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THE DILUTION DEBATE

An industry view

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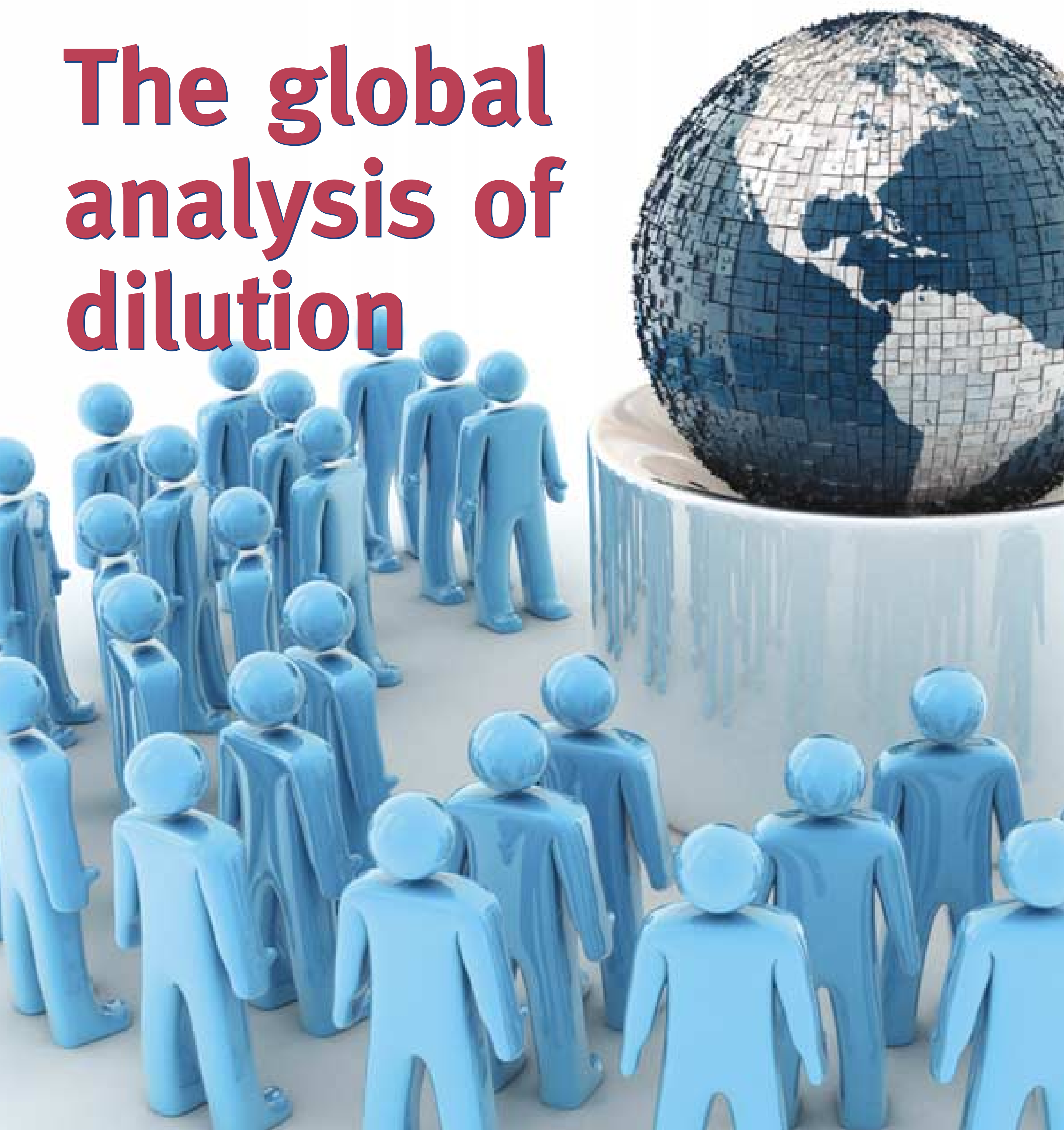
The global analysis of dilution



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INTA

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Welcome from the INTA President

As brands become more prevalent in our global economy, the need for increased protection and wider harmonization initiatives among trade partners and those in the intellectual property community also become more important.

This year, the International Trademark Association (INTA) is holding its 130th Annual Meeting in the historic city of Berlin, Germany, and views this event as an occasion for all those in the world trademark community to share their trademark experiences – the challenges and the opportunities – that make intellectual property the dynamic field that it is.

For 2008, the Annual Meeting's message is one of breaking down some of the barriers that separate us in our trademark practice and that slow down the important effort to internationalize and harmonize the laws that protect our trademarks around the world.

As representatives of – and partners in – the global trademark industry, we can more effectively identify the challenges that face our colleagues and our customers and share in the benefit of each others' knowledge and experience.

INTA is committed to developing and enhancing the laws and policies that protect trademarks and consistently encourages the intellectual property community to work together to combat the infringements that are affecting brand owners.

More recently, INTA's members have identified dilution as one of the most important issues facing their businesses and their brands. In the bricks and mortar world, we know dilution to be the blurring of a trademark's distinctiveness caused by unauthorized use of a mark on different products but this, and other issues, are now moving to the Internet.

The Internet is a powerful tool, but it also presents a new arena for illegal activity against brands. As such INTA and *Trademark World* are committed to increasing the profile of this issue both in print and wherever else the opportunity permits.

To encourage issue discussion and knowledge sharing, INTA's Annual Meeting is packed with sessions discussing the most important trademark issues, including the efforts to combat global counterfeiting; trademarks on the Internet; the problem of parallel imports; and emerging intellectual property threats in new markets. Along with our sessions, the Meeting also offers table topics, workshops, roundtable discussions and a diverse Exhibition Hall.

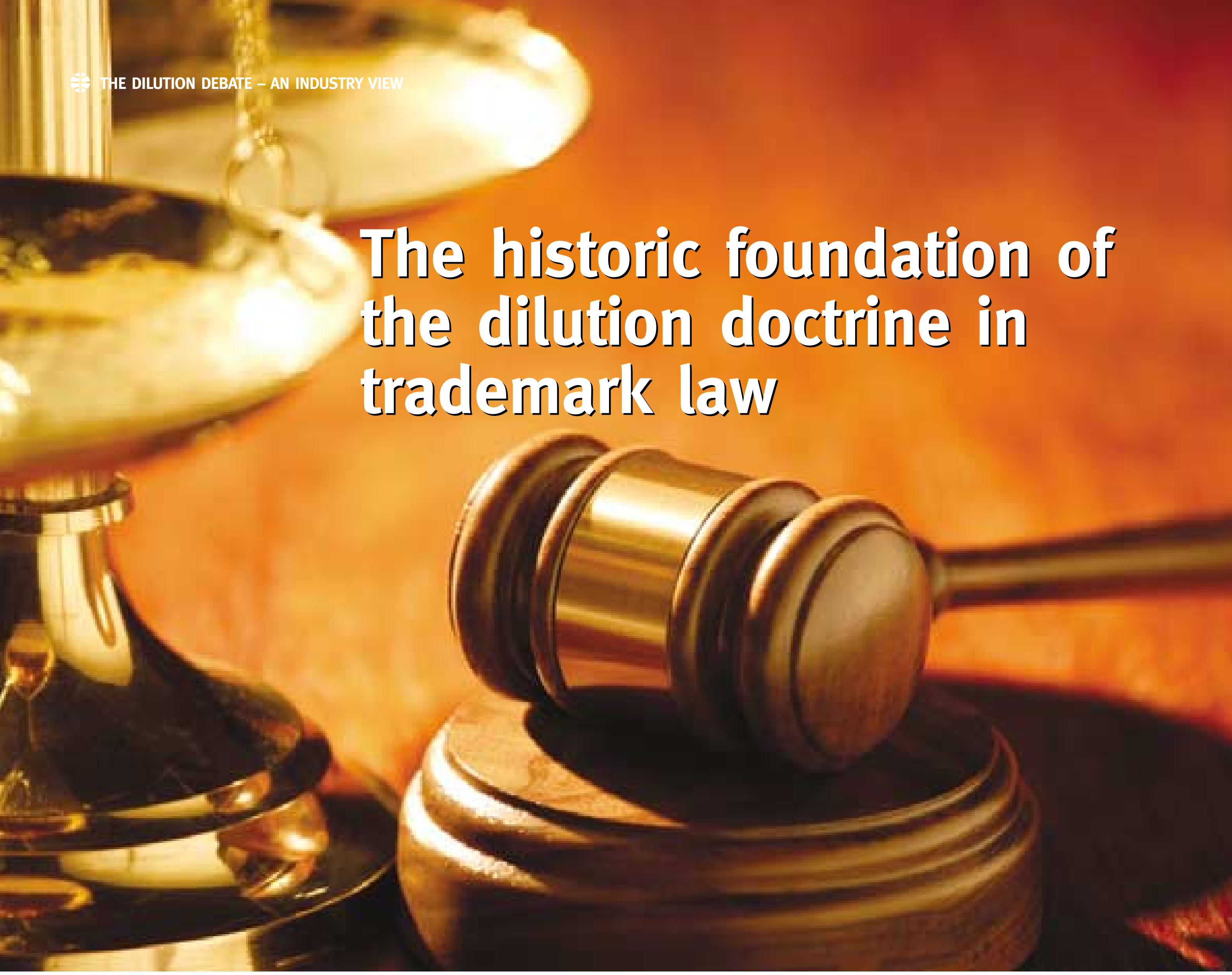
Related to the Annual Meeting theme is my Presidential intention to "turn the world upside down" and shake up what – and who – we know in the intellectual property community to ensure that trademark issues in emerging economies are not overlooked. We have seasoned professionals and career trademark practitioners from around the world, all gathered in one city for five days. This is the perfect chance to share our experiences and learn from each other.

To complement our professional development agenda, the Meeting will also feature numerous opportunities for socializing, networking and catching up with friends throughout the week. We want everyone to dedicate time to reaching out to their counterparts from different regions of the world and to really look for what they can bring back to their practice.

INTA's 130th Annual Meeting represents the Association's ongoing commitment to bringing together all those in the trademark community and underscores the desire to improve the intellectual property industry through new partnerships, innovation and education.

INTA would like to offer a special thank you to *Trademark World* for its continued commitment to informing and to educating the trademark community and the public on the important issues, including dilution, that intellectual property practitioners face everyday.

Rhonda A. Steele
President, International Trademark Association



The historic foundation of the dilution doctrine in trademark law

Much of this article was written by Miles J. Alexander twenty years ago in honour of a brilliant lawyer, Heinz Dawid, on his 75th birthday. It was completed as part of a privately published volume authored by friends and colleagues brought together at that time as a tribute to Heinz by his distinguished law firm Weiss, Dawid, Fross, Zelnick & Lehrman

By **Miles J. Alexander**, **Theodore H. Davis Jr.**, and **Lauren T. Estrin**

AUTHORS

Messrs. Alexander (left) and **Davis** (middle) are partners and **Ms. Estrin** (right) is an associate in the IP Group of Kilpatrick Stockton LLP. Mr. Alexander became an advocate for dilution legislation to protect famous marks over 40 years ago when as a young lawyer he was assigned to convince a Judge to protect the famous Betty Crocker mark against use by Betty Crocker Paint Company in a jurisdiction which required goods to have the same descriptive properties in order to find trademark infringement.

In considering the most significant developments in the trademark field in the past century, the recognition of trademark ownership as a property right is an historic milestone. For centuries, trademarks had evolved from a means of identifying ownership or origin of goods to a legal concept that a merchant was entitled to prevent others from selling competing goods by trading on the reputation of their established names or marks. Trademark protection is now expanding to preserve the uniqueness of marks in the face of non-competing uses that could potentially whittle away the mark's singularity. This new principle, which came to be known as dilution, refers to the area of trademark law that protects distinctive, well-known and/or famous trademarks from unauthorized commercial uses that reduce the uniqueness or damage the reputation of the marks. The rapid maturation of dilution from academic commentary to federal legislation in the United States and throughout the world is a revolutionary change when compared to more traditional doctrines that have taken several centuries to develop.

