

Chapter 10

Trademark Dilution in the European Union

*Professor Charles Gielen**

I. INTRODUCTION

- § 10:1 Introduction and legal context
- § 10:2 Protection of registered and unregistered rights against detriment and free-riding
- § 10:3 Possibility of non-confusion infringement under the “double identity” rule

II. REPUTATION

- § 10:4 The concept of reputation
- § 10:5 The place where the mark enjoys a reputation
- § 10:6 —National or regional marks
- § 10:7 —Community Trade Marks
- § 10:8 Evidence of reputation

III. USE

- § 10:9 Use of an identical or similar sign
- § 10:10 Use in relation to goods or services
- § 10:11 Protection for use with non-similar or similar goods or services
- § 10:12 Use in the course of trade

IV. ASSOCIATION

- § 10:13 Requirement for detriment or free-riding: link or association
- § 10:14 Factors to establish a link

V. NON-CONFUSION INFRINGEMENT

- § 10:15 Non-confusion infringement generally

*Professor Charles Gielen is of counsel of NautaDutilh NV in Amsterdam, the Netherlands, emeritus professor of IP law at the University of Groningen, the Netherlands, and extraordinary professor of IP Law at the University of Stellenbosch, South Africa.

§ 10:16 Actual injury or likelihood of injury

VI. DETRIMENT TO DISTINCTIVENESS

§ 10:17 Detriment to distinctiveness generally

§ 10:18 Factors to establish detriment

§ 10:19 Evidence of an effect on economic behavior or a non-hypothetical risk

§ 10:20 Case law on detriment to distinctiveness

VII. DETRIMENT TO REPUTATION

§ 10:21 Detriment to reputation generally

§ 10:22 Case law on detriment to reputation

VIII. DEFENSES AND REMEDIES

§ 10:23 Without due cause

§ 10:24 Remedies in detriment and free-riding cases

KeyCite®: Cases and other legal materials listed in KeyCite Scope can be researched through the KeyCite service on Westlaw®. Use KeyCite to check citations for form, parallel references, prior and later history, and comprehensive citator information, including citations to other decisions and secondary materials.

I. INTRODUCTION

§ 10:1 Introduction and legal context

A trade mark is like a lighthouse—it attracts and seduces those looking for a safe harbor in which they can feel at home. Those who seek to drop anchor in the harbor look to the trade mark to guide them to shore after having navigated troubled waters at sea. Any disturbance to the trade mark’s light will cause ships to drift away, lose their bearings, and, ultimately, even to be destroyed.

Brand clarity, much like the light cast by a lighthouse, is extremely important when it comes to marketing branded products.¹ Indeed, reputed and distinctive marks are particularly vulnerable to attack by those who wish to take advantage of their reputation and distinctiveness by using bits and pieces of the brand. European trade mark law generally recognizes the need to protect some trade marks against such attacks, independent of

[Section 10:1]

¹See e.g. J. Swann, *The Evolution of Dilution in the United States From 1927 to 2006*, §§ 3:1 et seq. of this book.

the traditional possibilities to object to likelihood of confusion. Indeed, even in the absence of confusion, a trade mark can be harmed by the unauthorized use of an identical or similar sign under circumstances that prejudice the mark and its owner. Before discussing how European law deals with this situation, however, a brief explanation is provided of the statutory framework for trade mark protection in the EU.

The European Union currently consists of 28 Member States.² Trade mark law in Europe is based on two important legal instruments. First is the Harmonisation Directive (the “Directive”), on the basis of which the trade mark laws of the Member States were harmonized. The so called First Directive³ has recently been replaced by a new Directive⁴ that (with the exception of a few provisions) entered into force on January 12, 2016. In so far as relevant for the topic of this Chapter, the new provisions will need to be implemented by January 14, 2019, at the latest.

The Directive eliminates disparities between the national laws that could impede the free flow of goods and services and distort competition. The Directive covers the most important aspects of trade mark law, such as what can constitute a trade mark, distinctiveness, absolute and relative grounds for refusal, scope of protection, exhaustion of rights, licensing, genuine use, cancellation and revocation. As a result of the transposition of the First Directive into national law, the substantive provisions of national trade mark laws are practically identical throughout the EU. Some differences remain, however, because this First Directive contains both mandatory and optional provisions. An example of an optional provision is that the Member States are free to provide protection against non-confusion infringement, but are not obliged to do so. Almost all Member States do have such provisions in their laws already, and, in so far as this is not yet the case, they will have to change their laws as a result of Directive 2015/2436 that mandatorily provides for such protection.

The national courts of the Member States have jurisdiction to render decisions on national trade mark rights. In order to

²Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Portugal, Spain, Sweden, the Netherlands, the United Kingdom, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Rumania, the Slovak Republic and Slovenia.

³First Council Directive 98/104 of 21 December 1988 to approximate the laws of the Member States relating to trade marks, changed into Directive 2008/95 of 22 October 2008 to approximate the laws of the Member States relating to trade marks, OJ L 299, Nov. 8, 2008, 25.

⁴Directive (EU) 2015/2436 of 16 December 2015 to approximate the laws of the Member States relating to trade marks, OJ L 336/1, Dec. 23, 2015.

safeguard a harmonized interpretation of the substantive provisions of trade mark law, however, European law provides that the national courts can (and sometimes must) refer questions regarding interpretation of the Directive's provisions to the Court of Justice of the European Union (CJEU) in Luxembourg.

The second legal instrument is Regulation (EU) No 2017/1001 on the European Union trade mark (the "EUTM")⁵ repealing Council Regulation No 2009/209 of 26 February 2009 on the Community Trade Mark (the "CTMR"),⁶ as amended by Council Regulation No 2015/2424,⁷ which provides for a European Union trade mark or EUTM (formerly called "Community Trade Mark" or CTM; the latter term is used herein to refer to old provisions or case law where this term is used), valid throughout the entire European Union. A EUTM can be obtained by filing an application for registration with the European Intellectual Property Office (the "Office") which was formerly called "Office for Harmonisation in the Internal Market" (Trade marks and Designs) (OHIM) in Alicante, Spain.⁸ In this chapter, reference will be made to the "Office" unless it concerns reference to the former OHIM. EUTMs co-exist with national trade mark rights. The substantive provisions of the EUTMR are almost identical to those of the Directive. In the context of registration and opposition proceedings, appeals can be brought before the Office's Board of Appeal; further appeal is possible to the General Court (GC) in Luxembourg and, finally, on questions of law only, to the CJEU. The holders of prior national rights and EUTMs can oppose EUTM applications. EUTM infringement proceedings are normally brought before the EUTM court in the defendant's Member State but can also be heard by the competent court in the Member State in which the infringing act takes place. In the former case, the EUTM court is, as a general rule, authorised to grant an injunction which is valid throughout the entire European Union. In the latter case, the court can only grant an injunction for that particular country. Applications for invalidation or revocation should be brought before the Office, but can

⁵Regulation (EU) 2017/1001, OJ L 154/93.

⁶OJ L 78, March 24, 2009, 1.

⁷Regulation (EU) 2015/2424 of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs), OJ L 341/21, Dec. 24, 2015. Regulation (EU) 2015/2424 entered into force on March 23, 2016 (with the exception of a few provisions).

⁸For further information, see <https://euipo.europa.eu>.

also be lodged as a counterclaim in the context of infringement proceedings.

The possibilities for a trade mark holder to oppose unauthorized registration and use of its mark or a similar sign are provided for in Articles 5(1)–(3) and 10(1)–(2) and 10(6) of the Directive (under the old Directive it concerned Articles 4(1)–(4) and 5(1)–(2) and 5(5)). According to the Court of Justice,⁹ the Directive in this regard provides for an exhaustive set of rules regarding the scope of protection of national trade marks. The Member States are not free to make special rules on infringement.¹⁰ The relevant portions of these provisions read as follows:

Article 5.

1. A trade mark shall not be registered or, if registered, shall be liable to be declared invalid:

(a) if it is identical with an earlier trade mark, and the goods or services for which the trade mark is applied for or is registered are identical with the goods or services for which the earlier trade mark is protected;

(b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association with the earlier trade mark.

2. ‘Earlier trade marks’ within the meaning of paragraph 1 means:

(a) trade marks of the following kinds with a date of application for registration which is earlier than the date of application for registration of the trade mark, taking account, where appropriate, of the priorities claimed in respect of those trade marks;

(i) EU trade marks;

(ii) trade marks registered in the Member State or, in the case of Belgium, Luxembourg or the Netherlands, at the Benelux Office for Intellectual Property;

(iii) trade marks registered under international arrangements which have effect in the Member State concerned;

(b) . . .

(c) applications for the trade marks referred to in points (a) and (b), subject to their registration;

⁹CJEU, *Silhouette v Hartlauer*, 16 July 1998, C-355/96 [1998] ECR I-04799.

¹⁰This is not the case with Article 10(6) of the Directive (relating to the use of a trade mark for purposes other than to distinguish goods and services; formerly this was Article 5(5)), the interpretation of which is left entirely to the Member States; see also CJEU, *Robelco v Robeco*, 21 November 2002, C-38/98, [2002] ECR I-10913.

(d) trade marks which, on the date of application for registration of the trade mark, or, where appropriate, of the priority claimed in respect of the application for registration of the trade mark, are well known in the Member State concerned, in the sense in which the words ‘well-known’ are used in Article 6bis of the Paris Convention.

3. Furthermore, a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where:

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

(. . .)

Article 10.

1. The registration of a trade mark shall confer on the proprietor exclusive rights therein.

2. Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark, the proprietor of that registered 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:

(a) the sign is identical with the trade mark and is used in relation to goods or services which are identical with those for which the trade mark is registered;

(b) the sign is identical with, or similar to, the trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark;

(c) the sign is identical with, or similar to, the 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 trade mark is registered, where the latter has a reputation in the Member State 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 trade mark.

3. . . .

6. Paragraphs 1, 2, 3 and 5 shall not affect provisions in any Member State relating to the protection against the use of a sign other than use for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of,

or is detrimental to, the distinctive character or the repute of the trade mark.

The EUTMR contains similar provisions to the Directive, namely Articles 8(1), (2) and 8(5) (relative grounds for refusal or invalidation) and 9(2) (infringement).¹¹

For the purposes of EU trade mark law, the provisions of Article 6*bis* of the Paris Convention are relevant. The recitals to the Directive state that all EU Member States are bound by the Paris Convention and that the Directive must be entirely consistent with the Paris Convention. Article 5(2)(d) of the Directive provides that well-known trade marks, in the sense of Article 6*bis* of the Paris Convention, are earlier marks that constitute a relative ground for refusal or invalidity. The same is true for EUTMs.¹² The EU, as such, is not a signatory to the Paris Convention. However, it is a signatory to the TRIPS Agreement, Article 16(2) and (3) of which contain two important provisions extending the scope of Article 6*bis* of the Paris Convention. The first is that this provision should also be applied to services.¹³ The second provides that Article 6*bis* shall also apply to goods and services which are not similar to those in respect of which a trade mark has been registered when use of the trade mark indicates a connection between those goods and services and the owner of the mark, provided the owner's interests are likely to be harmed by such use.

Since the EU is a signatory of the TRIPS Agreement, the CJEU is authorized to define the EU's obligations under this agreement and to interpret its provisions.¹⁴ The CJEU decided that in all aspects of IP regulated by the TRIPS Agreement, the CJEU is the highest court to interpret the provisions of this Agreement because these provisions fall under the common commercial policy of the EU and this policy falls within the exclusive competence of the EU.¹⁵ In other words, in cases of non-confusion infringement, the provisions of the Directive and EUTMR should be applied in light of the wording of Article 16 of TRIPS. The consequences of this will be further discussed below.¹⁶

¹¹Corresponding to Article 5(1) and (5)(3)(a) and Article 10(2) of the Directive, respectively.

