarks, introduced the optional provision of protection against trademark dilution; that is, protection against the use of an identical or similar sign in relation to dissimilar goods where the prior mark has a reputation in a member state and where use of the later sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the reputation of the trademark.

This provision has been implemented in all EU member states and has been extended by the

Court of Justice of the EU (CJEU) also to apply in the case of use on similar goods or services (C-408/01 *Adidas Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd*). The Community Trademark Regulation 207/2009 includes a similar provision.

It is sufficient that only one of the three types of injury—(i) detriment to the distinctive character of the earlier mark, (ii) detriment to the repute of that mark, or (iii) unfair advantage taken of the distinctive character or the repute of that mark—exists, as the CJEU has confirmed (C-252/07, *Intel Corporation v CPM UK Ltd*).

Detriment to the distinctive character runs parallel to pure dilution: the blurring of the distinctive character of the mark. Similarly, the detriment to the repute of the mark is parallel to tarnishment, namely the harmful impact of undesirable connotations on the repute of the mark. Unfair advantage relates to “free riding” of a third party and is borrowed from the content of unfair competition law (see also C-487/07 *L’Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd, Starion International Ltd*).

Proof requirements

As regards “free riding” the court 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 the repute of the trademark, without any





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requirement for finding detriment to the trademark or its proprietor (*L'Oréal*, pars. 43 and 49). It follows, therefore, that in such cases protection may be granted even when no evidence of harm to the trademark is produced.

With respect to dilution by blurring, the trademark owner needs to provide evidence of detriment to the distinctive character or the repute of the trademark (*Intel*, par. 37), either actual and present, or seriously likely to occur in the future (*Intel*, par. 38). The proof that the 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” of the goods or services for which the earlier mark was registered, as a consequence of the use of the later mark (*Intel*, par. 77).

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 (*Intel*, par. 71 and 80).

From a doctrinal point of view one may wonder why this change in economic behaviour is necessary and, from a practical point of view, what exactly is

“THE CJEU HAS STATED THAT IT IS IMMATERIAL WHETHER THE PROPRIETOR OF THE LATER MARK ‘DRAWS REAL COMMERCIAL BENEFIT FROM THE DISTINCTIVE CHARACTER OF THE EARLIER MARK’.”


meant by a “change in the economic behaviour” of a consumer and how the required evidence of it can be provided.

Does it cover a decrease in consumption as well as an increase (if it relates to consumption at all)? Can such a change be established on the basis of a decrease in the sales of the earlier trademark and how feasible is it to establish a causal link between the use of the later sign

and such a decrease, especially during a global financial crisis?

The CJEU has stated that it is immaterial whether the proprietor of the later mark “draws real commercial benefit from the distinctive character of the earlier mark” (*Intel*, par. 78). Such commercial benefit would however correspond to a shift of consumers from the goods distinguished by the earlier mark to those distinguished by the later mark and a respective decrease of sales of the former. Indeed, the fact that risk of confusion does not require any economic harm for protection to be granted, unless damages are sought, would lead to the conclusion that no such harm should be required in cases of dilution either; all the more so since dilution applies primarily to cases of non-competing goods, where any financial loss is unlikely, at least in the early stages of dilution.

The court elaborated further on this notion of change in another decision (C-383/12 *Environmental Manufacturing LLP v OHIM* on appeal to the General Court T-570/10). It confirmed that it is not sufficient, in order for the consumer’s economic behaviour to be affected, for the consumer to consider the sign having reputation as less attractive, prestigious or exclusive as a result



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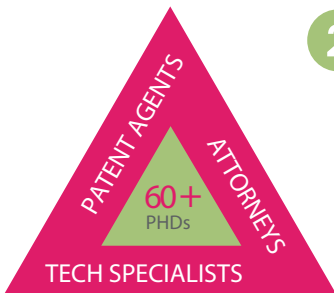
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of the use of the later sign; that is, for the consumer's perception, as opposed to behaviour, to have changed (*Environmental Manufacturing*, par. 28 and 30).

The consumer's perception, and the fact that he or she notices the presence of the later sign, is a subjective element from which alone that change cannot be deduced (*Environmental Manufacturing*, par. 37). However, this conclusion is not self-evident, as the ultimate dilution by blurring is the "generification" of the mark, which is based solely on consumers' perceptions.

However, the court confirmed in a somewhat contradictory way that "logical deductions" are allowed (par. 42) albeit not on the basis of "mere suppositions" (par. 43) 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" (par. 43). The CJEU reproduced at that point the General Court's findings (T-570/10, par. 78) creating uncertainty as to whether such logical deductions indeed suffice or not for proving risk of detriment to the distinctive character of the trademark.

Implications for national frameworks

Even though "free riding" appears to be feasible for trademark owners to argue and prove before national courts, it is evident that the CJEU is reluctant to make it easy to establish dilution by blurring. Its concern appears to be that any ample protection on such a basis, also in view of the extension of dilution protection to similar goods and services, would lead to restrictions on competition.

The CJEU is shifting the national courts from a preclusion of the subjective basis of the state of mind of consumers to an objective "economic behaviour" of consumers. There is still however no clarification on what the change in economic behaviour covers, nor on how it could be proved or if it indeed suffices for it to be "logically deduced" from the circumstances of the case or indirect evidence. It remains to be seen how national courts will apply the respective guidelines given so far, on the basis of the facts and evidence brought before them. ■

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