

## **Working Guidelines**

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### **Question Q214**

#### **Protection against the dilution of a mark**

##### **Introduction**

- 1) The traditional requirement of having to establish likelihood of confusion limits trademark protection to instances in which the trademark is used to misrepresent the source of goods and services. However, once a trademark owner has successfully invested in the development of a branded product or service, the goodwill derived from the brand serves as a valuable business asset. Once such a trademark has proved its popularity and profitability, it faces a greater threat of misappropriation than is faced by a little-known trademark. Therefore, owners of renowned trademarks seek extended protection against misappropriation or wrongful use even in the absence of deceptive and misleading use of the mark.
- 2) Where a trademark is well known or possesses reputation, it is generally entitled to additional protection against two types of such wrongful use under most laws: (1) taking unfair advantage of the distinctive character or the repute of the mark, also referred to as “parasitism,” and (2) inflicting detriment on the distinctive character or the repute of the mark, also referred to as trademark dilution. The taking of an unfair advantage from the use of a well known trademark is not subject of this question Q214. This question looks at the options available to the trademark owner whose mark has been used in a way that results in dilution of the mark.
- 3) The concept of trademark dilution was first articulated in the USA in the late 1920s and codified in federal US law in 1996. However, protection against trademark dilution has been the subject of an ongoing debate in many other parts of the world as evidenced by Canada’s *Veuve Clicquot* case, the EU’s *Intel* case and South Africa’s *Black Label* case.
- 4) The law generally distinguishes two branches of the dilution doctrine, blurring and tarnishment. Blurring is a shorthand term for the gradual whittling away of the uniqueness and the distinctiveness of a trademark caused by the fact that it ceases to be associated exclusively with its owner. Tarnishment occurs when a well known trademark is used in a manner that clashes with its image as created and maintained by its owner. Tarnishment is broadly equivalent to acts which are detrimental to the

reputation of another's trademark. The terms blurring and tarnishment originate from US law, but are used today by courts and commentators in most parts of the world.

- 5) The purpose of this question is to examine national and international legislation and case law in respect of protection against trademark dilution and to encourage proposals for adopting uniform rules.

### **Previous Work of AIPPI**

- 6) AIPPI has studied the extended protection of well-known marks in previous questions.
- 7) Already in Question Q29 (Trademarks or Names with Extended Protection) AIPPI studied the protection of well-known marks. At the Congress of London in 1960 AIPPI considered it necessary to study the granting of extended protection to marks which are well-known within the meaning of Article 6bis Paris Convention, notably in the event the use of the well-known mark causes the mark to be weakened in its distinctive character or its power of attraction. At the Congress of Berlin in 1963 AIPPI resolved that protection should be afforded to trade marks against use or registration by third parties, even in respect of different goods or services, when such marks are regarded as enjoying high reputation and when such registration or such use is liable to be harmful to the proprietor of the mark. Resolution Q29 further held that extended protection should be afforded to such marks even if they are not used in the country where protection is sought.
- 8) In resolution Q100 adopted by the Executive Committee in Barcelona in 1990 AIPPI addressed the protection of unregistered but well-known trademarks (Art. 6bis Paris Convention) and the protection of highly renowned trademarks. With regard to well-known trademarks AIPPI resolved that to ensure better protection against misappropriation, the protection of well-known marks should conform to the following minimum standards: a well-known mark is a mark which is known to a large part of those involved in the production or trade or use of the goods concerned and is clearly associated with such goods as coming from a particular source; the mark should be well-known in the jurisdiction where protection is sought, but no condition of use in that jurisdiction is required; in deciding whether a mark is well-known, the fact that the mark is well-known internationally can be taken into account; these provisions should apply to service marks *mutatis mutandis*.
- 9) With regard to highly renowned marks, resolution Q100 makes a distinction between marks having a reputation and marks having a high reputation ("marques de haute renommée" in French, "berühmte Marke" in German). AIPPI resolved that the owner of a mark having a reputation should be able to prevent third parties from causing detriment to the distinctive character or reputation of the mark; that the scope of protection may be dependent on the nature of the mark and the degree of its reputation; and that the protection may be made dependent on registration in the jurisdiction concerned.
- 10) As to marks having a high reputation, resolution Q100 notes that they are known to a large part of the public in general and of such a nature and repute that there does not