¹²See Art. 8(2)(c) EUTMR.

¹³See Art. 16(2) TRIPS Agreement.

¹⁴See CJEU, *Assco v Layher*, 14 December 2000, C-392/98 [2000] ECR I-11307, para. 33

¹⁵CJEU, *Daiichi v Sankyo*, 18 July 2013, C-414/11 ECLI:EU:C:2013:520.

¹⁶See §§ 10:2 to 10:4.

§ 10:2 Protection of registered and unregistered rights against detriment and free-riding

In principle, only registered marks can be protected against detriment and free-riding. For an EUTM, Article 6 of the EUTMR provides that rights to a EUTM are acquired through registration, while Article 9 describes the rights conferred by a EUTM. In addition, EUTMR Article 8(2)(a) and (b) provides that earlier EUTMs or national marks on the basis of which EUTM applications can be opposed (or EUTMs, once granted, declared invalid) should be registered. A similar rule is set out in Article 5(2)(a)–(c) of the Directive. Following, we examine the possibility of protecting unregistered rights against detriment by later marks or signs.

First, it should be noted that some Member States grant protection to *unregistered* trade mark rights and/or rights to other business identifiers, such as trade names.¹ Indeed, it follows from Article 5(4)(a) of the Directive that the Member States may provide that such rights can form the basis for an opposition or declaration of invalidity, where, based on such rights, the owner is entitled to oppose the use of a later mark. This is an optional provision. The same provision, but of mandatory application, can be found in EUTMR Article 8(4). The scope of protection afforded unregistered prior national rights is determined by national law. If certain conditions are met, some countries extend protection against dilution not only to the registration of later marks but also the use thereof.

Second, it is important to examine the protection afforded to *well-known marks* within the meaning of Article 6*bis* of the Paris Convention and Article 16(2) and (3) of the TRIPS Agreement. Such marks are protected based on the notion that “earlier marks” can form the basis for an opposition to an application for an EUTM or national trade mark registration, pursuant to EUTMR Article 8(2)(c) and Article 5(2)(d) of the Directive, respectively. Well-known marks are protected regardless of whether they are registered in the country where protection is sought. Indeed, pursuant to Article 6*bis* of the Paris Convention, well-known marks are protected against the registration or use of confusingly similar trade marks. Likewise, Article 16(3) of the TRIPS Agreement provides for protection when a trade mark is used for non-similar goods or services, provided the well-known

[Section 10:2]

¹Unregistered trade marks can be protected, for example, in Germany, Denmark, Finland and England, but not in the Benelux or France. In most EU Member States, trade names can be protected, even against use only, such as in the Netherlands and Belgium.

mark for which protection is sought has been registered. Thus, there is no protection against dilution or free-riding for *unregistered* well-known marks. In practice, this does not appear to be problematic, however, since most well-known marks are registered as EUTMs or national marks and, once well-known, certainly enjoy a reputation, which is the condition for a successful action against detriment by both similar and non-similar marks, as discussed below.²

§ 10:3 Possibility of non-confusion infringement under the “double identity” rule

Pursuant to Articles 5(1)(a) and 10(2)(a) of the Directive (and the corresponding provisions of the EUTMR), a trade mark owner can oppose the registration and/or use of a sign identical to its mark for identical goods or services. The 16th recital to the Directive describes this type of protection as “absolute,” in keeping with Article 16(1) of TRIPS, which states that, in the event of double identity (i.e., identity of the marks and of the goods or services), likelihood of confusion is presumed. It is not necessary to prove likelihood of confusion. In its *Arsenal* decision, the CJEU apparently introduced a further requirement, namely that the use of an identical sign for identical goods or services cannot be prevented unless it affects, or is liable to affect, the functions of the mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services. As the CJEU put it:

It follows that the exclusive right under Article 5(1)(a) of the [old, G] Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfill its functions. The exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.¹

This wording suggests that it is necessary to prove likelihood of confusion, which would arguably violate the principle of absolute protection mentioned in the 16th recital. In *L’Oréal v Bellure*, the Court extended this holding to jeopardizing any function, not just the origin function, of a trade mark. It expressly mentions in particular the function of guaranteeing the quality of the goods or services in question and those of communication, investment or

²See §§ 10:4 to 10:8.

[Section 10:3]

¹CJEU, *Arsenal v Reed*, 12 November 2002, C-206/01 [2002] ECR I-10273, para. 51.

advertising.² With reference to the advertising function, the CJEU stated in *Interflora* that “a trade mark is often, in addition to an indication of the origin of the goods or services, an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.”³ Furthermore, it held that when a trade mark fulfills another function, this function will be protected under the double identity rule. This approach derogates from the traditional interpretation of the double identity rule, namely that protection is granted without having to prove likelihood of confusion.

That being said, the question arises as to whether, in light of the CJEU’s case law, in particular the idea that the communication and advertising functions of a trade mark are also protected under the double identity rule, any form of non-confusion infringement is protected under this rule. Let’s assume knock-off toys are being offered for sale under the original manufacturer’s trade mark, which is not (yet) reputed, and that the counterfeiter clearly states that the toys are imitations of the originals. Protection under the detriment and free-riding provisions (Article 10(2)(c) of the Directive or EUTMR Article 9(2)(c)) is not available because the trade mark does not enjoy a reputation. Arguably, the original function of the trade mark (to indicate origin) is not jeopardized as it is clear that the toys are knock-offs. Thus, the question arises as to whether this practice affects the advertising function of the trade mark, since it undermines attempts by the trade mark owner to acquire a reputation for its mark and build brand loyalty. It could certainly be argued that, in light of the CJEU’s case law, the advertising function of the mark is harmed; in other words, consumers have less incentive or desire to buy the original goods. Thus, under the double identity rule, the owner of a non-reputed mark can oppose even the non-confusing use of its mark, if such use arguably weakens the mark’s distinctiveness or reputation.

It seems clear that this is not what the legislature had in mind when drafting the double identity rule. The purpose of this rule was to render it possible for the owner of a trade mark to oppose the use of its mark for identical goods or services, as likelihood of confusion is presumed in such cases, whereas in cases involving similar marks or similar products, the trade mark proprietor must prove likelihood of confusion. The CJEU seems to have lost track of this fact, by allowing the courts or the Office to take functions other than the original (essential) function into

²CJEU, *L’Oreal v Bellure*, 18 June 2009, C-487/07 [2009] ECR I-05185.

³CJEU, *Interflora v Marks & Spencer*, 22 September 2011, C-323/09 [2011] ECR I-08625, paras. 39–40; *see also* CJEU, *Google France*, 23 March 2010, C-236/08 to C-238/08 [2010] ECR I-02417, paras. 91–92.

consideration. However, it is not necessary to do so, even in the example provided above. In such cases, the origin function will also be affected, provided we accept that confusion as to origin can also arise after the imitation product leaves its point of sale. The CJEU expressly recognised the possibility of post-sale confusion in the aforementioned *Arsenal* decision.⁴ Thus, in the author's opinion, the double identity rule should remain reserved to cases where likelihood of confusion can be presumed or established. This interpretation fits into the system created by the Directive and the EUTMR, which afford protection against detriment and free-riding only to reputed marks.

II. REPUTATION

§ 10:4 The concept of reputation

Protection against detriment and free-riding is only available to marks that enjoy a reputation. The notion of repute or reputation is used throughout EU trade mark law. Below we compare this notion with the concept of well-known marks, as used in Article 6*bis* of the Paris Convention and Article 16(2) and (3) of the TRIPS Agreement. "Well-known" is generally understood to mean known to a substantial segment of the relevant public.¹ Article 16(2) of the TRIPS Agreement provides that, in determining whether a mark is well-known, the knowledge of the trade mark in the relevant sector of the public should be taken into account, which raises the question of whether the traditional meaning of well-known is still valid.² If not, it comes close to what is understood by "repute," as discussed below. Further guidelines can be found in the *WIPO Joint Recommendations Concerning Provisions on the Protection of Well-Known Marks*.³ The protection afforded well-known marks against later national and EUTM applications is set out in Article 5(2)(d) of the Directive and EUTMR Article 8(2)(c).

⁴See CJEU, *Arsenal v Reed*, 12 November 2002, C-206/01 [2002] ECR I-10273. In *Picasso v Picaro*, the CJEU nuanced the possibility of post-sale confusion in a situation where the relevant public pays a particularly high degree of attention when purchasing a certain category of goods and services; *Picasso v Picaro*, 12 January 2006 C-361/04 [2006] ECR I-00643.

[Section 10:4]

¹Frederick Mostert, ed., *Famous and Well-known Marks*, INTA, I-27; see also Brussels Court of Appeal, *Pannoxyl v Pannogel*, 2 May 1990, [1990] *Revue de l'Ingénieur-Conseil*, 214; Arnhem Court of Appeal, *Agio*, 23 February 1993, *Intellectuele Eigendom en Reclamerecht* 1993, 187, with note by Ch. Gielen.

²T. Cohen Jehoram, Constant van Nispen & Tony Huydecoper, *European Trademark Law*, 2010, no. 8.11.

³See Mostert, ed., *Famous and Well-known Marks*, INTA, I-27, Annex 18; see also http://www.wipo.int/about-ip/en/development_iplaw/pub833.htm.

The CJEU clarified the notion of reputation in *General Motors v Yplon*.⁴ After analyzing the different language versions of the term in the Directive, the Court concluded that there is a required knowledge threshold. Such a threshold also follows from the provisions and purpose of the Directive. According to the CJEU, Article 10(2)(c) (formerly Article 5(2)) of the Directive applies only where there is a sufficient degree of knowledge on the part of the relevant public (i.e., the earlier trade mark has a reputation). With respect to the relevant public, the CJEU found that the mark must enjoy a reputation amongst the public concerned by the mark; that is, depending on the goods at issue, either the public at large or a more specialized public (such as traders in a specific sector). The Court came to the conclusion that the requisite degree of knowledge must be considered met when the mark is known to a significant part of the public concerned by the goods and services covered by the mark. In assessing whether a mark has a reputation in this sense, all relevant facts must be taken into account. The CJEU mentioned the mark's market share, the intensity, geographic scope and duration of the use made of the mark, and the size of the investment made by the undertaking in promoting it.⁵ The Court expressly stated that this question cannot be answered with reference to fixed percentages of the public concerned. Based on this decision, it follows that it is impossible for a trade mark to enjoy a reputation without being, or at least having been, used. Further, a mark for which a reputation has been established through intensive use can continue to enjoy protection against detriment even after use of the mark has stopped, if it still enjoys a reputation in the relevant circles.

The CJEU's conclusion appears to coincide with international opinion on the meaning of the term "well-known mark" as used in Article 6*bis* of the Paris Convention and Article 16(2) of the TRIPS Agreement.⁶ In some countries, well known has been interpreted to mean knowledge amongst the public at large. However, it is clear from the CJEU's decision that this is not the required threshold for assessing reputation.

§ 10:5 The place where the mark enjoys a reputation

The next question regarding reputation is where, from a

⁴CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421.

⁵See Mostert, ed., *Famous and Well-known Marks*, INTA, I-27, WIPO Recommendations, Annex 18. These recommendations contain detailed proposals to assess the relevant public's knowledge of a mark.

⁶Mostert, ed., *Famous and Well-known Marks*, INTA, I-27, WIPO Recommendations, I-27.

geographic point of view, reputation should exist. In this regard, a distinction should be made between national marks and EUTMs. With respect to the first category, reference should be made to the CJEU's decision in *General Motors v Yplon*. This case concerned a Benelux trade mark, covering the entire territory of Belgium, the Netherlands and Luxembourg. Indeed, the Benelux economic union established a uniform trade mark system, and there are no longer national Dutch, Belgian or Luxembourg trade marks. The CJEU was asked to answer the question of when a mark should be deemed to enjoy a reputation in the Benelux.

