



**Question Q214**

**National Group:** BRAZIL

**Title:** Protection against the dilution of a trade mark

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**Questions**

**I. Analysis of current law and case law**

The Groups are invited to answer the following questions under their national laws:

**1. Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?**

There is no express provision in the Brazilian statutory law regarding dilution, although the theory has been used and applied in administrative decisions and court precedents to enforce the rights of trademark owners in Brazil.

The Brazilian IP Law affords trademark holders or applicants the right to protect the material integrity or the reputation of their marks in article 130, III, which introduces the concept to the extent that trademark owners and applicants may rely such provisions to prevent any act by third parties which may affect the integrity or reputation of their marks.

The Brazilian Law also provides additional protection against acts of (presumed) bad faith in article 124, XXIII, by prohibiting the registration of marks: (1) imitating or reproducing a senior mark of which the applicant could obviously not fail to have knowledge in view of its activity, (2) in which the proprietor is established or domiciled in the national territory or in a country with which Brazil maintains an agreement or guarantees reciprocity of treatment, (3) intended to distinguish a product or service that is identical, similar or akin, and (4) is likely to cause confusion or association with such third-party mark. This provisions may also prove effective in enforcing dilution arguments.

As a last resource for protection, Article 195, III of the Brazilian IP Law sets forth as an unfair competition violation the use of any fraudulent means to divert, for one's own benefit or for a third party's benefit, another's clientele. This provision broadly provides protection in relation to any unfair acts that may result in undue economic advantage to the detriment of another undertaking.

In sum, although dilution is not expressly cited in local legislation, there are legal provisions under the existing trademark law in Brazil that confer trademark owners strong remedies to prevent dilution of their marks' uniqueness and reputation, although Dilution is still applied as a secondary or subsidiary thesis in trademark infringement cases in Brazil.

## **2. Is there a legal definition of dilution in your legislation or case law?**

There is no legal definition of dilution in your legislation and dilution is still used as a secondary thesis in Brazil, although we have a leading case whereby the Court has expressed its understanding on the definition of dilution, case *Lua Nova vs WM Wrigley Jr. Co.*, in which the reporting judge has defined dilution as "an offence to the integrity of a distinctive sign, morally or materially, having the effect of reducing its market power".

A further relevant court decision has been rendered in the Case Law *KRAFT LACT SUCHARD BRAZIL S / A vs. DORI IND / COM / Food Products LTD*, which states that dilution is a result of a parasitical behavior and unfair competition practices, as follows: "It is evident that the *DISQUETI* mark, when analyzed as a whole, is confusingly similar to the whole of the well-known mark *CONFETI*, leading consumers into confusion in associating the products (...), fact in which in my opinion engenders one of the main causes of the unfair competition, which deserves judicial protection, in the light of the Industrial Property Law, which repudiates the parasitical behavior and intentional dilution of a mark by a third party."

### **3.1. Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please only briefly list the eligibility criteria here; more detailed explanations will be required below).**

There is no eligibility criteria which affords protection against dilution, in the Brazilian Law or at the Brazilian Trademark Office's inner rules, although the Courts tend to accept arguments based on dilution with regard to well known marks.

### **3.2. To be eligible for protection against dilution does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?**

Although not frequent, there is no impediment for combining the acquired distinctiveness theory with dilution arguments in Brazil. But it is relevant to consider distinctiveness, or inherent distinctiveness, as the standpoint for trademark protection and enforcement in Brazil. Therefore, a non-distinctive mark, or a mark whose

inherited distinctiveness has not become evident or has not been evidenced by its legitimate owner, is less likely to have protection afforded against dilution in Brazil.

**3.3.1 To be eligible for protection against dilution, does a mark need to have a reputation or be well-known or famous? If so, when does a mark have a reputation, when is it well-known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a reputation, is well known or famous? For what point in time does this have to be assessed?**

Fame or well known of a mark is not a formal requirement for protection against dilution in Brazil, although highly contribute to the decision making at Courts when it comes to enforcement.

**3.3.2 For a mark to have a reputation or to be considered well known or famous, must it meet a certain knowledge or recognition threshold? If so, what is that threshold? What percentage of population awareness is required? How widespread must the awareness be across the country? If a mark is well known or famous in one country, what effect, if any, does this have with regard to other countries?**

Local legislation expressly provides protection to famous marks in the context of Article 6 bis of the Paris Convention, in Article 125 of the Brazilian IP Law, according to which Marks registered in Brazil and deemed to be of high reputation shall be afforded special protection in all fields of activity. When a mark achieves such high reputation (fame) in Brazil, protection will be afforded against conflicting junior marks, even in relation to non-competing goods or services. Also, the infringement of such marks may entail increased penalties.