appear to be any justification for the use or registration of the mark by others. AIPPI resolved that marks having a high reputation should be protected against use or registration for any goods or services without the need to prove any detriment to the distinctive character or reputation of the mark; that this protection should apply not only against marks which are identical but also against marks which would be seen clearly to have been derived from the mark concerned; that this protection should not be dependent on registration in the jurisdiction concerned; and that such greater protection is to be regarded as exceptional and should be limited to protection against misappropriation by use or registration.

- 11) The Executive Committee of Singapore in 2007 adopted resolution Q195 regarding limitations of trademark rights. The AIPPI resolution makes clear that limitations of the trademark owner's rights should only be allowed to the extent that use of another's trademark by a third party does not cause dilution of the trademark, among other things.

## **Discussion**

- 12) The Paris Convention contains a special provision for well-known marks in Article 6bis. Article 16 of TRIPs embellishes the level of the Paris Convention protection by adding that Article 6bis shall also apply to services. Moreover, in determining whether a trademark is well known, members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge which has been obtained as a result of the promotion of the trademark.
- 13) According to Article 16 (3) TRIPs, Article 6bis of the Paris Convention shall apply mutatis mutandis to goods or services which are not similar to those in respect of which a trademark is registered, provided that (1) use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that (2) the interests of the owner of the registered trademark are likely to be damaged by such use. It is recognised that Article 16 (3) TRIPs also protects against dilution of a mark.
- 14) The TRIPs provision mentioned above is reflected for instance in the EU's trademark directive 2008/95. Article 5 (2) of that directive gives EU member states the option to provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trademark in relation to goods or services which are not similar to those for which the trademark is registered, where (1) the latter has a reputation in the Member State and where (2) use of that sign without due cause is detrimental to the distinctive character or the repute of the trademark.
- 15) The 1999 WIPO Recommendations concerning the protection of well known marks specifically mention the protection against the dilution of a mark, although these recommendations are not enforceable propositions of law. Article 2 of the recommendations consists of guidance in determining whether a mark is well known. Relevant factors include:

- the degree of knowledge or recognition of the mark in the relevant sector of the public;
  - the duration, extent and geographical area of any use of the mark;
  - the duration, extent and geographical area of any promotion of the mark, including inter alia advertising or publicity;
  - the duration and geographical area of any registrations and/or any applications for registration, of the mark;
  - the extent to which the mark was recognized as well known by competent authorities;
  - the value associated with the mark.
- 16) According to Article 2 of the recommendations, the following factors should not be required as criteria of being well known:
- 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 member state;
  - that the mark is well known in, or that the mark has been registered or that an application for registration of the mark has been filed in any jurisdiction other than the member state;
  - that the mark is well known by the public at large in the member state.
- 17) Once a mark is deemed well known, Article 3 of the recommendations requires member states to protect it, inter alia, against „impairment and dilution“.
- 18) The first issue for discussion within question Q214 is which trademarks are afforded protection against dilution and under which circumstances.
- 19) The 1999 WIPO Recommendations use the term ‘well known mark’. Under the English version of the EU trademark directive 2008/95, a trademark must have a reputation to be entitled to protection. Other versions of the directive, including the French, German, Italian and Spanish, protect marks which are ‘known’ or ‘well known’. Regardless of the terminology employed, a trademark must be known by a significant part of the relevant public before it is entitled to receive the extended protection accorded to a well known mark. Similarly, in China a well-known mark is defined as a mark that is widely known to, and recognised by, the relevant public within China.
- 20) What constitutes “a significant part” or “widely”? These terms may have a geographic and a demographic dimension. As for the geographic dimension, how widespread must the awareness be across the country? Is it sufficient if the mark is only known in a part of the country? On the demographic side, what percentage of the population is required? For instance in Switzerland, a knowledge threshold of more than 50% of the relevant population is required for a mark to qualify as ‘well known’ within the meaning of Article 6bis Paris Convention.
- 21) The trademark legislation of a number of countries limits eligibility for dilution protection to ‘famous marks’. For instance in the United States, under the current Trademark Dilution Revision Act (TDRA) the owner of a famous mark is entitled to an injunction against another person who commences use of a junior mark that is likely to cause dilution by blurring or tarnishment of the famous mark.

