

# TRADEMARK LAW SEMINAR

## TRADEMARKS WITH REPUTATION & DILUTION

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# WHAT IS REPUTATION

- Reputation is “fame”, i.e. a very high level of brand awareness.
- Reputation is assessed on the basis of a ‘global appreciation” and “multifactor test” approach.

# Evidence as to reputation

- Longevity of use
- High volume of sales
- High market share
- High volume of advertising expenses
- Wide geographical use of the mark
- Statements from chambers of commerce
- Market survey reports
- High level of uniqueness and originality
- Other

# What is REPUTATION?

## General Motor vs. Yplon (Chevy), (1999)

*Facts: GM owed its well-known mark “CHEVY” for **cars** and objected the use of this mark by Yplon for **cleaning products**.*

Key points:

### **Defining Reputation**

#### **Reputation – “relevant public” ?**

- The public among which the earlier mark must have reputation is **the public concerned in the products** or services covered by that mark.
- Reputation in **a significant part of the public** concerned is sufficient.
- Reputation in a significant part of one Member State is sufficient.
- The stronger the earlier mark’s **distinctiveness** & **reputation**, the easier it is to establish infringement.

## **Arsenal vs. Reed, (2002)**

*Facts: Reed was selling outside Arsenal's stadium shawls bearing Arsenal's word and logo under a notice that: "the word and logo on the goods are used to adorn the product and as a badge of support and do not imply any affiliation or relationship with the trademark owner"*

### Key points:

- **Reputation**
- **Post-sale confusion**
- **Notice not sufficient to prevent confusion/dilution**
- **A sign used as a badge of support is trademark use**
- **Quality guarantee function**
- **Frustration of functions always required [i.e. like Opel]**

- This type of use was ***trademark use in the course of trade, even if it was a use as a badge of support only***. It was use in the course of trade, because it intended to some economic advantage and was not a solely private use.
- A connection establishing dilution was established.
- **Post-sale confusion** is actionable **!!! \*\*\***.
- The use of a disclaimer **cannot** prevent likelihood of confusion/dilution.
- In this case, the **quality guarantee function was frustrated**.
- In this case, the “double identity” principle applied.
- The application of the “double identity” rule assumes that trademark functions are frustrated; if trademark functions are not frustrated, no infringement can be established, neither in the form of absolute protection, nor in the form of dilution (like the **Opel** case].

# WHAT IS DILUTION

- Trademarks with reputation enjoy a greater level of legal protection.
- Trademarks with reputation are protected against likelihood of dilution.
- Protection against likelihood of dilution is additional and supplementary to protection against likelihood of confusion.

- The legal prerequisites for protection against likelihood of dilution are different than the legal prerequisites for protection against likelihood of confusion; still there are some similarities.
- A trademark owner can invoke both L/C and L/D at the same time.



- Protection against dilution arises both at the level of Opposition proceedings as well as at the level of (civil) infringement proceedings; so:
- A new trademark application shall be rejected, if it is likely to dilute an earlier trademark registration with reputation.
- A third party shall be prevented from using a mark in the course of trade, if this mark dilutes an earlier trademark registration with reputation.

- Protection against dilution is destined to protect the reputation of a trademark; therefore it is more closely connected to the advertisement and the investment functions.
- The legal prerequisites for establishing dilution are quite demanding; so, dilution is usually difficult to establish.
- Dilution protection is considered to be rather broad; therefore, there are strong concerns when to apply this type of protection, so as to ensure that **freedom of competition** will not be restricted.

# What is the subject matter of protection

- **UNFAIR ADANTAGE**

- **Free riding on the reputation of another:**

The public is likely to notice and recognize more easily a new mark that resembles to an earlier well known mark.

Consumers usually purchase more often goods with marks that they are familiar with.

A new mark that resembles an earlier well known mark is likely to achieve more sales, without the need to invest on advertising.

- **TARNISHMENT**
- **Negative publicity:**

Negative publicity (negative connotations) against a new mark is likely to adversely affect an earlier well known mark, if the two are resembling.

Negative publicity may arise if the new mark is used in goods of inferior quality.