Traditional trademark law

In earlier centuries, a trademark served a number of functions, generally with little relationship to the modern law of unfair competition. Marks were used to identify ownership in the event that goods were lost, stolen or intermingled with those of others or, in the case of cattle, strayed from their fields. In addition, marks were sometimes required so that the maker of a defective item could be identified and held responsible. Over time, trademarks came to be used as symbols of genuineness and quality which identified the source or geographic origin of goods or services.

With the growth of national and international trade, the function of trademarks as indications of "origin" became less significant than their identification of the more immediate "source" of goods, even when the specific "origin" or "maker" might not be known to the public. During the 19th century, the growth of shipping, railroad transportation and modern communication resulted in an enormous expansion of trade and concurrently of commercial piracy. Courts in most developed countries came to recognise the right of a trademark owner to prevent "passing off" or "palming off" of infringing goods under its name. Courts of equity, which traditionally considered the public good to be a factor in the grant or denial of relief, were reciting the prevention of customer confusion among the rationales articulated for enjoining infringing activity.

Because this course of conduct involved misrepresentation and deceit, a complaint for trademark infringement became an action for deceit or fraud, as part of the law of torts in common law countries. Courts also recognised a right of the mark owner to recover monetary damages for loss of trade as well as injunctive relief against passing off. Nevertheless, both at law and in equity, the protection of trademarks did not extend to the "property rights" of mark owners, unless the infringer was guilty of passing off through fraud or deceit. Early trademark suits did not recognise infringement in cases involving noncompetitors because deception did not divert sales. As a result of this course of development, the owner of even a famous mark, such as KODAK, could only expect to obtain protection if a court was satisfied that deception of customers was likely.

Early dilution cases

By the close of the nineteenth century, however, isolated judicial decisions strayed from the doctrine that consumer fraud or deception was required for a mark owner to seek a legal or equitable remedy. Courts occasionally recognised that trademarks constituted a valuable asset which could be misappropriated to gain instant recognition for the unrelated products or services of others.

For example in 1898 in the United Kingdom, the Eastman Kodak Company successfully obtained an injunction against the use of the KODAK mark on bicycles.[1] Seven years later, the German Supreme Court at Hamburg did not permit Eastman Kodak to utilise its registration for cameras to cancel the registration of an identical mark for bathtubs on the theory that consumers would not have believed that bathtubs emanated from the company which made cameras. Similarly, although plaintiffs succeeded in obtaining relief against uses of confusingly similar marks for related products in rare cases such as in *Aunt Jemima Mills Co. v. Rigney & Co.*,[2] U.S. courts typically denied injunctions unless the parties' goods were directly competitive with each other.[3]

In 1924, some courts began to deviate from the hard line previously taken in providing relief to non-competitors for unrelated goods. In a landmark case, the German Supreme Court sustained an action by the owner of the famous ODOL trademark for mouthwash, resulting in the cancellation of the identical mark for steel products.[4] The court recognised the immorality (*"Gegen Die Guten Sitten"*) of trading upon the reputation of a famous mark on the theory that the consumer who sees or hears the mark immediately associates the goods with the products for which the mark has become famous. The court concluded that the owner of the mark has an interest in "seeing that its mark is not diluted [*verwassert*]: it would lose its selling power if everyone used it [ODOL] as the designation of their goods." This seminal case is identified by many of the leading trademark authors as the origin of the dilution doctrine.

Also in 1924, two other cases were decided in the United States and the United Kingdom, which furthered support for the protection of famous or well-known marks on non-competing goods. In *Vogue Co. v. Thompson-Hudson Co.*, the United States Court of Appeals for the Sixth Circuit granted the publisher of the Vogue fashion magazine an injunction against the use of its V-GIRL and V marks for hats.[5] In the United Kingdom, Harrods Limited, the famous clothing retailer, was granted an injunction preventing R. Harrold Limited from offering moneylending services under the HARRODS mark.[6]

At this time, Article 6*bis* of the Paris Convention (which has now been accepted by most jurisdictions) recognised the concept of protecting "well-known" marks. Although the treaty did not define "well-known,"[7] it provided "owners of marks which were widely known in the marketplace but not registered, with a measure of protection against later registrations of the same mark by others."[8] As a practical matter, however, Article 6*bis* did not provide a basis for dilution claims, and absent enabling legislation in many countries was not effective to provide relief.

Schechter's law review article – Dilution is born

In 1927, Frank I. Schechter, trademark counsel for the manufacturer of BVD undergarments, published his seminal article, *The Rational Basis of Trademark Protection*, in the *Harvard Law Review*, which introduced the concept of dilution to the legal and academic world. Although Schechter never referred to his theory as "dilution," he forcefully presented the argument for acceptance of a trademark dilution doctrine in the United States. He urged that the only rational basis for trademark protection lay in proscribing the "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." In what was to become the talisman of the dilution movement, Schechter argued that the protection of trade identity involves "not only the question of deception of the public," but protection of the owner of the trademark who "should be able to prevent other people from vitiating the originality and uniqueness of that mark." He noted that if courts permitted Rolls-Royce Restaurants, Rolls-Royce Cafeterias, Rolls-Royce Pants and Rolls-Royce Candy, "in ten years you will not have the Rolls-Royce mark any more."[9]

George E. Middleton, who, together with Milton Handler,[10] was one of the most

articulate early opponents of the dilution concept, observed that Schechter, although the father of the dilution doctrine, did not himself "use the word 'dilution' which is now commonly employed to define the offense he inveighed against." Middleton points out that the following passage from Schechter's classic work uses at least four synonyms for dilution:

> It is the gradual *whittling away* or *dispersion* of identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness and the greater the need for protection against *vitiation* or *disassociation* from the particular products in connection with which it has been used.[11]

For many years, there was not much U.S. or worldwide progress in the development or expansion of the dilution doctrine in the law of trademarks and unfair competition. During the twenty years between Schechter's famous article and the adoption of the first state antidilution statute by Massachusetts in 1947, an array of advocates called for action to prevent merchants from reaping where they had not sown. Perhaps the most extensively quoted language in support of protecting an owner's investment in good will is contained in Judge Learned Hand's famous opinion in *Yale Electric Corp. v. Robertson*,[12] which approved injunctive relief against a defendant's use of a mark similar to that of the plaintiff in connection with unrelated goods:

> *[T]t has of recent years been recognised that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognised that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful.*[13]

"Like Judge Hand, trademark scholars and practitioners saw the need to proscribe trading on the good will and image of another party's well-known mark while destroying its distinctiveness"

Like Judge Hand, trademark scholars and practitioners saw the need to proscribe trading on the good will and image of another party's well-known mark while destroying its distinctiveness. In 1936, Edward S. Rogers, father of the Lanham Act, writing a foreword to Walter J. Derenberg's definitive treatise, *Trade-Mark Protection and Unfair Trading*, perceptively predicted that "[t]he law has gone forward to a point that now it may almost be said that any conduct is actionable which artificially interferes with trade expectancy. And this is as it should be."[14]

Hostility to early trademark law legislation

Initial attempts to enact a federal dilution statute in the U.S. failed. In the early 1930s, Congress declined to pass the *"Perkins Bill,"*[15] drafted primarily by Schechter and containing provisions that would have protected federally registered *"coined or inventive or fanciful or arbitrary"* marks against users of such marks in a manner that might *"injure the goodwill*, reputation, and business credit . . . of the owner of the previously used mark," in addition to the traditional protection against passing off. Moreover, the Lanham Act that passed in 1947 did not address dilution. In fact, critics of dilution were hostile to the idea of protecting famous marks at the federal level without requiring a likelihood of confusion. Despite Mr. Rogers' role in drafting the Lanham Act and his perceptiveness as to the direction that the law was taking, the antidilution concept did not find its way into early federal or state legislation and had there been an attempt to do so, the Lanham Act may never have become law.[16]

The lack of congressional action and the absence of any antidilution provision in the 1946 Lanham Act may further be explained, in part, by the policy conflicts which existed and still persist between those who advocate recognising the good will of famous trademarks as property and those who believe that words, either coined or which have acquired distinctiveness, should not be monopolised. The concept of dilution was viewed as "an attempt to fasten on the American people a new species of monopoly. The air would have been filled with cries that a monopoly of language would result in a monopoly of product."[17] Indeed, opponents of dilution and federal protection invoked free speech and antitrust doctrines to limit available protection, arguing that such monopolisation only is permissible where constitutional patent or copyright protection is available.

The absence of legislation, however, came in the face of increasing judicial recognition that protection of marks served a more significant purpose than simply preventing the diversion of trade. By 1942, the dilution concept found eloquent support in Justice Felix Frankfurter's recognition of the "commercial magnetism" of a mark as a property right entitled to protection. Writing for the U.S. Supreme Court in *Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co.*, he observed:

> *The protection of a trademark is the law's recognition of the psychological function of symbols . . . [a] trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same - to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of symbols he has created, the owner can obtain legal redress.*[18]

The States respond

As is often the case in the United States, in the absence of applicable federal legislation, the states have tended to move into the vacuum to solve a perceived problem. Thus, many states adopted statutes to protect marks from dilution. Prior to the adoption of the Federal Trademark Dilution Act of 1996, all dilution cases were brought under state law.[19] In 1947, Massachusetts was the first state to adopt a state dilution law. Perhaps most significantly, the Massachusetts law differed from virtually all prior proposed dilution laws by purporting to protect more than "arbitrary or coined" marks, but also the "distinctive quality" of other valid trademarks.

Other states eventually followed suit by enacting legislation generally similar to Section 12 of the Model State Trademark Bill, which at that time provided:

> Likelihood of *injury to business reputation or of dilution of the distinctive quality of a mark* registered under this Act, or a mark valid at common law or a trade name valid at common law, shall be ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

(emphasis added). This movement at the state level reflected a changing attitude in the area of trademark law, with states taking action to fill gaps in the then-existing version of the federal Lanham Act. Over two-thirds of state legislatures adopted some form of antidilution statutes.[20] Despite the unequivocal language of these statutes, there was a general hostility by the courts to their application until the 1970s. As a result, the extension of protection for trademarks against dilution was sporadic and characterized more by misconstruction and distortion than by application of the clear statutory language and intent.[21]

The road toward the Federal Dilution Statute

The need for federal dilution regulation grew as states inconsistently applied state dilution statutes, and dilution principles were furthered through misapplications of the existing Lanham Act and unfair competition law.

Nevertheless, courts eventually came to recognize that, in the words of the New York Court of Appeals in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, trademark owners have an interest in preventing the "cancer-like growth" arising from the use of an identical mark on "dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name."[22] Many believe that even though the plaintiff did not prevail in the *Allied* case, it was this late recognition by the Court that neither competition nor confusion is an element of a cause of action for dilution that gave these statutes real credibility. This case and its progeny recognised unequivocally that "likelihood of injury to business reputation or dilution of the distinctive quality of a mark or trade name" were the criteria upon which injunctive relief should be based, despite an absence of likelihood of confusion as to or competition between the parties.