§ 10:6 The place where the mark enjoys a reputation— National or regional marks

Let us first look at national or regional marks. In other words, what does reputation “in” a Member State, as used in Article 10(2)(c) of the Directive, mean? The CJEU ruled in *General Motors v Yplon*¹ that, in the absence of a definition, a trade mark cannot be required to enjoy a reputation *throughout* the territory of a Member State. It is sufficient for a reputation to exist in a substantial part thereof. In this case, the Court was asked to determine how Article 10(2)(c) (formerly Article 5(2)), which refers to the reputation of a mark in a Member State, should be read when the mark in question is a Benelux trade mark. The Court stated that the Benelux territory should be treated as the territory of a Member State. Therefore, the CJEU concluded that, in order for a Benelux mark to have a reputation, it is sufficient for the mark to enjoy a reputation in a substantial part of the Benelux, which may consist of a part of only one Benelux country. Thus, based on this wording, it is clear that a Benelux trade mark should at least be known to the relevant public in a substantial part of one Benelux state (Belgium, the Netherlands or Luxembourg).

§ 10:7 The place where the mark enjoys a reputation— Community Trade Marks

Articles 8(5) and 9(2)(c) of the EUTMR require an EUTM to enjoy a reputation “in” the Community. In this case as well, the question arises as to whether this means the entire EU (that is, all 28 Member States), a single country, a few countries, or in a part of the EU and if so, what part. From the legislative history, it can be concluded that the legislature did *not* intend to require

[Section 10:6]

¹See CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421.

reputation throughout the entire European Union. While the 1980 proposal for a CTMR expressly states that reputation should exist “in the entire Community,”¹ this wording was changed to “in the Community” in a later proposal published in 1984.² Conversely, if reputation in a single Member State were sufficient, an EUTM would be on equal footing with a national trade mark, which would undermine the purpose of the EUTMR, namely to establish a uniform system of protection covering the entire territory of the European Union. It therefore seems logical to require reputation in a substantial part of the EU. Support for this opinion can be found in *General Motors v Yplon*.³ Although this case concerned the meaning of reputation in a Member State, as this concept is used in the Directive, the Member State in question was the Benelux. The CJEU held that reputation in a substantial part of the Benelux is sufficient.⁴ In *Pago*, the Court took a somewhat different approach.⁵ With respect to the territorial scope of the reputation of an EUTM, the CJEU held that reputation should exist in a substantial part of the territory of the European Union. As in *General Motors v Yplon*, where the Court concluded that a substantial part of the Benelux territory may consist of part of a single Benelux country, in *Pago v Tirol Milch* it concluded that a substantial part of the European Union may consist of a single Member State. This opinion is now confirmed by the CJEU in the decision in the case *Iron & Smith kft v Unilever NV*. The Court ruled that a mark enjoys a reputation if the reputation exists in a substantial part of the territory of the Community “and such part may, in some circumstances, correspond to the territory of a single Member State.”⁶ It unfortunately remains unclear what circumstances the Court has in mind.

The implications of this approach for injunctions requested on

[Section 10:7]

¹See OJ 1980, C351, 1.

²See OJ 1984, C230, 1.

³See CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421.

⁴For the geographic extent of reputation in the context of a dilution case under Articles 13 and 14 (opposition and cancellation) and Article 43(c) (dilutive use) of the Lanham Act, see Ehrlich & Lehrman in Mostert, ed., *Famous and Well-known Marks*, INTA, I-27, no. 4-473. The legislative history to the federal Anti-dilution Act seems to indicate that the geographic reputation of a mark must extend throughout a substantial part of the US.

⁵CJEU, *Pago v Tirol Milch*, 6 October 2009, C-301/07 [2009] ECR I-09429.

⁶CJEU, *Iron & Smith kft v Unilever NV*, 3 September 2015, C-125/14 (publication pending) at para. 20.

the basis of a trade mark are discussed below.⁷ Arguably, an injunction cannot be granted for territory of the EU where the EUTM does not enjoy a reputation, since the EUTM proprietor will have great difficulty proving that, in that area, unfair advantage is taken of, or detriment caused to, the reputation of its EUTM.⁸ Another unresolved question is whether, if the description of the goods and services for which the mark is registered is broad, the reputation of the trade mark must extend to all of the goods or services specified or only some of them. Furthermore, the reputation threshold that national marks need to meet could potentially vary widely, given the very different sizes of the Member States.

§ 10:8 Evidence of reputation

How can a trade mark owner prove that its mark enjoys a reputation in a Member State or in the EU as a whole? *General Motors v Yplon* teaches that reference should not simply be made to fixed percentages.¹ The courts or Office should be convinced that the earlier mark is known by a significant part of the public concerned by the goods or services covered by the trade mark.² According to the CJEU, all relevant facts, in particular the trade mark's market share, the intensity, geographic extent and duration of the use made of the mark, and the size of the investment made by the undertaking in promoting it can all be taken into account to prove reputation.³ A high degree of public awareness of a mark, established on the basis of a market survey, is certainly relevant when it comes to assessing reputation, but not necessarily decisive. Leaving aside the issue of the reliability of market surveys, the courts and offices should take into account other factors as well.⁴ The fact that a particular market, in terms of the target public, is small does not mean that a mark cannot enjoy a

⁷See § 10:24.

⁸This approach has been confirmed by the German Federal Supreme Court (*Volkswagen v Volks.Inspektion, Volks.Reifen and Volks-Werkstatt*, 11 April 2013, Case nr. I ZR 214/11, [2013] Gewerbliche Rechtsschutz und Urheberrecht 1239). This court said that an injunction can only be granted for that part of the EU where the CTM enjoys a reputation. *See also* § 10:24.

[Section 10:8]

¹CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421, para. 25.

²CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421, para. 26.

³CJEU, *General Motors v Yplon*, 14 September 1999, C-375/97 [1999] ECR I-05421, para. 27.

⁴See Guidelines, Part C, Section 5, 3, 1.2.1; for particular guidance with respect to the reliability of market surveys, *see* in particular Section 5, 3, 1.4.4.

reputation in that market. As the *OHIM Guidelines* rightly state, the limited size of the relevant market should not be regarded, in itself, as a factor capable of preventing a mark from acquiring a reputation within the meaning of Article 8(5) EUTMR, as reputation is more a question of proportion and less of absolute numbers.⁵

One of the factors mentioned by the CJEU is the market share of the relevant product. Market share is the percentage of total sales the mark represents in a particular sector. Defining the relevant market can be a delicate exercise, depending on the characteristics of the goods in question. As the EUIPO Examination Guidelines (hereinafter ‘Guidelines’) state:

Thus, a very substantial market share, or a leader position in the market, will usually be a strong indication of reputation, especially if combined with a reasonably high degree of trade mark awareness. Conversely, a small market share will in most cases be an indication against reputation, unless there are other factors which suffice on their own to support such a claim.⁶

In the event of an opposition based on an earlier reputed mark, reputation should be evidenced as it exists on the filing date of the later mark or the priority date. Furthermore, it should be clear for which goods or services the mark enjoys a reputation.⁷ Market share is not always conclusive, since some goods enjoy a high reputation notwithstanding small market share. An example would be luxury goods, such as Rolls Royce cars. The CJEU also mentions intensity of use, i.e. sales volume (number of units sold) and turnover (total value of all sales). Absolute numbers alone are not persuasive, however and should be put into perspective, depending on the size of the market, including in geographic terms. Duration of use is another factor. The longer a mark is used, the stronger the indications will be that it enjoys a reputation. The same is true for what the Court calls investments in promoting a trade mark. The extent of promotional activities can be proven not only by demonstrating the value of financial investments but also by outlining the advertising and marketing strategy and providing details of media campaigns.

The list of factors cited by the Court is not exhaustive. Other relevant factors may be taken into account. The Guidelines mention the following factors (some of which can also be found in the *WIPO Recommendations*): (a) record of successful enforcement in other non-confusion infringement cases; (b) number and duration of registrations; (c) certificates or awards granted to the branded

⁵Guidelines, Section 5, 3, 1.2.1.

⁶Guidelines, Section 5, 3, 1.3.2.

⁷Guidelines, Section 5, 3, 1.2.3 and 1.2.5.

products; and (d) the value associated with the trade mark which appears from the demand for licensing, franchising and sponsorship.⁸

The Guidelines suggest means to prove reputation. The following means are listed and further explained in the *Guidelines*:⁹

- (i) sworn or affirmed statements;
- (ii) decisions of courts or administrative authorities;
- (iii) decisions of the Office;
- (iv) opinion polls and market surveys;
- (v) audits and inspections;
- (vi) certifications and awards;
- (vii) articles in the press or in specialized publications;
- (viii) annual reports on economic results and company profiles;
- (ix) invoices and other commercial documents;
- (x) advertising and promotional material.

It goes without saying that the courts will accept, and have accepted, such evidence to assess reputation.

III. USE

§ 10:9 Use of an identical or similar sign

The owner of a reputed mark can oppose the later registration or use of an identical or similar sign. These concepts are also mentioned in the provisions on the protection of earlier marks against likelihood of confusion, where such marks are registered or used for identical or similar goods or services.

The CJEU clarified the meaning of the term “identical sign” in *LTJ Diffusion v Sadas Vertbaudet*.¹ According to the Court, a sign is identical with the trade mark where it reproduces, without any modification or addition, all the elements constituting the trade mark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer. However, the question of whether a sign is identical or similar to an earlier mark is far less relevant in the context of non-confusion infringement cases. Under the provisions dealing with the registration or use of a confusing sign, it can be relevant whether the later mark is identical or similar to the earlier one; if it is identical (and registered or used for identical goods or services), neither EUTMR Articles 8(1)(a) or 9(2)(a), nor Article

⁸Guidelines, Section 5, 3, 1.3.7.

⁹Guidelines, Section 5, 3, 1.4.4.

[Section 10:9]

¹CJEU, *LTJ Diffusion v Sadas Vertbaudet*, 20 March 2003, C-291/00, [2004] ECR I-02799.

10(2)(a) of the Directive, require that likelihood of confusion be established. In this case, likelihood of confusion will be presumed. However, under the provisions on non-confusion infringement, likelihood of harm to the earlier mark must be established in both cases.

Some claim that the notion of “similar sign” was supposed to have the same meaning in Article 10(2)(b) and (c) of the Directive (and Article 9(2)(b) and (c) of the EUTMR), and this appears to be the general approach.² Support for this position can be found in the CJEU’s *adidas v Fitnessworld Trading* decision³ on the meaning of “similar sign” as used in (former) Article 5(2) of the Directive (now Article 10(2)(c)), which mirrors EUTMR Article 9(2)(c). In this case, the Court ruled that in order for similarity to be found, there must be, in particular, elements of visual, aural or conceptual similarity. The Court reached a similar conclusion in *Puma v Sabel*, a likelihood of confusion case.⁴ The CJEU believes that, in both cases (likelihood of confusion, on the one hand, and dilution or free-riding, on the other), similarity requires the existence of elements of visual, aural or conceptual similarity.⁵ However, since *Ferrero v Tirol Milch*, the Court has distinguished between the degree of similarity in likelihood of confusion cases and the degree of similarity needed to succeed in an action against detriment or free-riding. The Court stated as follows:

Whereas the implementation of the protection provided for under Article 8(1)(b) of Regulation No 40/94 is conditional upon a finding of a degree of similarity between the marks at issue such that there exists a likelihood of confusion between them on the part of the relevant section of the public, the existence of such a likelihood is not necessary for the protection conferred by Article 8(5) of that regulation. Accordingly, the types of injury referred to in Article 8(5) may be the consequence of a lesser degree of similarity between the earlier and later marks, provided that it is sufficient for the relevant section of the public to make a connection between those marks, that is to say, to establish a link between them.⁶

²See e.g. Jean Jo Evrard and Philippe Peters, *La Défense de la Marque dans le Benelux, marque Benelux et marque communautaire*, para. 286; J. Philips, *Trade Mark Law*, para. 11.12.

