

Question Q214

National Group: Sweden

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?

Swedish law provides for protection against dilution of a trademark under Article 6, Section 2 of the Swedish Trademarks Act (SFS 1960:644) which is based on Article 5, Section 2 of the Trademarks Directive¹.

The provision stipulates that confusing similarity may be invoked for the benefit of a reputed trademark if the use of another similar mark would take unfair advantage of or be *detrimental* to the distinctive character or the repute of the trademark.

A reputed trademark enjoys the same protection as a non-reputed trademark against others' use of the mark or confusingly similar marks, but the reputation expands the scope of protection to a wider range of products and services than should the reputation not exist.

¹ First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks (89/104/EEC).

Further, the Swedish Marketing Act (SFS 2008:486) provides for protection against dilution through its provisions regarding unfair marketing. Although the Market Court examination is based solely on the Swedish Marketing Act and independent from the Swedish trade mark legislation, the general courts and administrative courts consider ECJ case law and accordingly make similar considerations when dealing with the issue of dilution. The Market court also takes ECJ case law into consideration, even if this court is not formally bound by decisions concerning the Trademarks Directive.

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

There is no specific legal definition of dilution in Swedish legislation or case law. Article 6, Section 2 does not provide for protection against dilution per se. The provision stipulates that confusing similarity may be invoked for the benefit of a reputed trademark if the use of another similar mark would take unfair advantage of or be *detrimental* to the distinctive character or reputation of the trademark. For a use to be considered “detrimental” the use must involve some form of defamation or dilution of the reputed trademark. Examples where the Swedish Court of Patent Appeals has annulled trademark registrations due to the annulled mark’s dilution of a reputed mark are Case No. 97-065 and 97-641 (*Tulosba Akdov*) and No. 04-261 (*Volkswagen*).

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).

Only trademarks having a reputation in Sweden are afforded protection against dilution. ECJ lists certain requirements which the Swedish court must take into consideration when determining whether a mark has a reputation or not, case No. C-375/97 (*Chevy*). To be eligible for protection against dilution, the mark must be

- known by a significant part of the public concerned by the products or services which the mark covers and
- known in at least a substantial part of the country.

However, all relevant factors must be taken into consideration as further discussed under question 3.3.1.

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?

Yes, to be eligible for protection against dilution a mark needs to be distinctive. Both inherently distinctive marks and marks that have acquired distinctiveness through use are eligible for protection against dilution.

- 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?

To be eligible for protection against dilution, a mark must have a reputation. According to case No. C-375/97 (*Chevy*), most of the factors mentioned in Section 15 and 22 above are relevant in determining whether a mark has a reputation. The ECJ stated that when deciding whether a mark has a reputation, the court must take into account all relevant facts of the case including market share for the trademark in question, intensity of use, geographical extent of use, duration of use, and the size of the investment made by the undertaking in promoting the mark.

In practice, the most relevant fact in determining whether a mark has a reputation is the degree of knowledge or recognition of the mark among the relevant sector of the public in the territory where the mark is used.

The existence of a reputation must be assessed for the time of the alleged infringement or in registration matters, assessed for the time when the application for registration is filed.

- 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?

In case No. C-375/97 (*Chevy*), the ECJ stated that whether a mark has a reputation or not, depends on the degree of knowledge or recognition of the mark in the relevant sector of the public. The ECJ clarified that the mark must be known by a significant part of the public concerned by the product or services which it covers.

Any percentage rates have not been established for the existence of a reputation. In order for a trademark to be considered established-by-use, it generally requires a knowledge degree of, depending on the type of goods or services, about thirty percent of the relevant public. Thus, a knowledge degree of at least thirty percent among the relevant public is probably needed in order to establish reputation, and in most cases a significantly higher degree of knowledge than this is likely to be needed.

The reputation must exist in at least a significant part of the country. It is only the reputation in Sweden that is relevant, not whether the mark has a reputation also in other countries.

- 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?

A niche market recognition could be sufficient in Sweden. The people included in the relevant sector of public are consumers, customers and/or professionals (*inter alia* manufacturers, distributors and agents). The persons included in the relevant sector of public vary considerably depending on which kind of goods or services the trademark represents. The relevant sector of public may be very wide if for example the trademark represents a food product while the relevant sector of public could be limited to a small number of professionals if the trademark represents a niche market product or service.

- 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?

No, it is not required that the mark has been used or registered in Sweden or that an application for registration of the mark has been filed in Sweden.

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

No.

- 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?

Whether a trademark has reputation or not is an issue of fact. The trademark owner bears the burden of proof. In practice, survey evidence is often required since this is the most important evidence in proving the existence of a reputation. Other evidence such as sales figures, advertising figures, awards, publicity figures, ranking lists, affidavits etc. are however also taken into consideration by the court. The trademark owner must then prove likelihood for dilution of the reputed mark.

- 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?