"The need for federal dilution regulation grew as states inconsistently applied state dilution statutes"

Though no federal dilution statute had yet been enacted, dilution principles appeared in the federal courts through the application of the Lanham Act and traditional principles of unfair competition. For example, in *Chemical Corp. v. Anheuser-Busch, Inc.*, the Fifth Circuit upheld the entry of injunctive relief against the defendant's "parody" of the plaintiff's WHERE THERE'S LIFE, THERE'S BUD slogan on the ground that:

> *[T]he plaintiff has a property interest in the slogan . . . and . . . the defendant . . . with the purpose of appropriating some of the value engendered in the minds of the public by its use has used . . ., a deceptively similar slogan ["Where There's Life, There's Bugs"] in a manner that will bring direct financial loss to the plaintiff . . . by reason of the peculiarly unwholesome association of ideas when the word "bugs" was substituted in the slogan for the word "Bud," referring to a food product.*[23]

Not only had numerous state and federal decisions now recognised the applicability of the antidilution statutes, the United States Supreme Court advanced dilution principles prior to passage of the first federal dilution statute in 1996. In *San*

Francisco Athletic Ass'n v. United States Olympic Committee,[24] the Court went through the elements of a dilution analysis in holding that SFAA could not use the term "Olympic" to promote its Gay Olympic Games.

In recent years, the United States has struggled with a succession of federal and state dilution statutes and conflicting judicial pronouncements in an attempt to protect famous or well-known marks from dilution, as have other countries and regions throughout the world.[25] Trademark law has come a long way from Lord Hardwicke's observation in *Blanchard v. Hill*, 26 Eng. Rep. 692 (1742), in which the House of Lords refused to restrain the defendant from making use of plaintiff's mark "Great Mogul" on unrelated goods, stating:

> *Every particular trader has some particular mark or stamp; but I do not know of any instance of granting an injunction … to restrain one trader from using the same mark with another, and I think it would be of mischievous consequence to do it.*

There is little doubt that the dilution doctrine is now here to stay. The issues currently to be addressed are the limits placed upon its application. Other articles in this volume will be dealing with current legislation, treaty and judicial protection of "famous" and "well-known" marks in the 21st Century.

Conclusion

One of the greatest attributes of the world's legal systems is the fact that, although slow in doing so, they generally frame a remedy for what society deems to be a wrong. Thus, traditional legal doctrines have evolved to recognise changes in what we consider to be economic, political, personal and commercial morality. During most of the past century, there has been a continuing trend toward a recognition of the fact that the commercial and non-commercial symbols which identify products and services are often as valuable to their owners as a name and reputation are to an individual, and are frequently more valuable to the owner than any tangible property. Thus, the protection of famous, celebrated marks is now and has long been a topic for discussion in many countries, recognising that a latecomer who applies a well-known mark to non-competing goods unfairly usurps the rights of the owner of the celebrated mark.

There is no question that the need for protecting the value of names and marks must be weighed against the public policy prohibiting impoverishment of language, news, humor and expression of opinions. It will not be an easy task to achieve a proper balance and it appears unlikely that in the new age of worldwide computer and Internet marketing and communications that the last chapter will be written in the next decade.

Notes

1. Eastman Photographic Materials Co. v. John Griffiths Cycle Corp., 15 R.P.C. 105 (Ch. D. 1898).
2. 247 F. 407 (2d Cir. 1917) (Pancake flour and syrup although not deemed to possess the same descriptive properties were found sufficiently related to place the complainants' reputation in the hands of the defendant.).
3. *See, e.g.*, Borden Ice Cream Co. v. Borden's Condensed Milk Co., 201 F. 510 (7th Cir. 1912) (denying the Borden Ice Cream Company injunctive relief against the use of the BORDEN mark for condensed milk).
4. Civil Court, Elberfield 25 Juristiche Wochemschrift 502; XXV Markenschutz and Wettbewerb 264 (Sept. 11, 1925).
5. 300 F. 509 (6th Cir. 1924).
6. Harrods Ltd. v. R. Harrod Ltd. (1924) 41 R.P.C. 74.
7. Article 6*bis* leaves the definition of what is a well-known mark to the "competent authority." However, the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"), which came into effect on January 1, 1995, later elaborated that to determine whether a mark is well-known: "Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark."
8. *See* the current definitive work edited by Frederick W. Mostert, FAMOUS AND WELL-KNOWN MARKS: AN INTERNATIONAL ANALYSIS (2d ed. 2004); *see also* 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:61 n.5 (4th ed. 2007) ("MCCARTHY").
9. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).
10. George E. Middleton, *Some Reflections on Dilution*, 42 TRADEMARK REP 175-176 (1952).
11. Schechter, *supra* note 11 at 825.
12. 26 F.2d 972 (2d Cir. 1928).
13. *Id.* at 974.
14. *See* WALTER J. DERENBERG, TRADE-MARK PROTECTION AND UNFAIR COMPETITION (1937).
15. H.R. 11592, 72d Cong. (1st Sess. 1932).
16. These sentiments were perhaps best articulated by Bartholomew Diggins, Special Assistant to the Attorney General, who observed that "[t]he significance and effectiveness of trade-marks in regulating and restricting competition can hardly be overemphasized. Together with patents, trade-marks are included in the chief legal sanctions under which cartels have established, maintained, and enforced restraints of trade." Bartholomew Diggins, *Trade-Marks and Restraint of Trade*, 34 TRADEMARK REP. 71, 71 (1944).
17. Professor Handler, a renowned trademark and antitrust scholar, strongly opposed federal and state dilution laws, articulating his concerns at the 1985 USTA annual meeting in which the program featured a debate with Mr. Alexander. The article here cited presciently identified key issues, including the difficulties presented by differentiating between inherent distinctiveness and acquired distinctiveness in trademark dilution. Milton Handler, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks*, 75 TRADEMARK REP. 269 (1985).
18. 316 U.S. 203, 205 (1942).
19. *See* Act of May 2, 1947, ch. 307 § 7(a), 1947 Mass. Acts (codified as amended at Mass. Gen. Laws Ann. Ch. 110(B), § 12 (West 1996)).
20. MCCARTHY, *supra* note 10 at § 24:77; *see also* International Trademark Association, STATE TRADEMARK AND UNFAIR COMPETITION LAW (2007).
21. See Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289 (1984) (reviewing in detail the judiciary's misconstruction of statutes by requiring competition and/or confusion, rather than recognizing Schechter's rationale of preventing the "gradual whittling away" of a mark by use on non-competing goods).
22. 369 N.E.2d 1162, 1162-64, (N.Y. 1977).
23. 306 F.2d 433, 437 (5th Cir. 1962).
24. 483 U.S. 522 (1987). Applying Section 110 of the Amateur Sports Act, 36 U.S.C. § 380 (2000), the Court held that the statute granted the United States Olympic Committee the exclusive right to the term "Olympic," separate and independent of the likelihood of confusion analysis. In doing so, the Court quoted Frank Schechter's 1927 article approvingly to conclude that unauthorized uses of the term "Olympic" could lessen its distinctiveness and commercial value.
25. *See* Mostert, *supra* note 10.

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Dilution in Asia Pacific

Edited by **John A. Tessensohn**, Shusaku Yamamoto, with contributions from friends and colleges around Asia

The Asia-Pacific market is home to half of the world's population, accounts for nearly 40% of the world's GDP and comprises of the world's most dynamic economies. Given the business imperatives, brand owners are enlarging their business footprint in the region. They will welcome the following roundup of the important Asia-Pacific jurisdictions' embrace of trademark dilution protection and its various incarnations.

Australia

Lisa Lennon, Gilbert + Tobin

Australian law does not expressly provide a dilution remedy but there is ongoing debate as to whether s120(3) of the Trade Marks Act 1995 (paraphrased below) operates to accomplish the same result:

A registered trademark is infringed if:

- The trademark is well known;
- A person uses as a trademark a sign that is substantially identical with, or deceptively similar to, the trademark on unrelated goods or services;
- Because the trademark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trademark; and
- For that reason, the interests of the registered owner are likely to be adversely affected.

When determining whether a trademark is "well known", regard is to be given to the extent to which the trademark is known "within the relevant sector of the public" [s120(4)].

The wording of section s120(3) requiring that the trademark owner' interests are likely to be "adversely affected" seems broad enough to cover the anti-dilution concepts of blurring or tarnishment, although there are no decided cases to this effect. The Australian courts have yet to determine whether the requisite connection between the unrelated goods and the trademark owner might be satisfied by a dilution-style "mental association" rather than requiring confusion. Te seems to be some support for this view, however, iter dicta comments of the High Court in *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45.

China

Annie Tsoi, Deacons

The current trademark law does not provide any provisions that embrace the doctrine of dilution. As amended in 2001, China does protect well-known trademarks, but a plaintiff must be able to show a certain level of confusion. Under Article 13, a well-known trademark in China that is not registered is protected from being registered or used by an unauthorised party in respect of identical or similar goods or services if such use or registration is "liable to create confusion". An owner of a well-known trademark that is registered in China will have to prove that the unauthorised registration or use of such well-known trademark in respect of the dissimilar goods or services "misled the public" leading to "possible damage to the interest" of the registered owner.

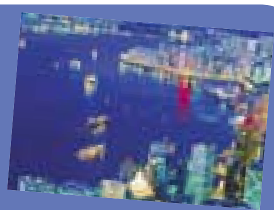
Article 5(ii) of the Anti-Unfair Competition Law provides additional protection, namely business operators are prohibited from any unauthorised use of names, packaging or decoration peculiar to well-known goods or names, packaging or decoration similar to those used on well-known goods of others. Such protection is conditional upon the creation of confusion, thus causing consumers to mistake the unauthorised goods for the right holders' goods.

The most recent draft amendment of the trademark law (the Third Draft Amendment) was released for public comment in August 2007 and contains provisions that may be interpreted as providing some form of dilution protection against registration and infringement of well-known marks without the need for confusion. There is no specific timetable as to when they will be revised or enacted by the National People's Congress.

> **"The Australian courts have yet to determine whether the requisite connection between the unrelated goods and the trademark owner might be satisfied by a dilution-style "mental association" rather than requiring confusion"**

Hong Kong

Annie Tsoi, Deacons



Hong Kong has traditionally relied on the common law action of passing off to protect one's reputation or goodwill. Currently there are no specific provisions specifically addressing trademark dilution. Section 18(4)(c) of the Hong Kong Trade Marks Ordinance (Cap.559), which largely corresponds with section 10(3) of the UK Trade Marks Act 1994 [before its 2004 amendments], protects registered "well-known trademarks" against *inter alia* dilution and comes closest in forming the basis of anti-dilution law in Hong Kong.

A "well-known mark" is widely defined to include marks that are well-known in Hong Kong; regardless of whether or not owner carries on business in Hong Kong or owns goodwill in a business in the country. There is a distinct lack of case law addressing the scope of protection offered by section 18(4)(c) since the provision is relatively new (effective from 4 April 2003). Hong Kong courts may draw reference from, but are not be bound by, UK decisions like *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] F.S.R. 767, which have interpreted the counterpart UK provision.

India

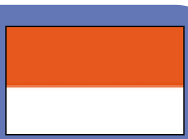
Rajendra Kumar, K & S Partners

Indian courts had been applying dilution-like principles to protect well-known marks against misappropriation in respect of dissimilar/unrelated goods even before TRIPS became effective in January 1996.

As early as 1969, the High Court of Bombay in *Sunder Parmanand Lalwani and others v Caltex (India) Ltd* held that use of 'Caltex' for watches would mislead and cause consumer confusion since this mark was associated by consumers and public at large with the famous petrol and various oil products. The High Court of Delhi in *Daimler Benz & another v Hybo Hindustan* AIR 1994 Delhi 239, granted the world-famous German automaker an injunction against the defendants' use of 'Benz' along with a 'three-pointed human being in a ring' on undergarments. India had a new Trade Mark Act, effective from September 15, 2003, and s29 provides protection for registered well-known trademarks in India, even against dissimilar goods and services. The statutorily specified factors of what constitutes a well-known mark include:

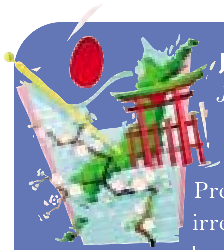
- Identicalness or similarity;
- Use in relation to goods or services that are not similar to those for which the trademark is registered;
- A mark's reputation in India; and
- When the use of a mark without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the registered trademark.