Regarding evidence of fame, there is an express criteria in article 5 of Resolution 110/2004 which provide that fame must be analyzed under the following parameters:

- 1) Date when the trademark started to be used in Brazil;
- 2) User public or potential users of the products or services covered by the trademark;
- 3) Fraction of the user public or potential users of those products or services covered by the trademark to which it applies, essentially due to its tradition and qualification in the market, identified by means of an opinion survey or market survey or by any other applicable means;
- 4) Fraction of the user public of other market segments who spontaneously and promptly connects the trademark to those products and services to which it applies, identified by means of an opinion survey or market survey or by any other applicable means;
- 5) Fraction of the user public of other market segments who spontaneously and promptly recognizes the trademark essentially due to its tradition and qualification in the market, identified by means of an opinion survey or market survey or by any other applicable means;
- 6) Means of commercialization of the trademark in Brazil;
- 7) Geographical amplitude of the effective commercialization of the trademark in Brazil and, eventually, abroad;

- 8) Length of time during which the trademark has been effectively used in the internal market and, eventually in the international market;
- 9) Trademark promotional channels in Brazil and, eventually, abroad;
- 10) Length of time during which the trademark is effectively promoted in Brazil and, eventually, abroad;
- 11) Amounts invested by the owner in publicity/advertising of the trademark in the Brazilian media, in the last 3 (three) years;
- 12) Product sales volumes or service revenues in the last 3 (three) years;
- 13) Economic value of the trademark booked in company assets.

According to the Brazilian PTO practice, fame must be demonstrated in Brazil and therefore, it is unlikely that a mark which is not used or known in Brazil be eligible to special trademark protection as a famous mark.

Special protection is also afforded to marks which are well known in their field of activities (check item 3.3.3 below).

**3.3.3 What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market (“niche market”) sufficient?**

Recognition and well known of a mark in its specific field of activity may not suffice to provide a strong basis on dilution, nor to afford its owner special protection as a famous mark in all fields of activities as mentioned in item 3.3.2 above. Notwithstanding, owners of well known marks in their fields of activities enjoy special protection in Brazil, despite a previous trademark registration, further to the provisions of article 126 of the Brazilian IP Law.

“Article 126 - Marks that are well-known in their field of activity pursuant to Article 6 *bis* (1) of the Paris Convention for the Protection of Industrial Property shall enjoy special protection, whether or not they have been previously filed or registered in Brazil shall enjoy special protection.

§ 1 - The protection afforded by this article shall apply also to service marks.

§ 2 - INPI may reject *ex officio* an application for registration of a mark that wholly or partially, reproduces or imitates, a well known mark.”

The appraisal of fame (article 125 above) shall be made in a broad consumer range by analysing the general public at large, while the appraisal of well known shall be limited to the relevant sector of public. Both fame and well known need to be demonstrated among the Brazilian consumers.

**3.4. To be eligible for protection against dilution, is it required that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country where protection is being sought?**

In order to be afforded special protection in all fields of activities, a mark must be duly registered and used in Brazil, as, according to the aforementioned Article 125 of the

local law. Use in commerce is also a relevant criteria for such recognition (see item 3.3.2).

Therefore, the trademark owner whose mark is not used or registered in Brazil may not successfully claim the protection afforded by the above mentioned article 125 of the Brazilian IP Law and any protection against dilution should result of the combination of other legal provisions, such as bad faith.

**3.5. Are there any other criteria a mark must comply with to be eligible for protection against dilution?**

Possibility of unfair association or confusion among consumers are frequently used function as parameters, along with potential moral or material damages, although there is no formal requirements in the Brazilian legislation.

**3.6. Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria? How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required? Which evidential standard must this proof satisfy?**

Dilution is not yet a standalone claim in Brazil. There is no formal criteria and no specific proof requirement in law.

**3.7. Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?**

There is no registry in Brazil for the eligibility of marks to dilution protection. Registration will be demanding to reach special protection as a famous mark, but is not a formal requirement for a dilution claim. Any act of the Brazilian PTO which bring harm or prejudice to a party may be challenged at Courts.

**4. Does your law require the existence of a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark? If so, in which circumstances does a ‘mental association’ or ‘link’ between the earlier trademark and the later trademark exist? Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a ‘mental association’ or ‘link’? Are there other factors to take into account? Is the assessment of a link a question of fact (so something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?**

There is no requirement for evidencing the detriment to the earlier mark’s repute or distinctive character, since the mere possibility of association is sufficient to obtain protection, although article 124, item XIX of the Brazilian IP law expressly prohibits registration of junior marks which “reproduce or imitate, in whole or in part, even with additions, of a mark registered by another party, to distinguish or certify a product or

service which is identical similar or related which are likely to cause confusion or association to a third parties' mark.”