No, there is no registry of reputed marks in Sweden.

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?

Swedish legislation does not explicitly mention association (mental or other kind of link) in the manner which Article 5.1b in the Directive 89/104 (or the EU regulation Article 9.1b) specifically includes "association". The Swedish legislation was however, when the directive was implemented, considered to fulfil the Directive as the concept of association was considered as part of the assessment of whether two trademarks are confusingly similar or not².

It is however difficult to determine from national case law if the Swedish Courts actually do consider the requirement of an association or mental link between the marks i.e. interprets Article 6, Section 2 in the Swedish Trademark Act in accordance with Article 5.2 of Directive 89/104.

In case No. C-252/07 (*Intel*) it is established that infringements occur when a relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them. However, it is stated, the mere existence of such a link is not sufficient in itself to establish any type of injury. The Courts must also establish whether the use is detrimental to the distinctive character of the earlier mark, is detrimental to the repute of that mark or takes unfair advantage of the distinctive character or the repute of that mark.

It is not clearly expressed in national case law that the Swedish Courts follow this two-step line of reasoning including both association and risk for injury in the assessment of possible infringement. It is therefore also difficult to determine which factors the Courts would find relevant for the assessment of any association or mental 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'?

No, mental association or link is not enough - at least the risk of detriment has to be proven. The Swedish Trademark Act stipulates that only if the use of a similar mark should be detrimental to the distinctive character of the earlier mark Article 6, Section 2 shall apply. In case law it is expressed as "...use must be assumed to be diluting

² SOU 2001: 26 Ny varumärkeslag och ändringar i firmalagen, p. 250

the earlier mark” or ...” assume use will cause damage”, case No. T 18159-03 (*SEB*) from Stockholm District Court, case No. 4910-1995 (*Champis*) and case No. 4439-1996 (*SAF*) from the Supreme Administrative Court.

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?

When determining the existence of detriment or risk for detriment all relevant factors have to be assessed. Relevant factors are very similar to the ones used when determining the mental association.

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?

The owner of the earlier mark only needs to prove a likelihood of dilution. According to Article 6, Section 2 of the Swedish Trademark Act, the use of the later mark must lead to unfair advantage or detriment of the earlier mark’s reputation and distinctive character. Case law from the Court of Patent Appeals shows that it is not required that the owner of the earlier mark demonstrates actual blurring or tarnishment or even injury. For instance, in case No. 96-319 (*Absolute. / Absolut*) the Court found that actual use, which has given rise to unfair advantage or detriment, is not required. It is thus sufficient that circumstances exist which, with sufficient strength, suggest that a planned use would have such an effect. In judgment No. T 78-97 (*Absolut Rent. / Absolut*) the Svea Court of Appeals ruled that the trademark ABSOLUT had a reputation and that “Absolut rent” for detergents would cause dilution and be detrimental for the earlier trademark.

There is no need to prove evidence of a change in the economic behavior of the average consumer.

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, in accordance with Article 6, Section 2 and Article 14, Point 6 of the Swedish Trademark Act.

- to the actual use of a later trademark?

Yes, in accordance with Article 6, Section 2 and Article 4, Section 1 of the

Swedish Trademark Act.

- in respect of dissimilar goods only or also in respect of similar goods?

The owner may object to use in respect of both dissimilar and similar goods. This principle has been laid down in several rulings from the administrative courts in Sweden; the Court of Patent Appeals case No. 97-065 (*Tulosba Akdov*) and case No. 4910-1995 (*Champis*) from the Supreme Administrative Court.

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?

The same rules apply for reputed trademarks as for other trademarks and all legal remedies available in the Swedish Trademark Act are also available for such trademarks, including possibilities to file opposition against the registration of a trademark, to file an action for cancellation of a mark and to ask for injunctive or preliminary injunctive relief. As for damages, the level can be affected by the fact that the trademark has reputation. The loss for the owner of a reputed trademark can be higher than the loss for an owner of a normal trademark.

The Swedish Patent and Registration Office ("SPRO") could in theory ex officio refuse the registration of a later trademark on grounds of likelihood of dilution, but have to our knowledge not done so.

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?

The group considers the existing regulation in the Swedish Trademark Act, Article 6 Section 2, stipulating that marks which are known by a significant part of the public concerned are eligible for protection against dilution, is satisfactory (see 3.1 above).

The eligibility criteria are based on the findings from the Chevy-case, (see 3.1 above) and the group is of the opinion that the relevant criteria are covered in that case.

Recognition in a niche market is sufficient, and should continue to be sufficient, in order for a trademark to be eligible for protection against dilution. Trademarks relating to niche market products and services often have a limited possibility to become famous within a vast part of the public, however they have the possibility to obtain a

strong reputation within its niche market and become a valuable asset. Therefore, these trademarks need an extended protection and should have the same possibility of protection against dilution within their market, as trademarks addressing a wider part of the public.