Indonesia



John A. Tessensohn, Shusaku Yamamoto

Well-known marks are protected against use for similar goods and services. Protection is extended to dissimilar goods and services by Indonesia's adoption of Article 16(3) TRIPS or by arguing against bad faith registrations. The Supreme Court of Indonesia confirmed that the protection of a well-known mark extends to dissimilar goods and services if such use undermines the distinctiveness of the well-known mark. Intel successfully persuaded the Supreme Court of Indonesia to cancel a garment manufacturer's piratical registration of INTEL JEANS & Logo that incorporated the world-famous INTEL in the "dropped-e" logo format, *Intel v Hanitio Luwi* (May 3, 2005).



Japan

John A. Tessensohn, Shusaku Yamamoto

Dilution is a recognised legal doctrine in Japan. Under Japan's Prevention of Unfair Competition law, the likelihood of confusion is irrelevant when protecting a plaintiff's famous indicia or trade dress under s2(1)(ii). Additionally, even when confusion is required for protecting well-known indicia or trade dress under s2(1)(i), the Supreme Court of Japan confirmed that this is *"confusion in the broad sense"* and there is no need of a competitive relationship between litigants before unfair competition relief is granted *SNACK CHANEL*, Hanrei Jiho (No. 1655) 160, dated 10 September 1998.

In *L'AIR DU TEMPS*, Heisei 10 (gyo-hi) 85 dated 11 July 2000, the Supreme Court recognised dilution can be used to prevent registration of a third party's unauthorised application when it held that Trademark Law s4(1)(xv) can be used to *"prevent so-called free-ride on well-known marks or famous marks and dilution of such marks, to ensure the maintenance of the business reputation of persons using trademarks and to protect the interests of consumers by ensuring distinctiveness of trademarks."*

Section 4(1)(xix) of Japan's trademark law prohibits a registration of a mark identical with or similar to a mark that is well-known or famous in Japan or foreign country(ies) for the purpose of unfair competition. There is no goods or services similarity requirement of the aggrieved trademark owner.

Malaysia

S. F. Wong, Shearn Delamore & Co.

Where there is a trademark dispute, Malaysian courts would among others consider whether the mark complained of is inherently deceptive, the intention of the defendant, the type and practice of the trade and all surrounding circumstances. An objection is sustainable if the acts complained of would cause a blurring or erosion of the uniqueness of the mark that leads to the exclusive reputation of the plaintiff being impaired. "Impairment" is the gradual debasement, dilution or erosion of the singularity, exclusiveness or distinctiveness of the mark. Incrementally, this will cause damage to the goodwill of the complainant.

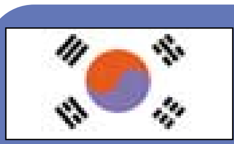
The elements of appropriation and likelihood of damage are consistent with the concept of extended passing off which has its roots in equity. Competitors are each under a duty to each other to conduct their businesses so as not to unfairly injure the business of others. Deception and confusion arising from misrepresentation and the perception of members of the public are not essential requirements. There is a drift towards recognising that a mark is not only a source identifier, it is also a valuable asset in and of itself and, as a symbol, it has goodwill apart from the goods in relation to which it is used.

Singapore

Sheena Jacob, Alban Tay Mahtani & de Silva LLP

Statutory recourse against the dilution of a well known trademark is provided in section 55 of the Trade Marks Act. "Dilution" is defined as "lessening of the capacity of the trademark to identify and distinguish goods or services" regardless of any competition or likelihood of confusion. Pursuant to section 55(3), the proprietor of a well known trade mark in Singapore can restrain by injunction the use of a trade mark which is identical with or similar to the well known trademark and would cause the dilution of the earlier well known trademark.

In addition, Section 8 of the Trade Marks Act provides that dilution of a well known trademark is also a relative ground for refusal of registration. Under section 8(4), a trademark may not be registered if there is an earlier trademark that is well known to the public at large in Singapore and the use of the trademark would cause dilution of the earlier well known trade mark. Apart from the statutory provisions, dilution appears to have been recognised as a head of damage in passing off as confirmed the leading decision of *CDL Hotels International Ltd v Pontiac Marina Pte Ltd [1998] 2 SLR 550.*



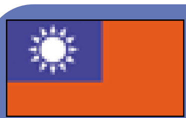
South Korea

Mona A. Lee, DW Partners

The two Korean statutory provisions used to address dilution are Article 7(1)(xii) of the Korean Trademark Act ("KTA") and Article 2(1)(iii) of the Korean Unfair Competition Prevention and Trade Secret Protection Act ("UCPA").

Article 7(1)(xii) of the KTA, as amended effective 1 July 2007, precludes the registration of a trademark that: (1) is similar to a trademark that consumers inside or outside Korea easily recognize as indicating the goods of a particular person; and (2) is used to obtain unjust profits or to inflict harm on a particular person. Article 7(1)(xii) as amended will afford greater protection against dilution, as the mark to be protected now need only be "easily recognized" rather than famous, which historically has been a difficult standard to meet.

Article 2(1)(iii) of the UCPA defines "acts of unfair competition" as any act that damages the distinctiveness or reputation of another person's mark through use of a similar mark, which other person's mark is widely known in Korea. In contrast to Article 7(1)(xii) of the KTA, this dilution provision: (1) does not regulate the registration of trademarks; (2) requires that the renown of the mark sought to be protected exist in Korea; and (3) recognizes both forms of dilution – blurring and tarnishment. Under this provision, the mark to be protected must be famous. Criminal sanctions, in addition to a damages award, may be imposed. Examples of marks that have received protection pursuant to the UCPA are "TIFFANY" and STARCRAFT".



Taiwan

John A. Tessensohn, Shusaku Yamamoto

Article 23(1) of the 2003 Trademark Act refuses a trademark application if it is identical or similar to another person's well-known trademark, [without limiting to identical or similar goods or services] and hence is likely to confuse the relevant public or likely to dilute the distinctiveness or reputation of the well-known trademark. A trademark registration violating Article 23(1) No. 12 is subject to a cancellation process, which is time-barred five years after publication of the registration, so long as the registration was undertaken in good faith.

Article 62(1) of the 2003 Trademark Act deems that a trademark right infringement has occurred when a third party, without the trademark owner's consent knowingly uses a trademark identical or similar to a well-known registered trademark of another person, or using the word(s) contained in the said well-known trademark as the company name, trade name or domain name or any other representation identifying the body or source of whose business, and hence diluting the distinctiveness or reputation of the well-known trademark.

Thailand

Nettaya Warncke, Domnern Somgiat & Boonma Law Co. Ltd.

Dilution is an acknowledged theory in Thailand but it is not mentioned anywhere in the trademark law. The Thai Trademarks Act orders the Registrar to refuse a mark which is identical or confusingly similar to a prior registered mark. There are also other proscriptions but none include dilution.

There is a general provision rejecting a mark which is found to be against the public policy. This general provision is periodically used to reject an application for a mark proven to belong to someone else who has no registration in Thailand to form a basis for rejection on the grounds of a prior registered mark.

Hence, this general provision can be used by the authorities to adopt the theory of dilution but no such exercise has been seen so far even though the issue of dilution has been raised by some opposers. Decisions from the Registrar or the Trademark Board still reflect an assessment whether the marks are identical or so similar to the degree that will cause public confusion. The issue of dilution or lack thereof has never been an issue of consideration.

Conclusion

The Asia-Pacific region does have dilution-like protection for well known marks and some jurisdictions have a confusion or association requirement which is antithetical to dilution purists. However, even in dilution's spiritual home, the United States, brand owners were put in the doghouse by the Fourth Circuit's decision *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 507 F.3d 252 (4th Cir. 2007) when it ruled that Louis Vuitton failed to prove likelihood of dilution under the Trademark Dilution Revision Act 2006. It is ironic that American plaintiffs continue to its dilution struggles at home, so any complaints about lack of doctrinal purity overseas is hollow and owners of well known marks should work with the adequate protection in Asia Pacific.

Dilution in Canada

By **Daniel R. Bereskin, Q.C.**, Bereskin & Parr

The *Canadian Trade-marks Act*[1] is the result of a study made by the Trademark Law Revision Committee, who in 1947 was charged with the responsibility of proposing revisions to the *Unfair Competition Act, 1932*[2].

Recognising that conduct could occur that would not constitute an infringement or passing off, and yet would be harmful to the goodwill attaching to a registered trademark, the Committee proposed the enactment of Section 22 which proscribes conduct that *"is likely to have the effect of depreciating the value of the goodwill"* attaching to a registered trademark.

The Committee's view of Section 22 appears from their report to have been rather narrow, in that they saw the purpose of Section 22 as prohibiting conduct *"which has the effect of bringing the trademark into contempt or disrepute in the public mind"*. The Committee evidently did not consider "blurring" as actionable conduct under Section 22, perhaps thinking that giving the Court or the Registrar enough flexibility in deciding the issue of infringement made it unnecessary to deal specifically with the issue of blurring.

The Chairman of the Committee was *Dr. Harold G. Fox*, who was a prominent author, scholar and litigator. Although it appears that the Committee thought that Section 22 should apply to tarnishment only, Dr. Fox later took a broader view.

In his text *The Canadian Law of Trade Marks and Unfair Competition*[3], Dr. Fox wrote[4]: *"Uniqueness is the qualifying point of distinctiveness and if the same trademark is permitted to be used in association with the thousand and one different classes of wares entering into modern commerce, that trademark is no longer unique but becomes practically an every-day word in the language."*

Turning the tide

Despite its early promise, Section 22 of the Act had received scant judicial attention until 2006 when the Supreme Court of Canada decided *Veuve Clicquot Ponsardin, Maison Fondeé en 1772 v. Boutiques Cliquot Ltée, Mademoiselle Charmante Inc.* and 3017320 Canada Inc.[5]

Prior to Veuve Clicquot, the leading Section 22 case was *Clairol International Corp. and Clairol Inc. of Canada v. Thomas Supply & Equipment Ltd*,[6] where an injunction was granted to the plaintiffs restraining the defendants from using the plaintiffs' registered trademarks on their packages because such use depreciated the value of the goodwill associated with the plaintiffs' registered trademarks and therefore was a violation of Section 22. Thurlow J. appears to have concluded that tarnishment or dilution of the prestige of a trademark amounts to a depreciation of the value of the goodwill,[7] and, indeed, these factors have been present in other Section 22 cases.[8]

AUTHOR

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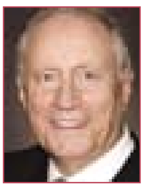

For example, in *Source Perrier (Société Anonyme) v. Fira-Less Marketing Co. Ltd.*[9], Dubé J. enjoined the sale of ordinary tap water in a green bottle bearing the words "Pierre Eh!", a spoof product lampooning former Prime Minister Pierre Trudeau. Mr. Justice Dubé found that the defendant's "Pierre Eh!" mark depreciated the value of the well known PERRIER mark. In his interpretation of Section 22, Dubé J. suggested that there is a normative similarity between Section 22 and American anti-dilution jurisprudence, in that both were concerned with protecting well-known marks from tarnishment.[10] Unlike in the United States, however, there have not to date been any successful Section 22 cases based only on "blurring". For example, in *Viewpoint International, Inc. v. On Par Enterprises Inc.*,[11] the plaintiff, the owner of the trademark TOMMY BAHAMA used in association with clothing, sought an interlocutory injunction based on passing off and infringement against the defendant's use of the trademark TOMMY BAHAMAS GRILL used in association with the operation of a bar/restaurant. In dismissing the plaintiff's motion, Lemieux J. suggested that an injunction was not granted pursuant to Section 22 because there was no evidence that the plaintiff's reputation had been tarnished by the defendant's use of TOMMY BAHAMAS GRILL.