Negative publicity may arise if the new mark is used in connection to goods with a sexual orientation.

- **blurring**
- **Detriment to reputation / Detriment to distinctive value:**

An earlier mark with reputation is appealing to consumers; it has a high level of advertising impact upon consumers; it has a high level of brand awareness. All these form the “distinctive value” of an earlier mark with reputation.

Such distinctive value may be lessened, or blurred if a new mark resembles to earlier mark with reputation.

Courts require a likely ***change in economic behavior*** of consumers (CJEU, C-383/12)

- **L' OREAL v. BELLURE** (**replica goods**)

Key points:

- **Unfair advantage & Tarnishment**

- **A product packaging imitation case**

1. **Tarnishment** exists when the goods/services of the later mark are perceived by the public in such a way that **the earlier mark's power of attraction is reduced**, particularly when the goods of the later mark are of an **inferior quality**, or have a negative impact on the image of the famous mark.
2. There is **unfair advantage** when the use of the later mark results to **free riding**, or riding on the coat tails of the reputed mark, that **exploitation of the awareness** and image of the reputed mark.

3. *Unfair advantage* and *tarnishment* are assessed globally taking into consideration all relevant factors. **A likelihood is sufficient to establish infringement.**

4. On the facts, the Court found that:

- i. *unfair advantage* is established in particular when similar product's get up is used to market goods of inferior quality;
- ii. in such circumstances a link is likely to arise to the relevant public;
- iii. such marketing strategies are intended to take advantage of the reputation of the earlier mark;
- iv. unfairness results particularly from the attempt to benefit from the attraction of the reputable mark, without making any efforts or expenses and without paying any compensation to the owner of the famous mark.

- **INTEL**

Facts : **INTEL** for computers – **INTELMARK** for telemarketing services

Key points:

- Defining *dilution* and “*detriment to distinctiveness*” in particular
  - When is a link / connection established ?
  - Defining the “*relevant public*”
1. **Link / Connection is established when the later mark calls the earlier mark to mind.**
  2. *Dilution* may be:
    - In the form of *free riding* (taking unfair advantage from another’s reputation)
    - In the form of *blurring, whittling away, causing detriment to distinctiveness,*
    - In the form of *tarnishment / detriment to reputation.*
  3. Detriment to distinctive value is caused when the mark’s ability to identify the products as coming from the proprietor is loosened because of the use of the mark by other parties as well in other products, thus leading to dispersion of its identity.



4. *Detriment*, i.e. injury, **damage**, or **likelihood** of such injury is required, in addition to a link / connection.
5. It is not only unique and fanciful marks that enjoy protection against dilution (in all three forms).
6. Proof of dilution is on the trademark owner. Proof of dilution requires evidence that there is a change in consumers' economic behavior, or at least a likelihood to this effect.
7. Dilution is assessed globally, taking into consideration all relevant factors.
8. The definition of the relevant public concerned depends on the type of dilution alleged in each case (i.e. which of the tree types?); in case of unfair advantage, the relevant public was the customers to which the later mark addressed.

## *TDK*, C-197/07 P

### Key points:

- Reputation
- Taking unfair advantage of the distinctive character or the repute of the earlier mark
- Application for registration as a Community trade mark of the word mark '*TDK*'
- Opposition by the proprietor of the Community and national word and figurative marks TDK
- Refusal to register

- With regard to the standard of proof required of the existence of unfair advantage taken of the repute of the earlier mark, it is **not necessary to demonstrate actual and present injury to an earlier mark**; it is sufficient that evidence be produced enabling it to be concluded prima facie that there is a risk, which is not hypothetical, of unfair advantage or detriment in the future (C-252/07 Intel Corporation [2008])

# **LEGISLATIVE PROVISIONS ON REPUTATION AND DILUTION**

- **In Opposition proceedings**
- **In infringement (civil) proceedings**

# REGULATION 2017/1001, Art.8.5

...the trade mark applied for shall not be registered where it is identical with, or similar to, an earlier trade mark, **irrespective of whether the goods or services for which it is applied are identical with, similar to or not similar to those for which the earlier trade mark is registered**, where, in the case of an earlier EU trade mark, the trade mark has a **reputation** in the Union or, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned, and where the use **without due cause** of the trade mark applied for would take **unfair advantage** of, or be **detrimental to**, the distinctive character or the repute of the earlier trade mark

# REGULATION 2017/1001, Art. 9.2

Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of that EU trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where:

(c) the sign is identical with, or similar to, the EU trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark.