³CJEU, *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537.

⁴CJEU, *Puma v Sabel*, 27 November 1997, Case C-251/97, [1997] ECR I-06191.

⁵CJEU, *Ferrero v Tirol Milch*, 24 March 2011, case C-552/09 [2011] ECR I-02063, para. 52.

⁶CJEU, *Ferrero v Tirol Milch*, 24 March 2011, case C-552/09 [2011] ECR I-02063, para. 53; a nice example of a case where there no sufficient similarity

This confirms what was hinted at in earlier decisions.⁷ If there is no similarity there can never be a link and therefore no detriment to distinctiveness or repute, nor unfair advantage; if there is similarity, however faint, the possibility of a link exists and this should then be investigated, taking into account the factors mentioned in § 10:14 below.⁸ Thus, the establishment of a “link” or “connection” is crucial in a detriment or free-riding case. Reference can also be made to an “association.”⁹ Below we discuss how this is established.¹⁰

§ 10:10 Use in relation to goods or services

According to the infringement criteria set out in Article 10(2) of the Directive and EUTMR Article 9(2), a trade mark owner can prevent the use of a sign “in relation to” goods or services. Use *in relation to* goods or services must be understood as use for the purpose of distinguishing goods or services.¹ This means that if a sign is used for purposes other than to distinguish goods or services, such use cannot be contested under EUTMR Article 9(2) or Article 10(2) of the Directive. However, is the law really so clear? The CJEU’s decision in *adidas v Fitnessworld Trading* provides a

between the marks was found for establishing likelihood of confusion, but sufficient similarity for establishing a link can be found in OHIM Opposition Decision B 632 483, *Karat v Egekarat*, 28 October 2005; see also The Hague Court of Appeal, *Red Bull v Osborne*, 20 September 2011, *Intellectuele Eigendom en Reclamerecht* 2011/72.

⁷See e.g. *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, paras. 27, 29 and 31, in which the CJEU found that infringement under Article 5(2) of the Directive results from a certain degree of similarity between the mark and the sign, by virtue of which the relevant public makes a connection between the sign and the mark, that is to say, establishes a link between them, even though it does not confuse them; see also CJEU, *Intel v Intel-mark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 30 and 66.

⁸See CJEU, *El Corte Inglés SA v OHIM*, 10 December 2015, C-603/14 (publication pending); see also: General Court, *The Coca-Cola Company v OHIM*, 11 December 2014, T-480/12, para. 31–36, ECLI:EU:T:2014:1062. See for an example of a case in which there was no sufficient degree of similarity for likelihood of confusion, but a sufficient degree of similarity for accepting that a link will be made: German Federal Supreme Court, *jumping puma and wordmark Puma v jumping pudel and wordmark Pudel*, 2 April 2015, Markenr. 2015, 486.

⁹See Advocate-General Sharpston’s opinion in *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, para. 46, which states that no distinction should be made between the notions of link, connection or association, “which all imply a mental process above the threshold of consciousness, something more than a vague, ephemeral, indefinable feeling or subliminal influence.”

¹⁰See §§ 10:13 and 10:14.

[Section 10:10]

¹CJEU, Céline, 11 September 2007, C-17/06 [2007] I-07041, para. 20.

good basis for concluding that use within the meaning of Article 10(2) of the Directive and EUTMR Article 9(2)(c) need not necessarily be use as a trade mark.² In that case (again on the interpretation of (former) Article 5(2) of the Directive (now Article 10(2)(c))), one of the questions raised concerned the impact for a detriment case if the opposed sign is seen by the public purely as an embellishment. The Court held that the fact that a sign is viewed as an embellishment by the relevant public is not, in itself, an obstacle to the protection conferred by Article 5(2) of the Directive, where the degree of similarity is nonetheless such that the relevant section of the public establishes a link between the sign and the mark. This holding supports the conclusion that use within the meaning of Article 10(2)(c) of the Directive and EUTMR Article 9(2)(c) need not necessarily be use as a trade mark. Other types of use, such as use as a trade name or domain name, etc., can be challenged, as long as it takes place in the course of trade and there is some type of link between the sign and the particular goods or services.³

A further question concerns whose goods or services should be distinguished by the sign. The Court has dealt with this question in a number of cases, although the case law is not very clear on this point. Basically, the CJEU is of the opinion that this condition should be understood as use of the sign to distinguish the goods or services of a third party, not those of the trade mark owner.⁴ This raises the question as to how use of a trade mark in comparative advertising should be construed. Based on *Adam Opel v Autec*, it tends to be concluded that such use is not covered by the relevant provisions, since the advertiser uses the trade mark owner's mark to distinguish the latter's goods or services rather than those of a third party. However, in *O2 v Hutchison*, a comparative advertising case applying the principles of *Adam Opel v Autec*, the Court reached a different conclusion.⁵ It held that in a comparative advertisement, the advertiser seeks to distinguish its goods and services by comparing them with competing goods and services. According to the Court, use by an advertiser in comparative advertisement of a sign identical with, or similar to, the mark of a competitor for the purpose of identifying the goods and services offered by the competitor can therefore be regarded as "use" for the advertiser's own goods and services. Such use does fall under Article 9(2)(a) or (b). The CJEU

²CJEU, *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537.

³*See e.g.* *Céline*, 11 September 2007, C-17/06 [2007] I-07041, para. 23.

⁴CJEU, *Adam Opel v Autec*, 25 January 2007, C-408/01 [2007] ECR I-1017, paras. 28–29.

⁵CJEU, *O2 v Hutchison*, 12 June 2008, C-533/06 [2008] ECR I-04231.

continued this line of reasoning in the *Google* cases,⁶ where the Court concluded that, in the case of keywords, the advertiser aims to offer internet users an alternative to the goods of the trade mark owner, so that the use of the trade mark as a keyword is use in relation to the goods or services of the trade mark owner. Even if the advertiser does *not* intend to offer alternatives to the goods of the trade mark owner but, on the contrary, seeks to mislead internet users as to the origin of its goods, there is still use in relation to goods and services. The CJEU reiterated its holding in *Céline*, namely that use in relation to goods or services exists where the third party is using the mark in such a way that a link is established between the sign and the goods provided by the third party. In the author's opinion, this should be the guideline in future cases.

§ 10:11 Protection for use with non-similar or similar goods or services

The actual text of Article 10(2)(c) Directive and EUTMR Article 9(2)(c) takes away an issue that arose under the former texts. The latter texts provided that protection against detriment and free-riding is available only when the goods or services are dissimilar to those for which the earlier mark is registered. However, under these old texts, it has been held that, in order to give effect to the overall purpose and objectives of the Directive, the former Article 5(2) also applies to situations in which the goods or services are identical or similar.¹ This interpretation, which in effect is *contra legem*, is reasonable as it is difficult to conceive why a reputed mark would only be protected against detriment and free-riding when it is used for dissimilar goods. As said, the new texts make it clear that protection against dilution and free-riding is now available both in the case of similar as well as dissimilar goods (see Article 10(2)(c) Directive and Article 9(2)(c) EUTMR).

§ 10:12 Use in the course of trade

The contested use must be “in the course of trade.” According to the CJEU, such use occurs in the context of a commercial activity with a view to obtaining an economic advantage, not in

⁶CJEU, *Google v Louis Vuitton et al.*, C-236/08, C-237/07, C-238/08 [2010] ECR I-02417.

[Section 10:11]

¹CJEU, *Davidoff v Gofkid*, 9 January 2003, C-292/00 [2003] I-389.

purely private relations.¹ This does not mean that private persons cannot act in the course of trade. As the Court stated in *L'Oréal v eBay*, when an individual sells a product bearing a trade mark through an online marketplace and the transaction does not take place in the context of a commercial activity, the proprietor of the trade mark cannot rely on its exclusive rights under Article 10 of the Directive and EUTMR Article 9. If, however, owing to their volume, frequency or other characteristics, the sales made on such a marketplace go beyond the realm of private activity, the seller will be deemed to be acting “in the course of trade.”² It furthermore found that a referencing service provider, such as Google, by using a keyword system is operating in the course of trade but not using the selected marks chosen as keywords. An advertiser that purchases a keyword composed of a trade mark is using that mark in the course of trade.³ The EUTMR does not contain a provision such as that foreseen in Article 10(6) of the Directive, which allows national provisions under which a trade mark owner can oppose the use of a sign for purposes other than to distinguish goods or services, without a requirement that such use take place in the course of trade.

IV. ASSOCIATION

§ 10:13 Requirement for detriment or free-riding: link or association

As indicated above, and as the CJEU stated in *adidas v Fitnessworld Trading*, for any dilution or free-riding case the requirement is that “the relevant section of the public establishes a link between the sign and the mark.”¹ This case involved a similar sign. The relevant question is thus whether the existence of such a link can be presumed in the case of identity of the mark and the sign. The answer to this question is that such a link can-

[Section 10:12]

¹See CJEU, *Arsenal v Reed*, 12 November 2002, C-206/01 [2002] ECR I-10273. Advocate-General Jacob seems to take a more limited view of what falls outside the course of trade. In his opinion in *Hölterhoff v Freiesleben*, he states that there is no infringement only if the sign is used for scientific or lexical purposes, in medical prescriptions or on goods intended solely for personal use; see CJEU, *Hölterhoff v Freiesleben*, 14 May 2001, C-2/00 [2002] ECR I-04187.

²CJEU, *L'Oréal v eBay*, 12 July 2011, C-324/09 [2011] ECR I-06011, para. 55.

³See CJEU, *Google v Louis Vuitton et al.*, C-236/08, C-237/07, C-238/08 [2010] ECR I-02417.

[Section 10:13]

¹See § 10:10.

not automatically be found, as the CJEU confirmed in *Intel*.² However, as we will see below, the greater the similarity between the marks, the earlier a link will be made. The existence of such a link must be assessed globally, taking into account all factors relevant to the case.³ As the Court puts it, it is necessary to establish in this context that the reputed mark is being brought to mind by the use of the later mark.⁴ As will be seen below, the CJEU takes a normative approach to the establishment of a link. This is not a question of fact, albeit existing market survey techniques can be used to investigate whether a link is being made.

§ 10:14 Factors to establish a link

In order to establish a link, all relevant factors need to be taken into account. In *Intel*, the CJEU outlines a number of relevant factors (although there may be others). The following factors are expressly mentioned.

- (1) The degree of similarity between the conflicting marks. The greater the similarity, the more likely a link will be found, in particular when the marks are identical. For the question what exactly is required in terms of similarity, reference is made to § 10:9 above.
- (2) The nature of the goods or services for which the conflicting marks are registered, including the degree of closeness or dissimilarity between the goods or services, and the relevant section of the public. If, for the relevant public, the goods and services for which the conflicting marks are registered or used do not overlap, the chance of the relevant public making a link between the marks is remote. On the other hand, if the relevant public is the same, or if there is some overlap, there is a small chance that a link will be made, if the goods or services are very dissimilar.
- (3) The strength of the earlier mark's reputation. If a mark has acquired a reputation that goes beyond the relevant public as regards the goods or services for which it is registered, the relevant section of the public, as regards the goods or services for which the later mark is registered or used, could make a connection even though that public is wholly distinct from the relevant section of the public targeted by the earlier mark.

²See CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 45.

³See *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, para. 30.