In Veuve Clicquot, the issues were whether a registration for the trademark VEUVE CLICQUOT had been infringed by the use of CLIQUOT for the name of a small chain of stores specialising in the sale of women's clothing, and whether the use of CLIQUOT depreciated the value of the goodwill symbolised by the trademark VEUVE CLICQUOT. The trial judge had held that confusion was unlikely, and the Federal Court of Appeal agreed. The Supreme Court affirmed, and likewise dismissed the claim based on dilution under Section 22. In the Supreme Court of Canada appeal, an amicus brief was filed on behalf of the International Trademark Association ("INTA").

With regard to Section 22, prior to Veuve Clicquot, it was not clear[12] whether, in order for Section 22 to be engaged (1) the defendant's mark has to be identical to the plaintiff's registered mark, and (2) whether the plaintiff has to show that consumers are likely to associate the defendant's mark with the plaintiff's registered mark.

As to the first issue, in the INTA's amicus brief in Veuve Clicquot,[13] it was argued that the respective marks do not need to be identical, and that the use of a highly distinctive element of the plaintiff's mark is sufficient under Section 22. Accordingly, it was argued that the use of CLIQUOT would be considered to be a use of the plaintiff's registered mark VEUVE CLICQUOT for the purposes of Section 22. The Supreme Court agreed, finding that it is only required that the respondents had used a mark "sufficiently similar to VEUVE CLICQUOT to evoke in a relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the appellant's mark."[14] Thus, the two marks need not be identical provided this test is met.

The INTA amicus brief further argued that both the trial judge and the Court of Appeal in Veuve Clicquot were wrong in finding that in order for Section 22 to be infringed, consumers had to make a connection between the registered mark of the plaintiff, and the mark used by the defendant. According to the INTA argument, it would be sufficient to show that the use of the CLIQUOT mark by the respondents "was likely to whittle away or dilute the distinctiveness of the VEUVE CLIQUOT mark and thereby depreciate the value of the goodwill attached to it. The likelihood of dilution arises from the similarity or identity of the junior mark to the famous and distinctive mark."[15]

Four part test

This view was not accepted by the Supreme Court. Instead, the Supreme Court laid down a four-part test:

- First, a claimant must prove that its registered mark has been "used"[16] by the defendant in connection with wares or services. This distinguishes, for example, use of a mark in honest comparative advertising, which cannot be a violation of Section 22 regardless of the effect of such advertising on the goodwill associated with the registered mark.[17]
- Second, the registered mark must have become sufficiently well known to have attached significant goodwill to it. This does not necessarily mean that the trademark must be shown to have become famous or well known, but it would be the unusual case where the plaintiff's mark was not famous or well known given the next two factors.[18]
- Third, the mark must have been used or displayed by the defendant in such a manner as to have had an effect on the goodwill attached to the plaintiff's mark (linkage).
- Fourth, such use by the defendant must be likely to depreciate the value of the goodwill attached to the plaintiff's mark (damage).

Although likelihood of confusion need not be proven in a dilution case under Section 22, the plaintiff does have to show that the defendant's use or display of a similar mark evokes, in the relevant universe of consumers, a mental association between the two marks that is likely to depreciate the value of the goodwill attaching to the plaintiff's mark. Without such linkage, connection or mental association in the consumer's mind, there can be no depreciation of the goodwill symbolized by the registered mark. As Mr. Justice Binnie noted: "If the somewhat hurried consumer does not associate what is displayed in the respondents' stores with the mark of the venerable champagne maker, there can be no impact – positive or negative – on the goodwill attached to VEUVE CLICQUOT."[19]

The Supreme Court of Canada rejected the appellant's appeal because the appellant had simply failed to prove the existence of such linkage, connection or association. Doing so requires evidence; in Veuve Clicquot the evidence was insufficient to prove the necessary connection, and the Supreme Court refused to presume that a linkage existed or to place a reverse onus on the respondents.[20]

> *"Acknowledging that the VEUVE CLICQUOT trade-mark carries an aura beyond its particular products, and that the extended aura carries significant goodwill, in what way is the value of that goodwill likely to be diminished by the respondents' "use" (if use there be) of the appellant's registered trade-mark? Acceptance of the argument that depreciation could occur, is not acceptance of the assertion that on the facts of this case depreciation is likely to occur, still less that depreciation did occur. The appellant need only prove likelihood but there is nothing in the evidentiary record from which likelihood could be inferred."*[21]

It should be remembered that Section 22 does not require that a registered trademark be famous or unique, which is why proof of an association is crucial. It should also be recognized that in Veuve Clicquot, the equities did not favour the owner of the famous mark, which might have been the case, for example, if the identical trademark VEUVE CLICQUOT had been adopted by the defendant. In such a case, the Court might have been more inclined to have accepted the INTA's position, or at least held that in the case of a mark that is both famous and unique, a connection should be presumed where the identical mark is adopted in the absence of proof the contrary.

It is perhaps unnecessary to add that in many cases, where the plaintiff's registered mark is famous or well-known and unique or virtually unique, and the respective trademarks are the same or substantially the same, the plaintiff will often be in a good position to prove likelihood of confusion and therefore succeed in proving trademark infringement. Perhaps this explains why there has been a tendency to think of Section 22 as primarily dealing with tarnishment, because in the case of tarnishment, proving a likelihood of confusion often is more problematic than is the case with blurring. That said, there will no doubt be cases where the gap in the respective goods or services is such that proving a likelihood of confusion is problematic, and in such a case, where the other Section 22 criteria required by the Supreme Court of Canada have been met, the plaintiff should be entitled to succeed under Section 22 in a case of either blurring or tarnishment.[22]

Depreciation of goodwill

Following *Veuve Clicquot, in Remo Imports Ltd. v. Jaguar Canada Ltd.*[23] the Federal Court Trial Division allowed a claim by Jaguar Cars against Remo Imports under Section 22 on the ground that use of the mark JAGUAR by Remo in association with luggage would be likely to depreciate the value of the goodwill attaching to the registered trademark JAGUAR for automobiles. This holding was overturned by the Federal Court of Appeal.[24]

In its decision, the Federal Court of Appeal cited the stringent test for dilution as set out in *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*[25]. While section 22 does not require evidence of confusion, there must be a link, connection or mental association in the consumers' minds between the two marks. This linkage cannot be assumed. In order to be successful, Jaguar had to have established such a mental association in consumers' minds between Remo's display of the JAGUAR mark on its luggage, and the famous JAGUAR marks for automobiles. The Federal Court of Appeal found that the trial judge's theoretical review of the law of depreciation was too broad and unspecific. Ultimately, it was held that Jaguar Cars had not met their burden of proving such a link and therefore did not succeed in establishing depreciation of the value of the goodwill associated with their marks.

In *BMW Canada Inc. v. Nissan Canada Inc.*,[26] BMW claimed that there was a likelihood of depreciation of goodwill attaching to its registered trademarks M3, M5 and M & design by Nissan's use of the trademarks M35 and M45. In dismissing the Section 22 claim, the Court found that there was no evidence of any measurable loss of goodwill in BMW's registered marks and therefore the Section 22 claim was dismissed.[27]

It is still early days in Canada in relation to the law of dilution, but as the foregoing

remarks indicate, at last we have a clear framework upon which future dilution cases can be based, irrespective whether the dilution involves blurring or tarnishment. As the cases to date amply demonstrate, rhetoric is no substitute for evidence.

Notes

1. R.S.C. 1985, c. T-13.
2. S,C. 1932 c. 38.
3. 2nd edition (Toronto: Carswell, 1956).
4. p. 508.
5. 2006 SCC 23, 1 S.C.R. 824, 9 C.P.R. (4th) 401 (Veuve Clicquot).
6. Clairol International Corp and Clairol Inc of Canada v. Thomas Supply & Equipment Ltd, (1968) 2 Ex. C.R. 552, 55 C.P.R. 176. See also: Interlego AG v. Irwin Toy Ltd (1985), 3 C.P.R. (3d) 476, 4 C.I.P.R. 1 (F.C.T.D; Eye Masters Ltd. v. Ross King Holdings Ltd. c.o.b. as Shopper's Optical (1992), 44 C.P.R. (3d) 459, 56 F.T.R. 274 (F.C.T.D.); Visa International Service Association v. Auto Visa Inc., (1991) R.J.Q. 2197, 41 C.P.R. (3d) 77 (Que. S.C.); Source Perrier (Société Anonyme) v. Fira-Less Marketing Co. Ltd., (1983) 2 F.C. 18, 70 C.P.R. (2d) 61 (F.C.T.D.)
7. "Depreciation of that value (of goodwill) ... occurs whether it arises through reduction of the esteem in which the mark itself is held or through the direct persuasion and enticing of customers who could otherwise be expected to buy goods bearing the trademark." Clairol, ibid. at 573.
8. Interlego AG, supra note 6 at 486-89; Visa International, supra note 6 at 90.
9. Perrier, supra note 6.
10. Ibid. at 65-66. But see, Cie Générale des Établissements Michelin v. C.A.W.-Canada (1997), 71 C.P.R. (3d) 348, 124 F.T.R. 192 (F.C.T.D.) where the Court appears to have required the use of the plaintiff's mark as registered as a basis for relief under Section 22.
11. (2001) 4 F.C. 113, 13 C.P.R. (4th) 83 (F.C.T.D.).
12. Perrier and Cie Général des Établissements Michelin v. C.A.W.-Canada, supra notes 6 and 10.
13. (Supra note 5 at para 58).
14. Supra note 2 at para. 38.
15. Supra note 5 (INTA amicus brief at para 58).
16. Use of a trademark in Canada has a particular meaning, set-out in Section 4 of the Trade-marks Act. Use in association with wares occurs if, at the time of transfer of the wares, the consumer is given notice of the trademark's association with the wares, for example by marking the wares or the packaging of the wares. Use in association with services occurs if the trademark is displayed in the performance or advertising of the services.
17. A similar exception for comparative advertising is also seen in the United States' Trademark Dilution Revision Act (U.S., Bill H.R. 683) which was signed into law on October 6, 2006.
18. Section 22 requires the existence of significant goodwill capable of being depreciated by a non-confusing use. In contrast, in the United States the dilution remedy requires that the mark be famous, a concept that generally requires proof that the fame (and goodwill) of the mark transcends the wares or services with which the mark is usually associated. See Supra note 5 at para. 53.
19. Ibid. at para. 56.
20. Ibid. at paras. 57-59.
21. Ibid. at para. 67 (emphasis in original).
22. The Supreme Court of Canada seemed to open the door to this idea in Veuve Clicquot, supra note 2 at para. 67 when it noted: "Our Act is differently worded (than the U.S. Anti Dilution Act) and I do not suggest that the concept of 'depreciation' in s. 22 is necessarily limited to the notions of blurring and tarnishment. Canadian courts have not yet had an opportunity to explore its limits."
23. (2006) FC 21 (F.C.).
24. (2007) FCA 258 (F.C.A.).
25. (2006) 1 S.C.R. 824.
26. (2007) FC 262, 57 C.P.R. (4th) 81 (F.C.).
27. Ibid.

Dilution in the European Union

is CAMEL the last straw?

AUTHORS

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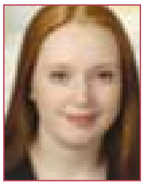


By **Verena von Bomhard** and **Imogen Fowler** of Lovells

The decision of the Court of First Instance of 30 January 2008 in Case T-128/06 *Japan Tobacco, Inc. v. Office for Harmonisation in the Internal Market ("OHIM") (CAMEL/CAMELO)* is the latest in a string of decisions which can be seen as showing an increasingly restrictive approach to the application of dilution provisions in the European Union, at least in the context of opposition and cancellation actions against Community Trademarks ("CTMs").