# Reputation and dilution

Some examples from case law

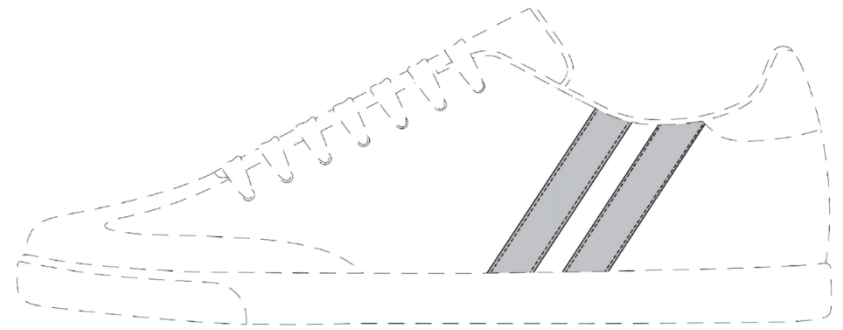
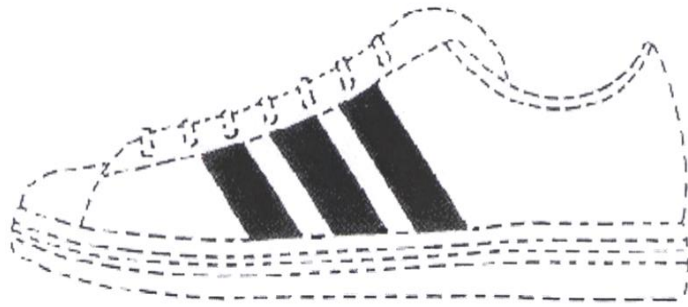
# **McDonalds – MacCoffee**

**GCEU, T-518/13, 05.07.2016**

**likelihood of dilution was found**



**The three parallel stripes of Adidas**  
GCEU, T-85/16, 01.03.2018  
likelihood of dilution was found



Other cases  
where dilution was NOT established

**CK – CK CREACIONES KENNYA**

CJEU, C-254/09, 02.09.2010

GCEU, T-185/07, 07.05.2009

The two marks are not similar, because the dominant element in the second mark are the words CREACIONES KENNYA.

## **SOTTO IL SOLE – VINA SOL**

*(vineyard under the sun) – (under the sun)*

GCEU, T-637/15 και CJEU, C-499/17

- Both marks were used in connection to wines.
- Dilution was not established because the common element SOLE (SOL) was not distinctive for wines, as it used widely used by many enterprises in connection to these products.

# PRADA - THE RICH PRADA

GCEU, T-111/16 και CJEU, C-511/18

- Dilution was found when the new mark was used in connection to retail services of shoes and clothing, or jewelry, cosmetics, beauty services and entertainment services; but
- Dilution was NOT found when the new mark was used in connection to foodstuffs, beverages, wines and beers.
- Although similarity of goods is NOT required, however, a great difference in terms of goods can prevent dilution.

French courts found absence of dilution between the below products.

Although there are common elements, commonalities relate to indistinctive elements that are widely used as usual decorative elements in this type of goods.



US courts found that dilution could not be established, because freedom of expression prevailed.



# Cumulative condition for dilution

**1. REPUTATION**

**2. SIMILARITY OF MARKS**

**3. LIKELIHHOD OF CONNECTION**

**4a. UNFAIR ADVANTAGE, *or***

**4b. blurring, *or***

**4c. TARNISHMENT**

**5. WITHOUT DUE CAUSE**

**6. SIMILARITY OF GOODS NOT  
REQUIRED,**

**BUT A GREAT DIFERENCE IN TERMS OF  
GOODS MAY PREVENT DILUTION**



# SIMILARITY OF MARKS

- Similarity of marks is assessed on the basis of the same criteria that we use in connection to likelihood of confusion.
- However, a lower level of similarity is required to establish likelihood of connection.