⁴See CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 60.

- (4) The distinctive character of the earlier mark, whether inherent or acquired through use. The reputed mark need not have distinctiveness *ab initio*. However, the stronger the distinctive character of the earlier mark, the more likely it is that, faced with the later mark, the relevant public will call that earlier mark to mind. In addition, the degree of uniqueness of the earlier mark will influence the likelihood of a later similar mark causing an association with the earlier mark. Uniqueness means a word mark has not been used by anyone other than the proprietor of the trade mark for the goods and services covered by the mark.
- (5) Likelihood of confusion on the part of the relevant public. Although likelihood of confusion is not required for a detriment or free-riding case,¹ the Court made clear that a link between the conflicting marks is necessarily established when there is a likelihood of confusion, that is to say, when the relevant public believes, or could believe, that the goods or services marketed under the earlier mark and those marketed under the later mark originate from the same undertaking or from economically linked undertakings.

Based on these factors, as explained by the CJEU, the national courts and authorities have sufficient guidance to assess the chances of a link or connection being made between the relevant marks. The UK Court of Appeal has asked whether the fact that the earlier mark is called to mind by the average consumer when he or she encounters the later mark when used for the services of that mark is sufficient to establish a “link.” The Court answered that this fact is sufficient to establish a link.

In the matter of the mark “*Grazia*” for fashion magazines enjoying a reputation in Italy, versus “*Grazia*” applied for (briefly) business consultancy and financing services, the General Court found:

that, even though the signs at issue are identical . . . and the sections of the public to which the goods and services covered by those signs are directed overlap in part . . . , there is no likelihood of a connection being made between them, as those goods and services are different in all respects; in particular, the images which they evoke bear no relation to each other . . . , the earlier figurative mark does not have a particularly strong reputation . . . , that

[Section 10:14]

¹See *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, paras. 27–31.

mark has weak inherent distinctive character . . . , and the relevant public is unlikely to confuse the signs with each other²

In the matter of the reputed mark “*Swatch*” for goods in class 14 (mainly watches and jewelry) versus “*Swatchball*” goods and services in classes 9, 35, 41 and 42 (mainly in relation to the production of films), the General Court reached a similar decision. Although the marks are similar, this is not sufficient to establish a link. In this case the products have different distribution channels, they serve different purposes and do not belong to adjacent markets. Furthermore the products marketed under *Swatchball* target a specialist public.³ A similar conclusion was reached in the matter of the reputed mark SYLVANIA for goods in classes nine, 10, and 11 (mainly lights and lamps) versus a similar device mark for goods in classes 29 and 30 (mainly meat and poultry and coffee and tea).⁴

However, in the case *The Body Shop v OHIM*, 16 March 2016, T-201/14, The General Court decided that the relevant goods were close (SPA for mineral water v SPA WISDOM for cosmetic products), because

“it must be borne in mind that the mark applied for covers cosmetic products and that one of their main characteristics is that they consist in part of water. Furthermore, . . . , there is a particular and natural connection between the activity of producing mineral water and the marketing of cosmetic products. Consequently, a number of proprietors of famous water brands have also developed, either by themselves or by means of licensees, their own line of cosmetic products which include the reputed waters or their minerals as an ingredient.” The Court concluded that this closeness as well as the similarity of the marks caused a link between them.⁵

In the matter *Alma-The sole of Italian wine v EUIPO* the conclusion was that, notwithstanding the fact that the products and the relevant public are the same, there is no link because the signs were only similar to a low degree and the earlier mark (VINA SOL) for wines has a weak distinctive character.⁶

One of the factors that was taken into account in assessing a link is the fact that the earlier marks belong to family showing a

²General Court, *Arnoldo Mondadori Editore SpA v OHIM*, 26 September 2015, T-490/12, ECLI:EU:T:2016:96.

³General Court, *Swatch AG v OHIM*, 19 May 2015, T-71/14, ECLI:EU:T:2015:293.

⁴General Court, *Flowill v EUIPO*, 30 September 2016, T-430/15, ECLI:EU:T:2016:590.

⁵General Court, *The Body Shop v OHIM*, 16 March 2016, T-201/14, ECLI:EU:T:2016:148.

⁶General Court, *Alma-The sole of Italian wine v EUIPO*, 31 May 2017, T-637/15, ECLI:EU:T:2017:371.

common element that also occurs in the later mark (McDONALD'S, McFISH, McMUFFIN, McCHICKEN etc. v MACCOFFEE).⁷

Although establishing a link is a normative exercise rather than a question of fact, market surveys can be persuasive and are often used in trade mark disputes. Conducting a reliable market survey is a delicate exercise; in some cases, the courts rely on surveys filed by one of the parties,⁸ while in other cases, the court appoints an expert to conduct a reliable survey, particularly in cases where the parties have filed conflicting surveys or when an expert criticizes a survey filed by one of the parties.⁹ A major difficulty with such surveys is to eliminate the so-called market leader effect caused by the reputed mark's large market share. This effect can be neutralized by using a control group which is presented with a mark or trade dress that clearly differs from the reputed mark.

V. NON-CONFUSION INFRINGEMENT

§ 10:15 Non-confusion infringement generally

The owner of a reputed mark can oppose the registration and/or use of a later mark if one of the following events occur:

- (1) unfair advantage is taken of the repute of the mark;
- (2) unfair advantage is taken of the distinctiveness of the mark;
- (3) detriment is caused to the repute of the mark; or
- (4) detriment is caused to the distinctiveness of the mark.

At first glance, this list would appear to cover four different situations. In *Intel v Intelmark*, the CJEU grouped the first two categories together, distinguished three types of harm, and confirmed that one type suffices for the protection against detriment and free-riding to apply.¹

⁷General Court, *Future Enterprises v EUIPO*, 5 July 2016, T-518/13, ECLI:EU:T:2016:389.

⁸See e.g. Arnhem District Court and Amsterdam Court of Appeal, *adidas v Scapa*, 8 November 2007, *Bijblad bij de Industriële Eigendom* 2008/20; The Hague District Court, *General Biscuits v Hoppe*, 7 September 2011, *Intellectuele Eigendom en Reclamerecht* 2011/73, note by A.M.E. Verschuur, The Hague Court of Appeal, *Koninklijke Talens/Jurgen V.*, 13 August 2013, *Intellectuele Eigendom en Reclamerecht* 2013/63, note by A.M.E. Verschuur.

⁹See e.g. The Hague District Court, *G-Star v Pepsico*, 21 December 2011, <http://www.ieforum.nl>, no. 10742, and Arnhem District Court, *The Coca Cola Company v Superunie*, 9 September 2009, <http://www.ieforum.nl>, no. 8200.

[Section 10:15]

¹See CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 27-28.

As outlined above,² these types of harm are the result of a certain degree of similarity between the earlier mark and later mark, by virtue of which the relevant section of the public makes a connection between them. However, as the CJEU clearly notes, a link is not sufficient to establish harm.³ Nevertheless, once a link has been established with a reputed mark, in particular when the mark enjoys a substantial reputation, it is only a small step to find that detriment is caused to the distinctiveness of that mark, in particular by the use of an identical sign.

With respect to the types of harm mentioned above, the CJEU has confirmed in general terms that it is necessary to take into account all factors relevant to the circumstances of the case, referring to the same circumstances considered relevant to establish a link.⁴

As regards the relevant public, the Court at first ruled that the distinctiveness and reputation of a mark should be assessed with reference to the perception of the relevant public consisting of average consumers of the goods and services for which the mark is registered. For this purpose, the Court distinguishes between detriment, on the one hand, and free-riding, on the other. With respect to the first type of harm, the CJEU believes the relevant public is average consumers of the goods and services for which the earlier mark is registered, whereas for free-riding, the average consumer of the goods and services for which the later mark is registered or used should be taken into account.⁵

§ 10:16 Actual injury or likelihood of injury

When examining the circumstances under which the detriment of, or free-riding on, a reputed mark can be opposed, it is first necessary to determine whether effective detriment or free-riding is required or if a likelihood thereof will suffice. According to the literal wording of Article 10(2)(c) of the Directive and EUTMR Article 9(2)(c), it is necessary to establish that unfair advantage is taken of, or detriment caused to, the distinctive character or repute of the EUTM. It would therefore appear that the mere likelihood of unfair advantage or detriment is not sufficient. However, this reading would violate, at least in part, Article

²See § 10:13.

³CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 32; see in particular General Court, *Mercator v. Mercator Studios*, 29 March 2012, T-417/09, ECLI:EU:T:2012:174.

⁴CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 42 and 68.

⁵CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 33–36; see also CJEU, *The Tea Board v EUIPO*, 20 September 2017, C-673/15, ECLI:EU:C:2017:702, para. 60.

16(3) of the TRIPS Agreement, which provides that, with respect to the use of a well-known mark for dissimilar goods and services, the owner of the mark can oppose the registration and use of a later mark if its interests are *likely* to be damaged. In *Intel v Intelmark*, the Court gave an indication of how this requirement should be interpreted. In the context of (former) Article 4(4)(a) of the Directive (now Article 5(3)(a)), the Court ruled that the proprietor of the earlier mark is not required to demonstrate actual and present injury to its mark. If it is foreseeable that such injury will ensue from the use of the later mark, the proprietor of the earlier mark cannot be required to wait for the injury to actually occur in order to be able to prohibit such use. According to the Court, the proprietor of the earlier mark must prove that there is a serious risk that such an injury will occur in the future.¹ It seems that the word “serious” means non-hypothetical, as appears from CJEU’s rulings in *TDK*² and *Helena Rubinstein and L’Oréal v OHIM*. In the decision *Environmental Manufacturing v OHIM* the CJEU confirmed that there should be a serious risk of detriment, allowing the use of logical deductions; such deductions, the Court said, must not be the result of mere suppositions but must be founded on an analysis of the probabilities and by taking into account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case.³ This decision seems to confirm that the risk of dilution should be established on clear indications not on hypothetical suppositions.

VI. DETRIMENT TO DISTINCTIVENESS

§ 10:17 Detriment to distinctiveness generally

We now turn to the different types of injury, the first of which is detriment to the distinctiveness of a mark or what is commonly called dilution.¹ In *Intel*, the CJEU first defined detriment to distinctiveness. It is interesting to first note what Advocate-

[Section 10:16]

¹CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 37–39.

²CJEU, *Aktieselskabet af 21. november 2001 v OHIM*, 12 December 2008, C-197/07 [2008] ECR I-00193, para.22.

³CJEU, *Helena Rubinstein and L’Oréal v OHIM*, 10 May 2012, C-100/11, ECLI:EU:C:2012:285; CJEU, *Environmental Manufacturing v OHIM*, 14 November 2013, C-383/12, ECLI:EU:C:2013:741, para. 42-43.

[Section 10:17]

¹Under US law, this is known as dilution by blurring in contrast to detriment to reputation, which is known as dilution by tarnishment; see Jerre Swann, *The Evolution of Dilution in the United States From 1927 to 2006*, at §§ 3:1 et seq. of this publication.