So, is this decision the straw that broke the camel's back? We think not. This article gives a brief overview of dilution in the European Union ("EU"), focusing, in particular from the CTM perspective, on how, practically speaking, the savvy EU trademark practitioner can meet the high thresholds set by the Courts in recent decisions in order to best protect their clients' reputed trademarks. Finally, we discuss the important issue of where a reputation must exist in the context of a CTM, which is yet to be clarified under EU law.

What does dilution mean in the EU?

"Dilution" is generally used to refer to dilution, tarnishment and misappropriation – i.e. taking unfair advantage of the reputation of another's brand.

With respect to infringement proceedings, the legal text can be found in Article 9(1)(c) Community Trade Mark Regulation ("CTMR").[1] The CTMR also provides for dilution as a ground for opposition or cancellation.[2] For EU member states, granting protection for dilution in infringement proceedings and as a ground for opposition or cancellation is optional.[3] Although most have implemented dilution provisions, in practice the approach taken varies greatly.

The law provides that there are three cumulative conditions required to establish dilution, namely that:

- The marks at issue are identical or similar;
- The earlier mark has a reputation; and
- There is a risk that the use without due cause of the trademark applied for would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier trademark.[4]

The last of these conditions, can, in turn, be analysed by reference to three alternative types of risk (any one of which suffices), namely:

- The risk of detriment to the distinctive character of the earlier mark – being dilution in the narrow and traditional sense. The essence of this risk was described by (former) Advocate General Jacobs in his judicial "textbook"[5] on dilution as the blurring of the distinctiveness of the mark, such that it can no longer arouse immediate association with the goods for which it is registered and used; the risk of detriment to the repute of the earlier mark – described by Jacobs as the risk of degradation or tarnishment, whereby the goods for which the mark applied for is used appeal to the public's senses in such a way that the earlier mark's power of attraction is affected; or
- The risk that the mark applied for would take unfair advantage of the distinctive character or repute of the earlier mark – described by Jacobs as free riding on the coattails of a reputed mark.[6]

We now turn to examine how these requirements have been applied in recent decisions and how they can be proven in the future.

Proving that the marks are identical or similar

In *adidas v. Fitnessworld*[7], the ECJ found that where a sign is capable of creating in the consumer's mind a connection or "link" with the earlier mark, the requirement of similarity of signs will be met. The existence of such a link must be appreciated globally, taking into account all relevant factors.[8]

There has been very limited case law to date on the interpretation of what can establish a link between signs. While it is clear that use of a mark which is confusingly similar to a reputed mark will result in consumers establishing such a link, the wording of the ECJ's decision in *adidas v. Fitnessworld* also covers situations where the consumer will not actually confuse the marks, but will simply be reminded of the earlier sign when perceiving the later mark.

> "Direct evidence of consumer perception is one of the most powerful and convincing methods of proving reputation"

Bearing this in mind, there remains scope for practitioners to continue to push boundaries in terms of arguing the existence of a link between signs – for example, one could argue that conceptual similarity depending entirely on translation of a sufficiently reputed mark ought to suffice.[9]

Proving that a mark has a reputation

The ECJ has established in the Chevy decision that a trademark has a reputation when it is known by a significant part of the relevant public in a substantial part of the territory concerned.[10] All the relevant facts of the case must be taken into consideration, in particular the market share held by the trademark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.[11]

In proceedings before OHIM, generally speaking, the more pertinent evidence, the better. However, practitioners must be careful to ensure that evidence of reputation refers to facts which pre-date the filing date of the opposed application.[12]

On the required evidence, direct evidence of consumer perception is one of the most powerful and convincing methods of proving reputation. This can take the form of either consumer declarations (or, as the case may be, trade declarations)[13] or robust and properly conducted consumer surveys,[14] for which no specific percentage is required. In relation to the latter, OHIM tends to prefer large "omnibus" surveys to more targeted sample surveys.

The CFI has endorsed OHIM's findings that showing only that a mark had been advertised to the public is insufficient for establishing a reputation.[15] Turnover numbers or sales units are useful, but should be set in relation to the overall market in question.[16]

Market shares are also informative, although trademark owners may not have reliable figures and are often reluctant to reveal them for confidentiality reasons.[17] Moreover, they must be carefully explained. For example, in the case of high-end luxury items such as perfumes, a comparatively low market share (in the region of one to five percent) may more than adequately reflect the reputation of a truly well-known mark, known to the relevant (albeit small) group of consumers.

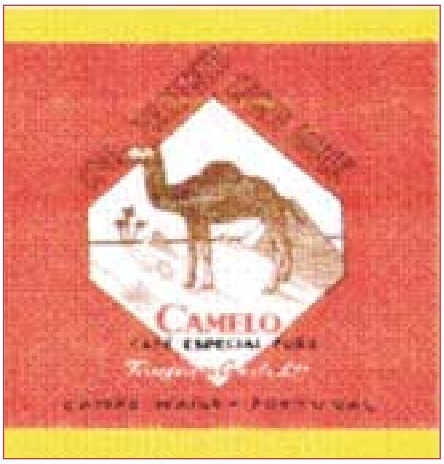
Finally, OHIM is generally not inclined to take into account any "obvious" or commonly known facts. While very occasionally, Boards of Appeal have accepted that certain brands simply were household names and that proving their reputation could required less meticulous, or less complete evidence (ASPIRIN v. ASPIR-WILLOW),[18] in general parties to proceedings before OHIM must assume that even the fame of RED BULL, MICROSOFT or LEGO has to be substantiated.

Proving dilution, tarnishment or free-riding

In *CAMEL*[19] the CFI applied an unusually strict standard of proof to the risk of dilution, tarnishment or free-riding on a trademark with a reputation. This can be seen as a deviation from other recent case law.[20]

The earlier marks comprised a CAMEL word mark and various figurative marks incorporating the word CAMEL and a camel device, such as the one shown below, for tobacco and related products in class 34:

The CTM application, covering ground coffee in class 30, appeared as follows:



The CFI referred to settled case law, according to which the proprietor of an earlier mark is not required to demonstrate actual and present harm to its mark, but must adduce *prima facie* evidence of a future risk, which is not hypothetical, of unfair advantage or detriment.[21] The CFI considered that the proprietor had not met that standard, as it had merely pointed out the direct link that the public would establish on the basis of the very similar figurative element in the marks at issue.

The Court focused on the fact that the distinctive element of the earlier mark consisted mainly of the word element "camel" and found (despite an apparent lack of evidence on the issue) that the camel device against the background of an Egyptian desert with pyramids and palm trees was commonplace and often used to designate products of oriental origin. As the similarity between the marks was found to be mainly due to the figurative element, which had a weak distinctive character, there was no risk of dilution.[22]

The risk of tarnishment also was not proven; the Court held that the consumption of tobacco and coffee were not so irreconcilable that the reputation of the earlier mark could be tarnished. Indeed, case law to date suggests that it will be extremely difficult to win a case based on tarnishment, which usually stems from the nature of the goods.[23] A hypothetical damage to reputation deriving from the fact that a trademark owner is unable to exert quality control over the opposed mark has been consistently rejected by OHIM.

"Sadly, in such cases, trademark owners may be wise to seriously consider returning to the "old days" of filing defensive applications and relying on likelihood of confusion rather than dilution"

Moreover, the CFI held that the risk of free-riding was not proven, as there was no evidence of a connection of the mark applied for with the positive characteristics of the earlier mark, which could give reason to an evident exploitation or parasitical appropriation on the part of the mark applied for.[24] The Court found that the characteristics typically associated with a reputed brand of cigarettes could not be regarded as suited, on their own, to give roast coffee an advantage, even if these products were occasionally consumed together and were thus to a certain degree associated with sociability and relaxation. This view seems somewhat far-fetched, as consumers would usually make an image transfer between goods that have the same purpose or represent the same concept.

Following *CAMEL*, and the tendency towards a higher standard for *prima facie* evidence, practitioners should be particularly careful to put forward facts in proceedings which establish, as clearly as possible, that detriment, tarnishment or free-riding will occur as a typical consequence of the use of the opposed mark – merely pointing to the similarity of the signs and the fame of the earlier mark will not suffice. Although it is generally accepted that the stronger the earlier mark's distinctive character and reputation, the easier it will be to accept that detriment has been caused to it.[25]

In particular, where the owner of a reputed mark has used its mark outside its traditional sphere of goods and services for promotional purposes – e.g. on clothing, in the context of free giveaways or at sponsored sporting, cultural or musical events – this may provide sufficient evidence of a risk of dilution, if the goods or services of the later mark are somehow linked to such goods and services.[26]

While in some cases, such as *NASDAQ*,[27] the owner of a later mark will supply the proprietor of a reputed mark with "ready-made" suitable facts regarding the launch of their products to support an argument of dilution, in other cases the proprietor will have no such additional ammunition and will be forced to rely on establishing the "pulling power" of the mark *per se*.

Following the decisions of the CFI in *VIPS*, *SPA-FINDERS* and *CAMEL*, this is likely to be very difficult in circumstances where the goods and services are entirely dissimilar or the earlier mark contains or is dominated by a commonplace element (or the OHIM or the Court so considers). Sadly, in such cases, trademark owners may be wise to seriously consider returning to the "old days" of filing defensive applications and relying on likelihood of confusion rather than dilution.

Where must a reputation exist?

In the context of Community trademarks, one of the most important legal issues yet to be decided is *where* a CTM must have reputation, and in particular whether

reputation in one member state is sufficient. In the context of infringement proceedings, one could also ask whether a reputation can be harmed in a place where it doesn't exist. A recent referral to the ECJ seeks clarification on precisely these issues.[28]

OHIM's consistent practice is that a CTM has a reputation in the EU if it has a reputation in one member state – given that a CTM is a unitary right,[29] one does not discriminate. This is consistent with the ECJ's approach in Chevy, which concerned trademarks protected in the Benelux.[30]

Although the CFI and ECJ are yet to rule on this issue, the analogy drawn by the ECJ to the Chevy decision in its recent preliminary ruling in Case C-328/06 *Alfredo Nieto Nuño v. Leonci Monlleó Franquet* suggests that OHIM's approach is correct.[31] In that case, following a referral from the Commercial Court of Barcelona in a dispute over the term FINCAS TARRAGONA (meaning TARRAGONA PROPERTIES), the ECJ held, in the context of well-known marks under Article 6 bis of the Paris Convention, that a trademark shall not be registered if it is identical with an earlier mark which is well known "throughout the territory of the Member State of registration or in a substantial part of it".[32] The ECJ left it open to national courts to decide what constitutes a "substantial part" of a member state (while Tarragona, a city of around 350,000, might not meet the criteria, larger metropolitan areas may).

While this issue is not a difficult one in the context of an opposition against a CTM application (a CTM being a unitary right, if a ground for refusal exists in one country, the CTM as a whole must be refused), it is more complex in national opposition cases and, in particular, in infringement matters.[33] For example, if the

"The question is where to draw the line between the principle of the unitary right on the one hand and the interests of competitors and later good faith traders on the other"

reputation of a mark is impossible to perceive in a market relevant to a particular trader, is it then "fair" to tell that trader that his or her use in that specific territory infringes an earlier mark because it damages a reputation that does not exist in that territory? And how is such a trader to find out about this reputation in the first place in order to avoid infringement? By searching in all 45 classes and always making sure that any other possibly relevant earlier mark is not reputed in some remote corner of the EU?