# LIKELIHOOD OF CONNECTION

- Likelihood of connection is something less than likelihood of confusion.
- There is likelihood of connection when consumers upon seeing the latter mark they immediately and almost subconsciously bring to their minds the well known earlier mark.
- Likelihood of connection is assessed on the basis of a “global appreciation” and a “multifactor test”.

# Likelihood of CONNECTION

- *Adidas vs. Fitnessworld, (2004)*

Facts: *three stripes – two stripes*

- Defining Similarity (likelihood of making a simple link)

Key points:

- **Dilution to identical/similar goods**
- **Likelihood of connection**
- **Global appreciation**
- **Embellishment**

- To establish dilution, **likelihood of confusion is not required**; it suffices that due to the level of similarity of the marks, the relevant public makes a connection, i.e. a link between the two marks.
- Likelihood of connection is assessed globally taking into account all relevant circumstances.
- If the public perceives a sign as an **embellishment only**, then such a connection is not established; but if it is proved that a connection is established, then it means that the public does not perceive the sign as an embellishment only.

# WITHOUT DUE CAUSE

- Even if all other conditions for dilution are in place, there may be a due cause justifying dilution.
- Due cause is a defense that the junior user / applicant must invoke and prove.

# An example of due cause

## CJEU, C-65/12

### RED BULL - BULLDOG

- “Bulldog” was an enterprise of hotels and restaurants; they operated for more than three decades and were very well known locally (Belgium).
- “Bulldog” started producing their own beverages under the same mark.
- Although all other prerequisites for dilution existed in connection to RED BULL and BULLDOG, there was a due cause for using the Bulldog mark.

# SAME / DIFFERENT PRODUCTS

- *Davidoff vs. Gofkid, (2003)*

*Facts: Davidoff – Durfee [both in the **same special lettering**] for smoking articles (same products, not different products).*

- The concept of **dilution applies** not only to dissimilar goods/services, but also to identical/similar goods/services

# THE RELEVANT PUBLIC IN DILUTION CASES

## NASDAQ

Facts: *NASDAQ* was applied for TMR registration in relation to *clothing*.

### Key points:

- **Defining reputation**
  - **Defining the “*relevant public*”**
1. The definition of the “*relevant public*” concerned depends on the **type of dilution** alleged in each case (i.e. which of the three types?); in the case of *unfair advantage*, the relevant public was the **customers to whom the later mark addressed (INTEL)**.
  2. In the case of **NASDAQ**, not only financial professionals are familiar with this mark, but also a great part of the **general public follows up financial matters**.



3. The GCEU considered that the use of the term “NASDAQ” in connection to clothing would imply that such clothing was made of high-tech materials and that the high-tech image would be transferred to the clothing market. The Court of Justice did not overrule this reasoning.

Although this is not convincing, it is true that use of the well-known NASDAQ term to clothing would contribute to immediate and easy recognition, i.e. such clothing would be immediately and easily recognizable by consumers.

4. The factor relating to the economic behavior of consumers was not applied and this seems to be a mistake of this judgment.

# A new trademark function: INVESTMENT function

## INTERFLORA

- In addition to the origin, quality and advertising function, there is the *investment* function as well. This function represents the financial investment in advertising expenses and it has been recognized by the Court.

# MAJOR CASES FOR DILUTION

(<https://curia.europa.eu>)

- C-375/97, 14.9.99 (General Motors/Yplon) on reputation.
- C-481/01, 23.10.03 (Adidas/Fitnessworld) on likelihood of connection.
- C-252/07, 27.11.08 (Intel) on likelihood of connection, unfair advantage, blurring and tarnishment.
- C-197/07, 12.12.08 (TDK) on likelihood of connection, unfair advantage, blurring and tarnishment.
- C-487/07, 18.6.09 (L'Oreal/Bellure) on likelihood of connection, unfair advantage, blurring and tarnishment.
- C-383/12, 14.11.13 (Environmental Manufacturing) on likely change in economic behavior for blurring.