General Jacobs had to say on this subject in his opinion in *adidas v Fitnessworld Trading*:

The concept of detriment to the distinctive character of a trade mark reflects what is generally referred to as dilution. That notion was first articulated by Schechter, who advocated protection against injury to a trade mark owner going beyond the injury caused by use of an identical or similar mark in relation to identical or similar goods or services causing confusion as to origin.² Schechter described the type of injury with which he was concerned as the gradual whittling away or dispersion of the identity and hold upon the public mind of certain marks. The courts in the United States, where owners of certain marks have been protected against dilution for some time, have added richly to the lexicon of dilution, describing it in terms of lessening, watering down, debilitating, weakening, undermining, blurring, eroding and insidious gnawing away at a trade mark. The essence of dilution in this classic sense is that the blurring of the distinctiveness of the mark means that it is no longer capable of arousing immediate association with the goods for which it is registered and used. Thus, to quote Schechter again, for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark anymore.³

The Court in *Intel* followed this approach by finding that detriment to distinctiveness consists of a risk of weakening the mark's ability to identify the goods or services for which it is registered and used, since use of the later mark leads to dispersion of the earlier mark's identity and hold on the public mind. According to the Court, this will notably be the case when the earlier mark, which used to cause an immediate association with the goods and services for which it is registered, is no longer capable of doing so.⁴

One of the consequences of detriment to the distinctiveness of a mark is that the mark becomes a generic indicator of the goods in question. This issue arose in *Interflora v Marks & Spencer*. The owner of the INTERFLORA trade mark argued that use by undertakings of the word "Interflora" as a keyword in a referencing service gradually persuaded internet users that the word is not a trade mark designating a specific flower-delivery service (provided by florists in the Interflora network) but rather a generic word for any flower-delivery service. The CJEU stated that this is not the case when the use as a keyword of a mark with a reputation triggers the display of an advertisement which enables

²Frank I. Schechter, *The Rational Basis for Trademark Protection*, 40 Harv. L. Rev. 813 (1927).

³Opinion of Advocate-General Jacobs in *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, para. 37.

⁴See CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 29.

the reasonably well-informed and reasonably observant internet user to tell that the goods or services offered originate not from the proprietor of the trade mark but, on the contrary, from a competitor of that proprietor, in which case the conclusion will have to be that the trade mark's distinctiveness has not been damaged by such use, which has merely served to draw the internet user's attention to the existence of an alternative to the trade mark proprietor's goods or services. If, however, the advertisement were to enable internet users to determine whether the services offered by the advertiser are independent of those of the trade mark owner, the selection of signs corresponding to the Interflora trade mark as internet keywords could have such an impact on the market for flower-delivery services that the word "Interflora" would come to designate, in the consumer's mind, any flower-delivery service.⁵ In that case, the use of the trade mark as a keyword could be opposed on the ground that it causes detriment to the distinctiveness of the mark.

It has been argued that detriment to distinctiveness, in the case of dissimilar products, is, in fact, not an issue of distinctiveness but rather one of reputation. According to this theory,⁶ the distinctive character of a well-known mark is not affected by use of the mark for other products; the ability of the earlier mark to distinguish the original goods or services remains intact. It is necessary to focus on the question of whether the power of attraction of the mark is affected, which could very well be the case when the mark is used for dissimilar products. The power of attraction is the reason why others want to use a well-known mark for dissimilar goods and free ride on the mark's reputation. In other words, the real danger is not the whittling away or dispersion of distinctiveness but the free riding on and gradual erosion of the mark's power of attraction (in the sense of repute). This theory is attractive; in particular the focus on the power of attraction is interesting.⁷ However, it does not approach the issue of distinctiveness in the correct way. If we focus solely on a mark's ability to distinguish specific goods or services—such as "Intel" for computer chips—it could indeed be argued that the use of the "Intel" mark for bicycles does not hinder the ability of the mark

⁵See CJEU, *Interflora v Marks & Spencer*, 22 September 2011, C-323/09 [2011] ECR I-08625, para. 76.

⁶Martin Senftleben, *The Tower of Babel—Dilution Concepts in International, US and EC Trademark Law*, [2009] IIC 45; see also Barton Beebe, *Intellectual Property Law and The Sumptuary Code*, 123 Harvard L. Rev. 809, 857–859 (2010).

⁷That is exactly what the Benelux Court of Justice considered to be the harm a trade mark could suffer; see Benelux Court of Justice, *Claeryn v Klarein*, case A 74/1, 1 March 1975, *Jurisprudence of the Benelux Court of Justice* 1975, 472.

to distinguish computer chips (unless there is a risk of the trade mark becoming a generic identifier).

However, it is also necessary to take into account the basic economic function of a trade mark. Indeed, a trade mark is not only a means to indicate the (source of) goods or services but also serves as a communication channel with customers. This latter power can clearly be affected when the mark is used by a third party for dissimilar goods, as such use disperses the original mark's power of attraction. Thus, one aspect of harm is the whitening away of the mark's identity.

§ 10:18 Factors to establish detriment

In *Intel v Intelmark*, the Court of Appeal of England and Wales asked the CJEU what factors should be considered when assessing whether there is a likelihood of detriment to the distinctiveness of a trade mark. It submitted four factors and asked whether these were sufficient to establish injury under the detriment and free-riding provisions. These factors were:

- (1) the earlier mark enjoys a huge reputation for certain types of goods or services;
- (2) the goods or services covered by the earlier mark are dissimilar, or dissimilar to a substantial degree, compared to the goods or services covered by the later mark;
- (3) the earlier mark is unique with respect to any goods or services;
- (4) the earlier mark is called to mind by the average consumer when he or she encounters the later mark used for the services of that mark.

Before finding that none of these factors alone is sufficient to establish injury,¹ the Court formulated a few general principles in this regard.² First, the existence of a link must be established; second, the more immediately and strongly the earlier mark is brought to mind by the later mark, the greater the likelihood of injury; third, the existence of a link and of injury or the serious likelihood of injury must be assessed globally taking into account all factors relevant to the case; and, finally, the stronger the earlier mark's distinctiveness and reputation, the more likely detriment will be found (this principle was expressed earlier in the *General Motors v. Yplon* decision).

[Section 10:18]

¹CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 70.

²CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 66–69.

With respect to detriment to distinctiveness, the Court of Appeal asked what is required to establish this type of injury and, more specifically, whether (i) the earlier mark must be unique; (ii) a first conflicting use is sufficient to establish detriment to distinctive character; and (iii) detriment to distinctive character requires an effect on the economic behavior of consumers. The Court answered these three questions briefly as follows:³

- (1) A mark does not need to be unique; a trade mark should have a reputation which means it has distinctiveness, at the very least acquired by use. This means that the court does not require the mark to be inherently distinctive. The more unique a mark, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctiveness.⁴
- (2) In some (unspecified) circumstances, a first use may suffice to cause detriment or to give rise to a serious likelihood of such detriment in the future.
- (3) With respect to the question whether an effect on the economic behavior of a consumer is required, the Court said that detriment to the distinctive character of an earlier mark is caused when the mark's ability to identify the goods or services for which it is registered and used is weakened, since use of the later mark leads to dispersion of the earlier mark's identity and hold on the public mind.

Thus, when a reputed mark or similar sign is used for identical or similar goods (in which case, a likelihood of confusion case would probably be found as well), assuming a link is established between the two marks (which normally will not be difficult to do), it is relatively easy to establish likelihood of detriment to the distinctiveness of the mark.

§ 10:19 Evidence of an effect on economic behavior or a non-hypothetical risk

The evidence rule expressed by the Court in its *Intel* judgment

³CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, paras. 72–76.

⁴In *Spa v. Spafinders* (25 May 2005, T-67/04, [2005] ECR II-1825) the General Court observed that “the risk of dilution appears, in principle, to be lower if the earlier mark consists of a term which, because of a meaning inherent in it, is very common and frequently used, irrespective of the earlier mark consisting of the term at issue . . .” and further on “that, since the term ‘spa’ was frequently used to designate, for example, the Belgian town of Spa and the Belgian racing circuit of Spa-Francorchamps or, in general, places for hydrotherapy such as hammams or saunas, the risk of another mark also containing the word element ‘Spa’ being detrimental to the distinctive character of the mark SPA appeared to be limited.”

(at paragraph 77) gave rise to quite a bit of debate, and, to the author's opinion, became somewhat blurred by the findings of the Court in the more recent *Environmental Manufacturing v OHIM*-decision.¹ The Court stated in *Intel* that, in order to prove that the use of a later mark is, or would be, detrimental to the distinctive character of an earlier mark, evidence must be brought of a change in the economic behavior of the average consumer of the goods or services for which the earlier mark was registered or a serious likelihood that such a change will occur in the future. Some scholars argued that this requirement can be met only with great difficulty, since it requires economic proof of a change to the attitude of consumers.²

In the author's opinion, however, this view is not correct. This can be based on an argument drawn from the *Intel* decision itself, but that argument does not seem to be correct if we read the more recent *Environmental Manufacturing v OHIM*-decision. The argument is that paragraph 77 of the *Intel* decision should not be read in isolation. It starts with the words "[i]t follows," which seems to indicate that what is being said in this paragraph follows from the preceding paragraphs, in which the CJEU, in answering the Court of Appeal's questions (referred to above in § 10:18), outlines the factors relevant to assess detriment to distinctiveness. In answer to the specific question of whether detriment to distinctive character requires an effect on the economic behavior of consumers, the Court answered that such detriment is caused when the mark's ability to identify the goods or services for which it is registered and used is weakened since use of the later mark leads to dispersion of the earlier mark's identity and hold on the public mind. Thus, read in context, it becomes clear that as long as the owner of the reputed mark can convince a court that use of the later mark leads to dispersion of the identity and hold on the public mind of its mark, this constitutes sufficient proof of a risk of change of the economic behavior of consumers. This reading makes sense. If the distinctiveness of a mark is diluted, the result will be that consumers, when faced with the mark, will no longer make a direct association with the

[Section 10:19]

¹CJEU, *Environmental Manufacturing v OHIM*, 14 November 2013, C-383/12, ECLI:EU:C:2013:741. For the decision by the General Court upon remand, see General Court, 5 February 2015, T-570/10 RENV, ECLI:EU:T:2012:250.

²At least two Dutch decisions refer to a heavy burden of proof for the trademark owner: The Hague District Court, *G-Star Raw v Pepsi Raw*, 15 December 2008, *Intellectuele Eigendom en Reclamerecht* 2009/9, and Leeuwarden District Court, *Huis & Hypotheek*, 29 April 2009, HA ZA 08-96. Others have argued that the *Intel v Intelmark* decision should not be read in this way but rather as defended in this chapter; see A. Quaedvlieg, *Intel en Verwatering*, Boek9, B97921, and Ch. Gielen, *Intel/Intelmark en L'Oreal/Bellure*, *Ars Aequi* 570 (2009).

earlier mark, thus influencing their economic behavior by causing them to turn away from the original mark. This is all the trade mark owner must prove.

The question however is, whether the argument outlined above still holds after the *Environmental Manufacturing v OHIM*-decision.³ In that decision, the CJEU said that the wording “[i]t follows” in para. 77 of the *Intel* decision is not merely an explanation of the preceding paragraphs of that decision, but the requirement to establish a change in the economic behavior of the average consumer lays down an objective condition that needs to be fulfilled for a successful case on detriment to distinctiveness. The Court held in para. 37:

(. . .) [t]hat change (in the economic behavior of the average consumer, G.) cannot be deduced solely from subjective elements such as consumers’ perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.

The Court, however, also repeated that the law does not require evidence of actual detriment, but also admits the serious risk of such detriment which, according to the Court, allows the use of logical deductions.⁴ Such deductions, according to the Court, must not be the result of mere suppositions but must be founded on an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case.⁵ This decision seems to say that the risk of a change in the economic behavior of consumers cannot be established on hypothetical assumptions but should be analyzed on the basis of all circumstances of the case. This finding to the author’s opinion confirms that the evidence is not an evidence of purely economic factors, but requires a normative analysis. It is interesting to note that this is in line with what the Court decided earlier (after the *Intel* decision) in *Helena Rubinstein and L’Oréal v OHIM*, where the CJEU confirmed the General Court’s reasoning that:

(. . .) the proprietor of the earlier mark is not required to demonstrate actual and present harm to its mark but must, however, adduce prima facie evidence of a future risk, which is not hypotheti-

³CJEU, *Environmental Manufacturing v OHIM*, 14 November 2013, C-383/12, ECLI:EU:C:2013:741.