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?

No. The group considers that with regard to the purpose of protection against dilution, the reputed trademark should be eligible for dilution protection without being used in, or being registered or applied for, within the country (see 3.4 above).

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?

No. The group considers that such registry will not provide added value, neither to the holder of the mark, nor to the public. The potential advantages of a registry of reputed marks are that it makes it clear which marks that have a wider protection and that the registration can be used as evidence in a trademark conflict. However, such registration will evidently pose questions regarding the scope of the protection and the consequences of a denied application. Furthermore, the registration process is bound to be costly and the registration is nationally limited.

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?

The group's opinion is that the existence of a mental association or link should be a necessary requirement but not an independent sole requirement for a dilution claim. A mental link between the earlier and the later trademark always risks diluting the distinctive character or the reputation of the older mark. But even if the use of the later mark calls the earlier mark to mind (for the relevant consumer) all other factors relevant in the case should be taken into account in order to determine if the use of the later trademark would be detrimental to the earlier mark.

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?

No. The group considers that there should not be such requirement based on the view that it would narrow the scope of protection against dilution. Such a requirement would be very difficult to fulfill in practice. Dilution can for example be a gradually

fading of the distinct character of the trademark where an actual change in the economic behaviour cannot be proved.

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

The group considers that the remedies for dilution of a mark should be the same as for other kinds of trademark infringements (see 9 above). The economic consequences of a diluted trademark can be substantial. The damages awarded by the courts must compensate for such loss.

Summary

The Swedish Trademarks Act provides for protection against dilution of a trademark stipulating that confusing similarity may be invoked for the benefit of a reputed trademark if the use of another similar mark would take unfair advantage of or be *detrimental* to the distinctive character or the repute of the trademark. Dilution is considered as "detrimental" in this context.

A reputed trademark enjoys the same protection as a non-reputed trademark against others' use of the mark or confusingly similar marks, but the reputation expands the scope of protection to a wider range of products and services than should the reputation not exist.

The Swedish group does not propose the adoption of any uniform rules, as the relevant EC and Swedish law is considered sufficient. The group does not see any advantage in establishing a register of reputed marks as such register would likely result in further costs for right holders and pose questions *inter alia* regarding the scope of protection and the consequences of a denied application.

Zusammenfassung

Das schwedische Markenschutzgesetz sieht den Schutz gegen Verwässerung einer Marke vor, wonach zugunsten einer renommierten Marke eine verwechselnde Ähnlichkeit geltend gemacht werden kann, wenn die Verwendung einer anderen ähnlichen Marke einen unlauteren Vorteil bedeutet oder sich nachteilig auf die Unterscheidungskraft oder das Ansehen der Marke auswirkt. Verwässerung wird in diesem Zusammenhang als "schädlich" gewertet.

Eine renommierte Marke genießt den gleichen Schutz wie eine nicht-renommierte Marke gegen die Verwendung der Marke oder zum Verwechseln ähnliche Marken durch andere, wobei das Ansehen einer Marke dessen Schutzbereich auf ein breiteres Spektrum von Produkten und Dienstleistungen ausdehnt als es bei unbekanntem Marken der Fall ist.

Die schwedische Gruppe befürwortet die Annahme einheitlicher Regeln nicht, da das einschlägige EU-Recht und das schwedische Recht als ausreichend erachtet werden. Die Gruppe sieht keinen Vorteil in der Schaffung eines Registers für renommierte Marken. Ein solches Register würde wahrscheinlich zu weiteren Kosten für die [Marken]rechtsinhaber führen und Fragen aufwerfen, unter anderem über den Umfang des Schutzes und die Folgen, wenn eine Antrag [auf Aufnahme in die Liste] verweigert wird.

Resumé

La loi suédoise sur les marques prévoit une protection contre la dilution des marques en disposant que la similitude entraînant une confusion peut être invoquée par le titulaire d'une marque de renommée si l'utilisation d'un autre signe similaire tire indument profit ou est *préjudiciable* au caractère distinctif ou à la renommée de la marque. Dans ce contexte, la dilution est considérée comme « préjudiciable ».

Une marque de renommée bénéficie de la même protection qu'une marque non renommée contre l'utilisation par autrui du signe distinctif protégé à titre de marque ou de signes distinctifs similaires entraînant une confusion, mais la notoriété étend le champ de protection à une variété plus grande de produits et services qu'en l'absence de renommée.

Etant donné que les dispositions applicables des droits communautaire et suédois sont considérés comme suffisantes, le groupe suédois ne propose pas l'adoption de règles uniformes. Le groupe ne voit aucun avantage à établir un registre des marques de renommée étant donné qu'un tel registre aboutirait vraisemblablement à des coûts supplémentaires pour les titulaires de droit et poserait des questions, notamment quant au champ de protection et aux conséquences d'un refus d'admission.