- 22) The difference between 'well known' and 'famous' marks is somewhat unclear. In the United States, for a mark to be considered famous it must be widely recognized by the general consuming public as a trademark. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:
- the extent of actual recognition of the mark;
  - the amount, volume, and geographic extent of sales of goods or services offered under the mark;
  - the duration, extent and geographic reach of advertising and publicity of the mark.
- 23) Therefore, largely the same criteria are relevant for determining whether a mark is 'famous' or 'well known'. However, the phrase "general consuming public" makes clear that the relevant population in determining eligibility is the general public at large and not the public concerned by the products or services which the trademark covers. In other words, marks which are famous in a limited product market ("niche market") are not eligible for dilution protection under the TDRA.
- 24) Proof of eligibility is another issue for discussion. How does the trademark owner prove recognition or fame of the trademark? Sales and advertising figures may be one basis, survey evidence may be another. Finland introduced a list of well-known trademarks as of 15 August 2007. Although it is maintained by the Trademark Office, the Finnish list is not an official register. Its aim is to increase public awareness of well-known marks. One could, however, envisage assigning the task of determining eligibility to the Trademark Office and create a registry of well known or famous marks. If so, there would then need to be some understanding of the evidentiary value of registration. Could it be challenged in litigation?
- 25) While proof of eligibility for dilution protection is a necessary condition for success, it is not a sufficient condition. The trademark owner must also demonstrate successfully that the adverse application or use of another's mark dilutes his trademark. Only in exceptional cases where a truly famous mark is used, the trademark owner may be entitled to automatic protection against the use of any similar mark for any goods or services whatsoever.
- 26) As far as proof of dilution is concerned, there appear to be two stages which need to be discussed: (1) the existence of a 'mental association' or 'link' between the earlier mark and the later mark and (2) the question of detriment. As for the first stage, the US Supreme Court held in *Victoria's Secret* that at least in the case of non-identical marks the trademark owner would have to prove that defendant has made use of a junior mark sufficiently similar to the famous mark to evoke a 'mental association'. Equally, in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée* the Canadian Supreme Court rejected Veuve Clicquot's claim of dilution on the basis that Veuve Clicquot had failed to show that there was likely to exist in consumers a mental association between the respondent's mark Cliquot (spelled with one less "c") and the (clearly) famous mark Veuve Clicquot. Similarly, the ECJ held in *Adidas-Salomon AG v. Fitnessworld Trading Ltd.* that the degree of similarity between the mark with a

reputation and the later mark should have the effect that the relevant section of the public establishes a 'link' between the two marks.