⁴CJEU, *Environmental Manufacturing v OHIM*, 14 November 2013, C-383/12, ECLI:EU:C:2013:741, para. 42.

⁵CJEU, *Environmental Manufacturing v OHIM*, 14 November 2013, C-383/12, ECLI:EU:C:2013:741, para. 43.

cal, of unfair advantage or detriment, and such a conclusion may be established, in particular, on the basis of logical deductions made from an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case.⁶

So, although the *Environmental Manufacturing v OHIM* decision seems to require evidence of a change in the economic behavior of the average consumer, or a serious likelihood of such change, as an objective condition, the analysis whether or not such change occurs or will occur depends on all circumstances of the case. In other words, the author believes that the Court warns against a too premature establishment of detriment to distinctiveness. The courts should be convinced that there is a serious risk that the

. . . mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.⁷

In an interesting decision, the Federal Supreme Court of Germany decided that detriment to distinctiveness can already occur if the advertisements made by the alleged infringer suggest that there is a commercial relationship between the advertiser and the trade mark owner.⁸

In the “e” logo-case decided by the UK High Court (where a low possibility of a link was established) it was held that there is no evidence of any change in the economic behavior of the average consumer, or of a serious likelihood of this. Although the court can draw inferences from the facts and probabilities of the matter, it is also clear that it is not permissible for the court to speculate. According to the court, the argument of the trademark owner that there is likelihood of detriment falls on the wrong side of the dividing line between legitimate inference and

⁶See CJEU, *Helena Rubinstein and L'Oréal v OHIM*, 10 May 2010, C-100/11, ECLI:EU:C:2012:285, para. 95; such finding can already be found in earlier decisions of the General Court; see for example the *Spa v. Spafinders*-decision, *Spa v. Spafinders* (25 May 2005, T-67/04, [2005] ECR II-1825), para. 40.

⁷See CJEU, *Intel v Intelmark*, 27 November 2009, C-252/07 [2008] ECR I-08823, para. 29.

⁸German Federal Supreme Court, *Volkswagen v Volks.Inspektion, Volks.Reifen and Volks-Werkstaat*, 11 April 2013, Case nr. I ZR 214/11 [2013], *Gewerbliche Rechtsschutz und Urheberrecht* 1239.

impermissible speculation.⁹ In the *H&M v Adidas* case (on the use of two stripes versus the reputed three stripe mark of Adidas), the Dutch Court of Appeal Arnhem-Leeuwarden concluded that the economic behavior of the relevant public will very likely be changed because it appears that there is confusion among this public regarding the different stripes.¹⁰

In the *The Glee Club/Glee*-case the UK Court of Appeal held that potential customers were changing their economic behaviour because the mark *The Glee Club* was being swamped by the use of the sign *Glee* for a nationwide television series. The owner of the reputed mark had to adapt its marketing campaign in an endeavour to distinguish their services from the television series to avoid further confusion.¹¹

In the *ZUMA v ZUMA* case, the owner of the earlier mark for restaurant services successfully opposed the use of ZUMA for pet food. The Intellectual Property Enterprise Court came to the conclusion that this would cause dilution of the earlier mark, because use of ZUMA for pet food would have an adverse effect on the economic behavior of the average consumer, in particular also because there is an aspect of tarnishment.¹²

§ 10:20 Case law on detriment to distinctiveness

In the following cases, the courts concluded that there was a likelihood of detriment to distinctiveness:

- General Court, *OHIM v Bürgerbräu, Röhm & Söhne*, 18 September 2012, T-460/11, ECLI:EU:T:2012:432; no coexistence between the use of the mark Bürgerbräu for beer versus the device mark Bürger original Premium Pils Traditional Brewed Quality Registered Trademark Siebenburgen for beer. Dilution by means of coexistence of earlier marks on the market was not sufficiently proved:

60. In this respect, first, it should be recalled that it cannot indeed be entirely excluded that, in certain cases, the coexistence of earlier marks on the market could reduce the likelihood of confusion which the Opposition Division and the Board of Appeal find exists between two conflicting marks. However, that possibility can be taken into consideration only if, at the

⁹High Court of Justice England and Wales, Chancery Div., *Enterprise Holdings Inc. v Europcar Group UK Ltd. a.o.*, 13 January 2015, [2015] ETMR 16.

¹⁰Court of Appeal Arnhem-Leeuwarden, *H&M v Adidas*, 1 December 2015, *Intellectuele Eigendom en Reclamerecht IER* 2016/31 at para. 7.22.

¹¹UK Court of Appeal, 8 February 2016, [2016] EWCA Civ 41, publication pending.

¹²Intellectual Property Enterprise Court, High Court of Justice, *Azumi v Zuma*, 24 March 2017, 2017 [ETMR] 586.

very least, during the proceedings before OHIM concerning relative grounds of refusal, the applicant for the Community trade mark duly demonstrated that such coexistence was based on the absence of any likelihood of confusion on the part of the relevant public between the earlier marks on which it relies and the intervener's earlier mark on which the opposition is based, and provided that the earlier marks concerned and the conflicting marks are identical (see Case T-460/07 *Nokia v OHIM – Medion (LIFE BLOG)* [2010] ECR II-89, paragraph 68 and the case-law cited).

61. It is clear, however, in the present case that, as the Board of Appeal rightly found in paragraph 26 of the contested decision, it is not possible to infer from mere photocopies of different beer labels allegedly belonging to third parties any use at all of those signs on the European Union market, so that not even the identity of registrations coexisting on the market has been proved. Moreover, the applicant has in any event failed to show that that coexistence was based on the absence of a likelihood of confusion. It follows that the applicant has not shown that the distinctive character of the earlier mark was weakened or diluted.

- General Court, *Botox* (for goods in class 5) *v Botumax* (for goods in classes 3, 5 and 16), 28 October 2010, T-131/09, [2010] ECR II-00243, confirmed by the CJEU, 10 May 2012, C-100/11, ECLI:EU:C:2012:285.
- München Court of Appeal, 25 November 1999 [2000] *Marken-Recht* 65; use of *Allianz* for insurance services by a musical group.
- Court of Appeal UK, 8 February 2016, [2016] EWCA Civ 41; use of *GLEE* for a television series by Fox causes detriment to the trademark *The Glee Club* for entertainment services.
- The Hague Court of Appeal, 13 April 2006 [2006] I.R.D.I. 211; use of the reputed mark *Marie Claire* for clothing.
- Den Bosch District Court, 26 September 2006, <http://www.ieforum.nl>, no. 2659; use of the reputed trade dress of *Red Bull* by another energy drink producer under the name *Bullfighter*.
- Court of Appeal Arnhem-Leeuwarden, *H&M v Adidas*, 1 December 2015, Intellectuele Eigendom en Reclamerecht 2016/31; use of two-stripe motif on clothing detrimental to distinctive character of reputed three-stripe mark of Adidas.

In contrast, in the following cases, no detriment to distinctiveness was found:

- General Court, *VIPS v VIPS*, 22 March 2007, T-215/03 [2007] ECR II-00711. The earlier mark was for restaurant services and the later one for computer programs for restaurants. The General Court ruled as follows:

62. As far as concerns, first, the risk that the use of the mark

applied for would be detrimental to the distinctive character of the earlier mark, in other words the risk of ‘dilution’ and ‘gradual whittling away’ of that mark, as explained in paragraphs 37 and 38 above, it must be pointed out that the term ‘VIPS’ is the plural form, in English, of the abbreviation VIP (‘Very Important Person’), which is widely and frequently used both internationally and nationally to describe famous personalities. In those circumstances, the risk that the use of the mark applied for would be detrimental to the distinctive character of the earlier mark is limited.

63. That same risk is also even less probable in the present case as the mark applied for covers the services ‘Computer programming relating to hotel services, restaurants, cafés,’ which are directed at a special and necessarily more limited public, namely the owners of those establishments. The consequence is that the mark applied for, if registration is allowed, will probably be known, through use, only by that relatively limited public, a factor which certainly reduces the risk of dilution or gradual whittling away of the earlier mark through the dispersion of its identity and its hold upon the public mind.

- Brussels Court of Appeal, 26 October 2004, [2004] *Revue de l’Ingénieur-Conseil* 17; use of *Eurostar 2000* for garage services is not detrimental to the distinctiveness of *Eurostar* for train services.
- Brussels Court of Appeal, 13 September 2005, [2005] *Revue de l’Ingénieur-Conseil* 250; use of *MACH 3* for fashion razors versus *MACH 3* for shoes.
- District Court Ghent, 18 June 2010, [2010] *Revue de l’Ingénieur-Conseil* 790; use of *HOT WHEELS* for toy cars versus *HOT WHEELS* for photo reports.
- The Hague Court of Appeal, 15 June 2006, *Bijblad Industriële Eigendom* 2009, 258, use of *NOKTA TELECOM* as a trade name and use of the domain name <http://www.noktatelecom.nl>.
- The Hague Court of Appeal, 20 September 2011, *Intellectuele Eigendom en Reclamerecht* 2011/72; use of tin for energy drink with picture of bull and word ‘Toro’ is not detrimental to distinctiveness of word and device marks of Red Bull.
- High Court of Justice, *Enterprise Holdings Inc. v Europcar Group UK Ltd. a.o.*, 13 January 2015, [2015] ETMR 16; use of an “e” logo for car rental services not detrimental to similar “e” logo for the same services (notwithstanding that likelihood of confusion was accepted).

VII. DETRIMENT TO REPUTATION

§ 10:21 Detriment to reputation generally

The first time the CJEU ruled on the meaning of detriment to reputation was in *L’Oréal v Bellure*. In that case, the court held

that detriment to the reputation of a mark, also referred to as tarnishment or degradation, is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark's power of attraction is reduced. A likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or quality which is liable to have a negative impact on the image of the mark.¹ The Court followed the opinion of Advocate-General Jacob in *adidas v Fitnessworld Trading*, in which he stated that:

(. . .) the concept of detriment to the repute of a trade mark, often referred to as degradation or tarnishment of the mark, describes the situation where—as it was put in the well-known *Claeryn / Klarein* decision of the Benelux Court of Justice—the goods for which the infringing sign is used appeal to the public's senses in such a way that the trade mark's power of attraction is affected. That case concerned the identically pronounced marks *Claeryn* for a Dutch gin and *Klarein* for a liquid detergent. Since it was found that the similarity between the two marks might cause consumers to think of detergent when drinking *Claeryn* gin, the *Klarein* mark was held to infringe the *Claeryn* mark.²

§ 10:22 Case law on detriment to reputation

In the following cases, a risk of detriment to reputation was established:

- Benelux Court of Justice, *Claeryn v Klarein*, case A 74/1, 1 March 1975, *Jurisprudence of the Benelux Court of Justice* 1975, 472; use of *Klarein* for a detergent was considered detrimental to the use of the phonetically identical mark *Claeryn* for a Dutch gin.
- Federal Supreme Court of Germany, 29 November 1984 [1985] *Gewerbliche Rechtsschutz und Urheberrecht* 550; use of the reputed *DIMPLE* mark for detergent (decided on the basis of unfair competition law).
- Federal Supreme Court of Germany, 19 February 1994 [1994] *Gewerbliche Rechtsschutz und Urheberrecht* 57; the use of the *Mars* mark for condoms.
- OHIM Board of Appeal, 3 July 2006, R 334/2005-2, *Derby* for motorcycles and bicycles versus *Derby Queen* for gambling machines.
- OHIM Board of Appeal, 25 April 2001, R 283/1999-3, *Hol-*

[Section 10:21]

¹See CJEU, *L'Oreal v Bellure*, 18 June 2009, C-487/07 [2009] ECR I-05185, para 40.