However, there is one case ( Ecolab Inc. vs Ecolab- Merio Ambiente), in which the Court required expert evidence for proving the possibility of effective risk of dilution of a mark.

Therefore, likelihood of confusion or unfair association may ground dilution claims, although there is no express criteria for that purpose, being more frequently applied the subjective understanding of the Judge in charge combined with any relevant proof which can be brought by the trademark owner.

The factors mentioned in paragraph 27 and 28 are he most relevant for assessing the existence of such a 'mental association' or 'link'.

- 5. Does such 'mental association' or 'link' between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark's repute or distinctive character? Or does detriment have to be proved over and above the existence of a 'mental association' or 'link'?**

The detriment or damages to the marks' reputation can be presumed in case of trademark infringement, according to the Brazilian Superior Court of Justice's understanding. Thus, in principle, there is no need to demonstrate actual damages. Moral damages are increasingly being applied by Courts.

- 6. Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?**

The same factors apply.

- 7. Must actual dilution be proved or is a showing of likelihood of dilution sufficient? Whose burden of proof is it? How does one prove dilution or likelihood of dilution? Does detriment require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely? If so, what is a change in the economic behaviour of the average consumer? Is reduced willingness to buy goods sold under the earlier mark a change in the economic behaviour? How do you prove a change in the economic behaviour of the average consumer or likelihood of such change in behaviour?**

Likelihood of dilution should be sufficient to demonstrate at the majority of the Courts. Plaintiff holds the burden of proof in most cases (except in consumer relations law). No specific evidence required, being necessary that the marks be sufficiently similar to convince the Judge of likelihood of confusion, considering the difficulties found in actually demonstrating the amount of losses or damages experienced by the trademark owner.

**8. What is the extent of protection afforded to marks which are eligible for dilution protection? May the owner of the earlier trademark object**

- **to the registration of a later trademark?** Yes.
- **to the actual use of a later trademark?** Yes.
- **in respect of dissimilar goods only or also in respect of similar goods?** Only if the mark is considered famous or if parasitic infringement or possibility of unfair association is successfully claimed.

**9. What are the legal remedies? May the owner of the earlier trademark file an opposition and/or a cancellation action? May he ask for injunctive relief or preliminary injunctive relief? Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?**

Dilution can be used as grounds for opposition and nullity proceedings at the Brazilian PTO and at trademark infringement or nullity actions before Courts.

**II. Proposals for adoption of uniform rules**

The Groups are invited to put forward proposals for adoption of uniform rules with a view to protecting trademarks against dilution. More specifically, the Groups are invited to answer the following questions:

**1. Which trademarks should be eligible for protection against dilution? What should the eligibility criteria be? Should recognition or fame in a limited product market (“niche market”) be sufficient?**

Recognition or fame in a limited product market is a main element to be observed when affording protection against dilution. But it is desirable that other elements are also developed and/or combined with same, such as likelihood of confusion, unfair association or parasitic behaviour.

**2. Should it be a criteria for being eligible for dilution protection that the mark has been used in, or that the mark has been registered or that an application for registration of the mark has been filed in the country?**

Use and registration requirements are not desirable in a general manner, as may jeopardize IP owners’ rights. Nevertheless, in order to harmonize incoming dilution rules with Brazilian Courts’ understandings and local practice, it would be demanding that any dilution claim, based on well known and famous marks, bears the registration requirement. Use in commerce is also demanding in order to successfully raise confusion or unfair association grounds.

**3. Should there be a registry of eligible marks? If so, what should the evidentiary value of registration be? Should it be possible to challenge it in litigation?**

A new registry for eligible marks may lead to a higher backlog of work at the Brazilian and Latin American Trademark Offices. On the other hand, it is highly desirable the instruments are developed in order to allow trademark owners a straight forward

protection against dilution through administrative and judicial channels. A review of the current law in force, and/or the issuance of new rulings by the PTO which will guide Examiners and Judges through would be welcome.

- 4. Should the existence of a 'mental association' or 'link' between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?**

Yes, it should.

- 5. Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behaviour of the average consumer or that such change in behaviour is likely?**

Should change in behaviour is not only likely but presumable.

- 6. What should the remedies be for dilution of a mark?**

Same penalties applied to trademark infringement should apply to dilution of a mark.

National Groups are invited to comment on any additional issue concerning the protection of a mark against dilution.

Note: It will be helpful and appreciated if the Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.

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