The question is where to draw the line between the principle of the unitary right on the one hand and the interests of competitors and later good faith traders on the other. One could suggest that, at least in an infringement scenario, the court could assess all circumstances of a case, and come to the conclusion that the earlier CTM is not infringed in certain territories, while it is in others.[34]

The next question is who has to submit and prove what during a trial? One could argue that the plaintiff at least has to submit facts and evidence that could *prima facie* support an EU wide reputation, in which case it would be for the defendant to argue and possibly prove that the reputation does not exist with respect to the countries where the injunction is sought, or – if a pan-European injunction is sought – in some of the countries in question.[35]

This issue remains ripe for further clarification. The decision of the ECJ in the *Pago* referral is awaited with great interest, as the first definitive guidance on this matter.

Notes

1. Council Regulation (EC) 40/94 of 20 December 1993 on the Community Trademark.
2. Article 8(5) CTMR.
3. Articles 4(4)(a) and 5(2) First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trademarks ("Harmonisation Directive" or "Directive").
4. Article 8(5) CTMR and Article 4(4)(a) Directive. Following the decisions of the European Court of Justice ("ECJ") of 9 January 2003, Case C-292/00, *Davidoff & Cie SA* and *Zino Davidoff SA v Gofkid Ltd* [2003] ECR I-389 (Davidoff / Durffee) and 23 October 2003, Case C-408/01, *adidas-Salomon AG and adidas Benelux BV v. Fitnessworld Trading Ltd* [2003] ECR I-12537, it is now settled law that the dilution provision applies to both dissimilar and similar goods and services.
5. Namely his Opinion of 10 July 2003 in Case C-408/01, *adidas-Salomon AG and adidas Benelux BV v. Fitnessworld Trading Ltd* (ECR I-12540), in particular paragraphs 36 to 39.
6. See also Decision of the Court of First Instance ("CFI") of 22 March 2007 in Case T-215/03 *Sigla SA v. OHIM (VIPS / VIPS)*, paragraph 36.
7. Case C-408/01, *adidas-Salomon AG and adidas Benelux BV v. Fitnessworld Trading Ltd*, op. cit., paragraphs 29-30.
8. Ibid. See also the decision of the CFI in *Sigla SA v. OHIM (VIPS / VIPS)*, op. cit., paragraph 47.

9. See comments of the CFI in Case T 33/03 *Osotspa v OHIM – Distribution & Marketing (Hai/Shark)* [2005] ECR II 763, paragraph 56.
10. Case C-375/97 *General Motors Corporation v. Yplon SA (Chevy)* [1999] ECR I-5421, paragraphs 26 and 28.
11. Ibid, paragraph 27.
12. This was one of the key reasons for rejecting evidence given by the Board of Appeal and later upheld on appeal by the CFI in its decision of 13 December 2004, Case T-08/03, *El Corte Inglés v OHIM (EMIDIO TUCCI / EMILIO PUCCI)*, paragraphs 70 to 72.
13. However, practitioners should take extra special care that such declarations do not have the appearance of being "inspired" by counsel, as a result of similar text structure or content – see decision of the Fourth Board of Appeal of 19 December 2007 in Case R 767/2006-4 (PROVEN PERFORMANCE), paragraph 17.
14. In this respect, a useful best practice guide is provided by Niedermann A 2006 in 'Surveys as Evidence in Proceedings before OHIM', IIC 3/2006, Volume 37, pp 260-276.
15. Case T-08/03, *El Corte Inglés v OHIM (EMIDIO TUCCI / EMILIO PUCCI)*, op. cit., paragraph 75.
16. Advocate General Sharpston has expressed scepticism about reliance on "general, abstract data" in her Opinion of 13 March 2008 in Case C 488/06 *P, L & D v OHIM and Sämann* (Fir tree) (unreported), paragraphs 81 to 87.
17. Although practitioners can request that OHIM keep market share data and other confidential information confidential, and that such information not become available for inspection at OHIM's online facilities, a restriction to counsel only viewing cannot be requested and the other party will invariably get access to the information provided.
18. Decision of the First Board of Appeal of 4 February 2002 in Case R 7/2001-1 [ASPIRIN v. ASPIR-WILLOW].
19. CFI decision of 30 January 2008 in Case T-128/06 *Japan Tobacco, Inc. v. OHIM (CAMEL/CAMELO)*. It remains to be seen if this decision will be appealed to the ECJ.
20. See, for example, CFI decision of 6 February 2007 in Case T-477/04, *Aktieselskabet af 21. November 2001 v OHIM*, (TDK / TDK); CFI decision of 10 May 2007 in Case T-47/06, *Antartica Srl v The Nasdaq Stock Market Inc. (NASDAQ)*; and CFI decision of 16 May 2007 in Case T-137/05, *Gruppo La Perla SpA v Worldgem Brands – Gestão e Investimentos Lda (LA PERLA / NIMEI LA PERLA MODERN CLASSIC)*.
21. *Sigla SA v. OHIM (VIPS / VIPS)*, op. cit., paragraph 46.
22. See also *Sigla SA v. OHIM (VIPS / VIPS)*, op. cit., paragraph 38, in which the CFI stated that the risk of dilution would be lower if the earlier mark consists of a term which, because of a meaning inherent in it, is very common and frequently used; and CFI decision of 25 May 2005 in Case T-67/04 *Spa Monopole v Office for Harmonisation in the Internal Market ("OHIM") – Spa-Finders Travel Arrangements (SPA-FINDERS)* [2005] ECR II-1825, paragraph 44.
23. See decision of the Third Board of Appeal of 25 April 2001 In Case R 283/1999-3 [HOLLYWOOD / HOLLYWOOD]. The opponent's mark had a reputation for chewing gum in France, and carried a message of freshness. The applicant's mark related to smokers' articles. The Board held that, by the very nature of these products, use of the same brand in the same territory for the latter would likely have a negative impact on, or damage, the repute of the earlier mark.
24. This reasoning was drawn from *Sigla SA v. OHIM (VIPS / VIPS)*, op. cit., paragraphs 71 et. seq.
25. TDK, op cit., paragraph 65.
26. See CFI decision of 6 February 2007 in Case T-477/04, *Aktieselskabet af 21. November 2001 v OHIM, (TDK / TDK)*, in which the Court confirmed that the sponsorship activities of the owner of the reputed mark, particularly in the sporting field, were sufficient to establish a risk of tarnishment in so far as the later mark was applied to sports clothing.
27. CFI decision of 10 May 2007 in Case T-47/06, *Antartica Srl v The Nasdaq Stock Market Inc. (NASDAQ)*, in which the minutes of the applicant's ordinary general meeting of shareholders revealed that the applicant was aware of, and specifically considered, the earlier reputed mark when considering the name for its products.
28. Reference for a preliminary ruling from the Oberster Gerichtshof (Austria) lodged on 26 June 2007 – *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH* (Case C-301/07). The Supreme Court of Austria has asked whether a CTM is protected in the whole of the EU as a trademark with a reputation if it has a reputation in only one member state.
29. As stated in Article 1(2) CTMR and discussed in the Preamble thereto.
30. Case C-375/97 *General Motors Corporation v Commission (Chevy)*, op. cit., paragraphs 26 and 28.
31. Preliminary ruling of the ECJ of 22 November 2007 in Case C-328/06 *Alfredo Nieto Nuño v. Leonci Monlleó Franquet (FINCAS TARRAGONA / FINCAS TARRAGONA)*.
32. *Alfredo Nieto Nuño*, op. cit., paragraph 20.
33. Indeed, national Courts take very differing approaches in this regard. Some decisions (in particular of the Austrian and French Courts) suggest that reputation must exist in more than one country or "sizable" part of the EU, while others (in particular the UK, German and Spanish Courts) have accepted that reputation in one country is sufficient.
34. These same questions can arise in the context of likelihood of confusion: if a mark is similar only when pronounced in a certain language, if certain connotations are only understood against a particular cultural background, or if a likelihood of confusion only exists because of the reputation of the earlier mark and the resulting enhanced distinctiveness, again the question may be asked whether the CTM should enjoy the same protection throughout the EU.
35. This approach has recently been favoured by the German Supreme Court in obiter dicta – see *BGH, Urt. v. 13. 9. 2007 – I ZR 33/05*, MarkenR 2008, p. 21 et seq.

Trademark dilution in Latin America

The doctrine of trademark dilution is one of the most frequently discussed topics in trademark law today. However, the doctrine is little understood and infrequently applied in Latin American jurisdictions

By **Mike Margain** and **Manuel Morante** of Arochi Marroquin & Linder *with assistance from friends and colleges in Latin America*

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- **Dilution is an evolving concept in Latin America**
- **Latin American trademark law doctrine has studied mainly dilution by blurring**
- **Dilution provisions in Mexico have been influenced by the U.S. Federal Dilution Act**
- **There is a growing recognition of the importance of protecting famous or well-known marks even when confusion or association is unlikely to occur.**

For McCarthy *"the law of several other nations contains doctrines somewhat similar to the U.S. version of antidilution law, but in those nations the case law precedent remains relatively undeveloped and unexplored compared to that of the U.S."*[1]

A number of judicial decisions in Latin America have recognised that famous and well known marks are entitled to enhanced protection. However, these decisions generally focus on the "risk of association" between the marks at issue. The "risk of association" doctrine recognises that the use of similar marks may result in "association," even when the parties' goods are different and there is little likelihood of confusion as to source. The risk of association is greater when the plaintiff's mark is famous.

The dilution doctrine also provides enhanced protection to famous marks. However, the point of the doctrine is not to protect consumers, but to protect the distinctive nature of the plaintiff's mark – and the investment of trademark owner in advertising and promotion of the mark. As Frank Schechter stated in 1927, even non-confusing use of a distinctive mark may result in *"the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark"*.[2]

There are two types of dilution, which are quite different from each other and fit uneasily under the same label of "dilution": dilution by blurring and dilution by tarnishment.[3]

McCarthy explains that *"dilution theory states that dilution by blurring is the classic, or "traditional", injurious impact on a famous trademark as envisioned by its original proponents. The theory says that if consumers or prospective consumers see the plaintiff's famous mark used by other persons to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be "diluted" or weakened. This diminution of strength of the famous mark could occur even though no confusion as to source, sponsorship, affiliation or connection has occurred."*[4]

On dilution by blurring McCarthy insists that this theory *"is not designed to apply where the goods and services of the parties are competitive or related in the sense that there is a likelihood of sponsorship, affiliation or connection. Dilution by blurring is a state of mind of the ordinary consumer separate and distinct from the perception which occurs when the consumer is likely to be confused as to source or affiliation. Dilution is a name for a kind of erosion of the strength of a mark that could occur in the absence of consumer confusion."*[5]

On the other hand, for McCarthy *"dilution by tarnishment might occur where the effect of the defendant's unauthorized use is to by tarnishing or degrading positive associations of the mark and thus, to harm the reputation of the mark. The dilution theory has had some success when defendant has used plaintiff's mark as a mark for clearly unwholesome or degrading goods or services. However, such cases consistently run up against the defense of free speech. "Tarnishment" in McCarthy's opinion denotes a kind on injury to the famous mark, not a kind of separate commercial tort."*[6]

Latin American trademark law doctrine has studied mainly dilution by blurring. For instance, for Jorge Otamendi dilution is not related with likelihood of confusion, and that dilution, if allowed would break the association between the mark and the product, the "magic evocation" that associates them would be lost.[7] Otamendi recognises that the well-known mark distinctive power and the unity of mark and product are the main features that have to be defended against dilution. Mario Daniel Lamas considers that trademark dilution must not be related with direct or indirect trademark confusion, because, dilution affects mainly the consumers' belief of product source. He adds that dilution cannot be confused also with unfair concurrence, because it does not trick or fool the consumers. Finally, Lamas admits that the well-known mark distinctiveness is the protected element against dilution.[8]

Trademark dilution in Mexican Law

Well known marks have long received enhanced protection in Mexico, pursuant to Article 6bis of the Paris Convention and domestic law. The decisions published by the courts have – as in other Latin American countries – focused primarily on the likelihood of confusion or association.