- 27) The ECJ confirmed in *Intel Corp v CPM (UK) Ltd* that the existence of a 'link' must be assessed globally, taking into account all relevant factors. According to the ECJ, relevant factors include:
- the degree of similarity between the earlier and later mark;
  - the nature and (dis)similarity of respective goods and services;
  - the strength of the earlier mark's reputation;
  - the degree of the earlier mark's distinctiveness;
  - likelihood of confusion (confusion is not required, but if use of the later mark creates likelihood of confusion with the earlier mark, then the necessary link has been established).
- 28) Substantially similar factors are relevant for assessing whether a junior mark is likely to cause dilution by blurring under US law. According to the TDRA, they include:
- the degree of similarity between the junior mark and the famous mark;
  - the degree of inherent or acquired distinctiveness of the famous mark;
  - the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark;
  - the degree of recognition of the famous mark;
  - whether the user of the junior mark intended to create an association with the famous mark;
  - any actual association between the junior mark and the famous mark.
- 29) The main limiting factor in US law appears to be similarity: are the two marks sufficiently similar to trigger consumers to conjure up a famous mark when confronted with the junior mark? In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, a New York district court said that the mark "Mr. Charbucks" was not sufficiently similar to the (clearly famous) Starbucks mark to sustain a dilution claim. Even though the "Mr. Charbucks" mark evokes Starbucks, the court seems to be saying that not all evocations are eligible ones. In other words, the evocation of a 'mental association' alone appears not be sufficient to prove dilution.
- 30) Also in Europe, a 'link' alone is not sufficient to prove dilution. The ECJ confirmed in *Intel Corp v CPM (UK) Ltd* that detriment must be proved over and above the existence of a 'link'. Whether or not there is detriment is also to be determined on the basis of a global appreciation of all the relevant circumstances (including those factors already mentioned in paragraph 27 above). Surprisingly, in *Intel Corp v CPM (UK) Ltd* the ECJ seems to have also decided that, to succeed with a trade mark dilution claim, the trademark owner must even prove a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered as a result of the use of the later mark, or at least a serious likelihood that such a change will occur in future. However, the later decision in the TDK case (*Aktieselskabet af 21. November 2001 v. TDK Kabushiki Kaisha (TDK Corp.)*, C-197/07 P) suggests that it is sufficient to produce evidence enabling it to be

concluded prima facie that there is a non-hypothetical risk. Also, the ECJ did not specify what sort of economic behavioural change would be required for dilution to occur. Can a brand owner establish a change in the economic behaviour through diminished sales figures?

- 31) The ECJ's judgment *Intel Corp v CPM (UK) Ltd* is confined to blurring, i.e. detriment to the distinctive character of the earlier mark. It is still unclear whether the "economic behaviour" point, however, is likely to hold for cases of tarnishment as well. Where the earlier mark is tarnished, the consumer may be less likely to purchase goods sold under that mark because it may no longer hold the desirable connotations it previously held for the consumer.
- 32) Another issue for discussion is the required evidential standard which the proof of dilution must satisfy. The ECJ has confirmed that the owner of the earlier mark cannot be required to wait for dilution actually to occur. Rather the owner must prove that there is a serious risk that such dilution will occur in the future. Similarly, in the United States a showing of likelihood of dilution is sufficient.
- 33) There is a further issue. Most laws have built-in limitations for fair use, including descriptive and non-commercial use of a mark, comparative advertising, parody, and news reporting, among others. These non-infringing uses are not actionable as dilution by blurring or tarnishment. In *Laugh It Off Promotions v. South African Breweries International (Finance) BV* the South African Supreme Court of Appeal found the parody of the "Black Label" beer trademark in the T-shirt slogan "Black Labour-White Guilt" to dilute the earlier trademark through tarnishment. However, the Constitutional Court of South Africa elevated the right to freedom of expression above the protection against trademark dilution and overturned the judgement of the Supreme Court of Appeal.
- 34) AIPPI studied limitations of trademark rights, including descriptive use and parody, among others, in question Q195 (limitations of trademark rights) in 2007 and in question Q188 (conflicts between trademark protection and freedom of expression) in 2005. These issues are thus excluded from the scope of this question Q214.

## 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?

2. Is there a legal definition of dilution in your legislation or case law?
- 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).
- 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?
  - 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?
  - 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?
  - 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?
- 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?
- 3.5. Are there any other criteria a mark must comply with to be eligible for protection against dilution?
- 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?
- 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?
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?

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'?
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?
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?
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?
  - to the actual use of a later trademark?
  - in respect of dissimilar goods only or also in respect of similar goods?
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?

## **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?
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?

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?
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?
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?
6. What should the remedies be for 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 Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.

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