²Benelux Court of Justice, *Claeryn v Klarein*, case A 74/1, 1 March 1975, *Jurisprudence of the Benelux Court of Justice* 1975, 472.

lywood for chewing gum versus *Hollywood* for tobacco products.

- Brussels Court of Appeal, 13 September 2005, [2005] *Revue de l'Ingénieur-Conseil* 430; use of *Hugo Boss* for fashion products versus *Boss* for tobacco products.
- The Hague District Court, 9 November 2000, *Bijblad Industriële Eigendom* 2001, 304, use of shampoo bottles imitating the outward appearance of *Moët & Chandon* champagne bottles;
- Intellectual Property Enterprise Court, High Court of Justice, *Azumi v Zuma*, 24 March 2017, 2017 [ETMR] 586, use of ZUMA for pet food would tarnish the trade mark ZUMA for high end restaurants.

However, no detriment to reputation was established in the following case:

- The Hague Court of Appeal, 18 November 1999, *Bijblad Industriële Eigendom* 2001, 58, use of *Pluto* for pet food and *Pluto* for pet insurance services.

VIII. DEFENSES AND REMEDIES

§ 10:23 Without due cause

The detriment and free-riding provisions in the Directive and EUTMR provide that the allegedly infringing use can only be opposed if it is without due cause. In its decision in the case *Leidseplein Beheer v Red Bull* the CJEU explained that the concept of ‘due cause’ may not only include objectively overriding reasons for the third party to use the reputed mark, but may also relate to the subjective interests of a third party using a sign which is identical or similar to the mark with a reputation. According to this Court the concept of ‘due cause’ is intended to strike a balance between the interests in question by taking account, in the specific context of (former) Article 5(2) of the Directive (now Article 10(2)(c)) and in the light of the enhanced protection enjoyed by that mark, of the interests of the third party using that sign.¹ In that case the alleged infringer claimed prior use of a sign similar to the later reputed mark and on that basis claimed to have a due cause to use that sign. The trade mark owner, *Red Bull*, however argued that whatever this prior use was (services of a bar), the actual use also was for energy drinks for which the mark *Red Bull* became reputed. The Court ruled that in such circumstances the prior user could invoke “due cause” if the prior use was in good faith. In assessing whether

[Section 10:23]

¹CJEU February 6, 2014, Case C-65/12, ECLI:EU:C:2014:49, para. 45-46.

there is good faith prior use, the national court must take account, in particular, of how that sign has been accepted by, and what its reputation is with, the relevant public, the degree of proximity between the goods and services for which that sign was originally used and the product for which the mark with a reputation was registered, and the economic and commercial significance of the use for that product of the sign which is similar to that mark. The Court also decided that it is up to the alleged infringer to establish due cause. The latter became already clear in the *Intel v Intelmark* decision, in which the Court ruled that when the proprietor of a reputed mark has shown that there is either actual and present injury or a serious risk that such injury will occur in the future, it is then up to the proprietor of the later mark to establish that there is due cause for the use of its mark.² Due cause could successfully be argued in case where there is a commercial need to use a particular mark, such as in comparative advertising cases, or one can think of situations where the fundamental right to freedom of expression is at stake.³ It was decided that there is no due cause to use one's first name as a trademark.⁴ In the matter of *The Body Shop v OHIM* the owner of the later mark SPA WISDOM (for cosmetic products) unsuccessfully invoked a valid reason to use SPA since he contends that SPA serves to show that the goods covered by that mark are destined to be used for the bath and, in particular, to re-create a "home spa" experience. The General Court rejected this since the generic nature and descriptiveness of the word "spa" does not extend to cosmetic products for which the mark was applied.⁵

In Section 11:22 of this publication the "without due cause" defence is discussed in the context of taking unfair advantage of the distinctiveness or reputation of a mark.⁶

²See *adidas v. Fitnessworld Trading*, 23 October 2003, C-408/01 [2003] ECR I-12537, para. 39; see also High Court of England and Wales, *Premier Brands v Peter Granville Norfolk Battersby Typhoon Europe* [2000] EWHC 1557 (Ch.), following the Benelux Court of Justice's decision in *Claeryn v Klarein*.

³The German Federal Supreme Court (decision in the free-riding case of jumping puma and wordmark *Puma v jumping pudel* and wordmark *Pudel*, 2 April 2015, Markenr. 2015, 486) rejected a due cause defense based on freedom of expression and parody mainly because of the overriding commercial objectives of the defendant.

⁴General Court, *Kenzo Tsujimoto v OHIM*, 22 January 2015, T-393/12, publication pending.

⁵General Court, *The Body Shop v OHIM*, 16 March 2016, T-201/14, ECLI:EU:T:2016:148.

⁶See, e.g., §§ 23:15 to 23:18.

§ 10:24 Remedies in detriment and free-riding cases

When the owner of a reputed EUTM or national mark is confronted with the registration and/or use of a later mark that causes a likelihood of detriment to its mark or which should be considered as taking unfair advantage of the earlier mark, he or she has several options. In the event of registration of such a mark, the owner can oppose the application or, once the mark has been registered, request a declaration of invalidity. If the later mark is an EUTM, the owner of the earlier reputed mark can oppose the later application on the basis of EUTMR Article 8(5) or, once the application has been registered, request a declaration of invalidity on the basis of EUTMR Article 60(1)(a). A declaration of invalidity will negate the entire EUTM, as a result of the unitary character of an EUTM as provided for by EUTMR Article 1.

In the event of dilution or free-riding through the use of a later mark, the owner of the earlier reputed mark can, pursuant to Article 10(2)(c) of the Directive, prevent the use of the later mark. This means that, under the relevant national laws, the owner can obtain an injunction, the specifics of which will be determined by national procedural law. With respect to non-confusion infringement of an EUTM, Article 130(1) of the EUTMR provides that where a defendant has infringed or threatened to infringe an EUTM, the EU trade mark court shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts that infringed or would infringe the EUTM. It should be noted that this is a provision of EU rather than national law. This means that even if the laws of a Member State do not provide for injunctions in cases of threatened infringement, the court of that state will nevertheless have to grant one. The EU trade mark court shall also take such measures in accordance with its national laws as are aimed at ensuring that this prohibition is complied with. These measures will differ from country to country. In some countries, the law provides for fines for violation of a court order or injunction, payable either to the plaintiff (as in the Netherlands) or to the state (as in Germany). In other countries (such as the UK), violation of a court order is considered contempt of court. The wording “unless there are special reasons for not doing so” in EUTMR Article 130(1) has given rise to a number of questions. The CJEU held in *Nokia v Wärdell* that this exception to the general rule that an injunction shall be given effect should be interpreted restrictively and in accordance with EU law. Special reasons do not include the fact that the risk of further infringement or threatened infringement of an EU trade mark is not obvious or is otherwise merely limited. The Court cited as an example of a special reason the situation where, after the commission of the acts in question, an action

was brought against the proprietor of the infringed mark which resulted in the revocation of the latter's rights.¹

In a design case on the similar provision of Article 89(1) of the Community Design Regulation, the CJEU ruled that the terms “unless there are specific reasons not to do so” in this provision refers to factual circumstances specific to the case. According to the *Gautzsch v Duna* decision of the EUCJ, “specific reasons” does not cover extinction of rights of an action being time-barred, since these are legal, not factual circumstances.²

For all other sanctions for the infringement of an EUTM, Article 130(2) of the EUTMR refers to national law. It should be noted that EUTMR Article 131 provides that applications can be made to the competent courts of a Member State to grant provisional relief, including protective measures as may be available under the national laws of such courts.

In detriment and free-riding cases concerning reputed EUTMs, the question arises as to whether an injunction against infringing use should, in principle, be issued for the entire territory of the EU and, if not, under which circumstances this should be the case. EUTMR Article 1 provides that an EUTM shall have equal effect throughout the Community. The fifteenth recital to the CTMR states: “Whereas decisions regarding the validity and infringement of Community trade marks must have effect and cover the entire area of the Community, as this is the only way . . . of ensuring that the unitary character of Community trade marks is not undermined.” On this basis, the CJEU held in *DHL Express France v Chronopost* that, in order to ensure uniform protection, a prohibition on further infringement or threatened infringement issued by a competent EU trade mark court³ must, as a rule, extend to the entire area of the EU.⁴ However, the territorial scope of this prohibition may, under certain circumstances, be

[Section 10:24]

¹CJEU, *Nokia v Wärdell*, 14 December 2006, C-316/05 [2006] ECR I-100093.

²CJEU *Gautzsch v Duna*, 13 February 2014, C-479/12, ECLI:EU:C:2014:75, para. 48–49.

³It should be noted that only a Community trade mark court whose jurisdiction is based on CTMR Article 97(1)–(4) has jurisdiction over acts of infringement committed or threatened within the territory of any of the Member States; when jurisdiction is based on CTMR Article 97(5) (the CTM court of the country where the infringing acts take place), the court can issue an injunction valid only for the territory of that state.

⁴CJEU, *DHL Express France v Chronopost*, 12 April 2011, C-235/09 [2011] ECR I-02801.

limited.⁵ According to the CJEU, the scope of the prohibition may not go beyond what the proprietor is allowed to do in order to protect its mark, namely only use that is liable to affect the functions of the trade mark can be prohibited. By way of example, the Court refers to linguistic reasons. In detriment or free-riding cases, a situation like the *Pago* case is conceivable,⁶ where the mark enjoys a reputation in only one country. In this case, the court can restrict the injunction to that territory since, beyond those borders, the owner cannot prove that either a link is being made, or detriment is caused to, or unfair advantage is taken of, the distinctiveness or reputation of its mark, for the simple reason that there is no reputation in that territory.⁷

The EUTMR does not provide for criminal sanctions, with the exception of Article 137(2) which states that the EUTMR shall not affect the right to bring proceedings under criminal law for the purpose of prohibiting the use of an EUTM. Of course, Article 61 of the TRIPS Agreement provides for an obligation to impose criminal sanctions for trade mark infringement, but this is left to national law.

⁵See CJEU, *Nokia v Wärdell*, 14 December 2006, C-316/05 [2006] ECR I-100093, para. 46; see also CJEU, *combit v. Commit*, 22 September 2016, C-223/15, ECLI:EU:C:2016:719, para. 31–32.

⁶See CJEU, *Pago v Tirol Milch*, 6 October 2009, C-301/07 [2009] ECR I-09429.

⁷See also Von Mühlendahl, Ohlgart, §§ 6, 8; Charles Gielen, *Concise European Trade Mark and Design Law* Art. 98, note 2 (Gielen & von Bomhard, eds., 2017). This has recently been confirmed by the German Federal Supreme Court (*Volkswagen v Volks.Inspektion, Volks.Reifen and Volks-Werkstaat*, 11 April 2013, Case nr. I ZR 214/11, [2013] *Gewerbliche Rechtsschutz und Urheberrecht* 1239). This court said that an injunction can only be granted for that part of the EU where the CTM enjoys a reputation. In the *Iron & Smith kft v Unilever NV* case, (CJEU, 3 September 2015, C-125/14 (publication pending)) the CJEU ruled that, if the earlier CTM has already acquired a reputation in a substantial part of the territory of the European Union, but not with the relevant public in the Member State in which registration of the later national mark concerned by the opposition has been applied for, the proprietor of the CTM may benefit from the protection introduced by Article 4(3) of Directive 2008/95 where it is shown that a commercially significant part of that public is familiar with that mark, makes a connection between it and the later national mark, and that there is, taking account of all the relevant factors in the case, either actual and present injury to its mark, for the purposes of that provision or, failing that, a serious risk that such injury may occur in the future. This decision means that if no such proof is given, a non-confusion action will fail.