In 2005, Congress amended the Industrial Property Law in order to strengthen the protection afforded to well known marks. These amendments recognise a new category of "famous" marks, which are entitled to even greater protection than well known marks. In addition, the amendments authorise the Mexican Institute of Industrial Property (IMPI) to issue declarations of fame and notoriety. Among other things, these declarations allow IMPI to consider the fame or notoriety of prior marks during the *ex parte* examination process. In other words, a mark previously declared to be well known or famous may be cited against a subsequent application to register a similar mark for unrelated goods.

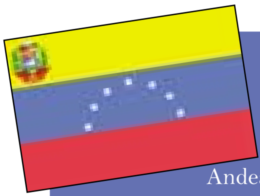
In addition, the 2005 amendments expressly recognise that well known marks (and by implication, famous marks) are entitled to protection against dilution by blurring, and dilution by tarnishment. So, no three-dimensional names, figures or shapes identical or similar to a mark that the Institute considers or has declared well known in Mexico, to be applied to any product or service may be registered as marks. This impediment shall apply in any case where the use of the mark for which registration is sought: is liable to create confusion or a risk of association with the owner of the well-known mark; or is liable to constit an appropriation not authorised by the owner of the well-known mark; or is liable to discredit the well-known mark; or is liable to dilute the distinctive character of the well-known mark.[8]

The language of the statute appears to have been influenced by that of the Federal Trademark Dilution Act in the United States. It remains to be seen how these provisions are interpreted by the courts.

Notes

1. McCARTHY, J. Thomas: McCarthy on Trademarks and Unfair Competition; Volume 4; 4th edition; Thomson West, MN, 2006; Chapter 24; pages 165-166.
2. SCHECHTER, Roger E. and THOMAS, John R.: Intellectual Property. The Law of Copyrights, Patents and Trademarks; Thomson West, St. Paul, MN, 2003; pg. 695.
3. Cf. ibidem, page 166.
4. Ibidem; page 171.
5. Ibidem; page 172.
6. Ibidem, page 173.
7. Cf. OTAMENDI, Jorge: Derecho de marcas; 6th edition; Lexis Nexis, Buenos Aires, 2006, pages 376-377.
8. Cf. LAMAS, Mario Daniel: Derecho de marcas en el Uruguay; Barbat & Cikato, Montevideo, 1999; page 196.
9. Cf. Industrial Property Law; Article 90.XV.
10. Article 9.6.

Trademark Dilution in other Latin American Countries



Andean Community and Venezuela

The notion of dilution is recognized in Decision 486 on the Intellectual Property Common Regime of the Andean Community of Nations, which encompasses Bolivia, Colombia and Ecuador. Venezuela recently withdrew from the Andean Community. Nonetheless, Decision 486 still functions as the domestic trademark law of Venezuela.

The Decision states that signs may not be registered as marks whose use in trade would unduly harm a third-party right, especially where they constitute a reproduction, imitation, translation, transliteration or transcription of all or part of a well-known distinctive sign the owner of which is a third party, regardless of the goods or services to which the sign is applied, where their use would be liable to create a risk of confusion or association with that third party or with his goods or services, constitute misappropriation of the prestige of the sign or dilution of its distinctive power or commercial or advertising value.

In general, unauthorised use of the well-known distinctive sign shall be constituted by the use of all or an essential part of it, or of a reproduction, imitation, translation or transliteration of it, even in relation to different establishments, activities, goods or services to which the well-known sign is applied, or its use for non-commercial purposes, where such use is liable to have any an unfair economic or commercial harm to the owner of the sign through dilution of the distinctiveness or commercial or advertising value of the sign.

The Peruvian Tribunal for Competition and Protection of Intellectual Property discussed trademark dilution in *McDonald's v. Karl W. Reusche Arámbulo* decision (Case No. 046/2004). The tribunal defined trademark dilution as the use of a sign identical or very similar to a well known mark, in connection with products or services different from those associated with the prior mark. The tribunal noted that the dilution doctrine seeks to avoid the breaking of the link, in the public mind, between the well known mark and the trademark owner's product.

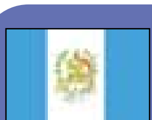
In Colombia, the State Council has issued a number of decisions involving claims of trademark dilution, most notably *Alpina Productos Alimenticios, S.A. v. Papeles Nacionales, S.A. (CE-SCA-SEC1-11001-03-24-000-2000-06278-01)*. In *Alpina*, the plaintiff used the mark FINESSE in connection with milk products, and owned registrations covering goods in Classes 5, 29, 30 and 32. The plaintiff took action against the owner of three registrations for the mark FINESS, covering goods in Class 16. The State Council recognized that FINESSE is a well known mark in Colombia, and cancelled the defendant's registrations, notwithstanding the differences between the parties' goods.

Brazil

The Brazilian Industrial Property Law does not expressly recognise the concept of dilution. Nonetheless, Article 130.III recognize the right of a trademark owner to protect the "integrity or reputation of" its mark, and this provision has been interpreted as providing protection against trademark dilution.

The lead decision on the subject of dilution is DOUBLEMINT, in which the Federal Court ordered cancellation of the mark DOUBLE SOFT. The court noted that DOUBLEMINT is a well known mark, and that use of the mark DOUBLE SOFT – the dominant element of which is the word DOUBLE – would endanger the distinctiveness of the plaintiff's mark.

"The Brazilian Industrial Property Law does not expressly recognise the concept of dilution"



Guatemala

In Guatemala, there is no express provision on trademark dilution, although the law does extend enhanced protection to well known marks. There is no case law on the issue.

Argentina

Under Argentinean law there are no specific legal provisions regarding trademark dilution. However, the courts have recognised that well known marks are entitled to protection against dilution under Article 6bis of the Paris Convention, and Article 16.3 of the TRIPS Agreement.

The lead case on this issue is *Stanton & Cia. v Companhia Cervejaria Brahma*. Stanton, a Colombian company, applied to register the mark BRAHMA for shoes. BRAHMA is a well known brand of beer in Argentina. The court upheld the refusal of Stanton's application, citing Article 6bis of the Paris Convention and Article 16.3 of the GATT-Trips Agreement, and expressly recognising the potential dilution of the distinctiveness of the prior mark. In the court's words, "The damage is caused by the blurring and loss of exclusivity of the mark if coexistence with a group of similar trademarks were allowed, as the relation trademark-product would be broken."

In 2005, in *Sutter Finanziaria SpA v Suter SA* case, the Argentinean Federal Civil and Commercial Court of Appeals confirmed the first instance decision of rejecting several applications to register trademarks under the name "SUTTER", on the basis that accepting them would imply the dilution of the well-known trademark SUTER, owned by the defendant.

The grounds used by the Federal Civil and Commercial Court of Appeals to affirm the lower court's decision are:

> *"The principle of specialty yields when a notorious mark is involved, even in cases where the goods are not related, in order to avoid the illegitimate benefit from someone else's prestige, to prevent the likelihood of eventual confusion on the origin of the goods, and to protect these valuable trademarks of the decline of their distinctiveness through blurring or dilution and of the breaking of the association of a given trademark to a product."*

The Court added that protecting the value of a trademark of goods or services which, due to the big effort, expenses, quality and prestigious, reached a level of notoriety which means a special distinctive power and, at the same time, a direct relationship between trademark and good, and that the weakening or blurring is one of the most important damages which a notorious mark may experiment, as it affects its distinctive power and the relation trademark-good.

"Under Argentinean law there are no specific legal provisions regarding trademark dilution. However, the courts have recognised that well known marks are entitled to protection against dilution under Article 6bis of the Paris Convention, and Article 16.3 of the TRIPS Agreement"

Chile

Under the 2005 Chilean Industrial Property Law, dilution by blurring is recognised. The Law bars registration of any identical or similar sign to a famous or well-known mark in Chile, for non-competition goods. The Law provides that there has to be a risk of injury for the owner of the famous or well-known mark. Although dilution is an evolving concept in Mexico and Latin America, there is a growing recognition of the importance of protecting famous or well known marks against uses or registrations of identical or similar marks – even when confusion or association is unlikely to occur. The courts have recognised that such lessen the degree to which the mark is uniquely associated in the public mind with the trademark owner's goods or services, and thereby reduce the value of the trademark owner's investment.

MERCOSUR

The notion of dilution is recognized in the Intellectual Property Norms Harmonization Protocol of Marks, Precedence Indications and Denominations of Origin[10], of MERCOSUR (Common Market of the South), which encompasses Argentina, Brazil, Paraguay and Uruguay. Venezuela recently joined MERCOSUR. Nonetheless, Decision 486 still functions as the domestic trademark law of Venezuela. The Member States of MERCOSUR will assure in their respective territories the protection of the marks of the nationals of the Members States that have achieved an exceptional degree of knowledge in any of Member States, against any reproduction or imitation, in any activity or product, when there is possibility of injury.

United States

Trademark Dilution Revision Act brings clarity to many dilution issues

AUTHOR

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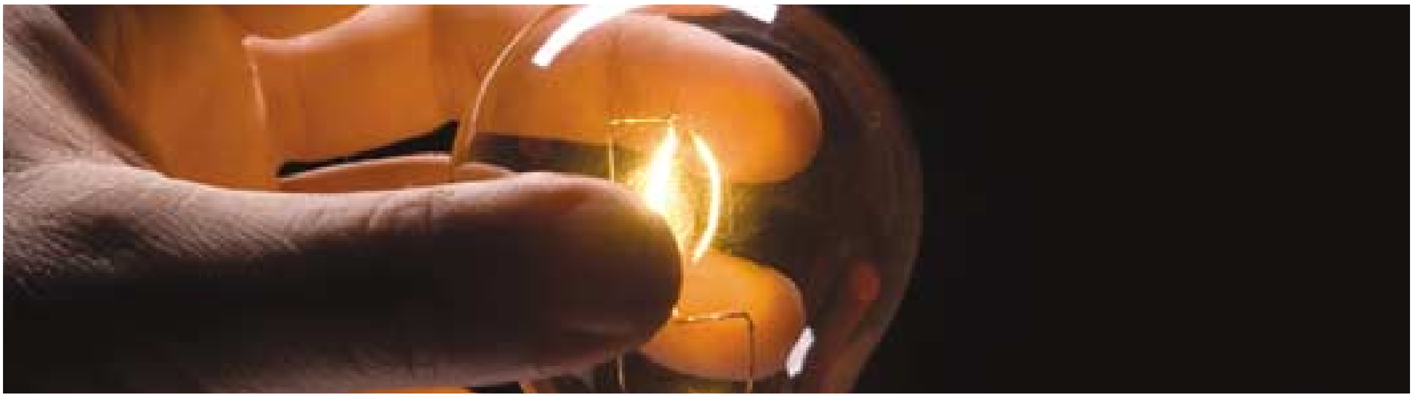
By **David S. Fleming** of Brinks Hofer Gilson & Lione

With the passage of the Trademark Dilution Revision Act ("TDRA") in 2006, Congress brought much needed clarity to federal dilution law in the United States. Before that time, trademark owners and practitioners faced conflicts among the twelve federal appellate circuit courts over several fundamental requirements for proving dilution claims. The TDRA has resolved these conflicts and is helping to move courts toward a more uniform development of federal dilution law for protection of truly famous marks.

Confusion under the FTDA

TDRA's predecessor was the 1996 Federal Trademark Dilution Act ("FTDA"), in which Congress for the first time created a nationwide cause of action for dilution. Thanks to the FTDA, owners of marks that were famous in the United States could sue throughout the



country to stop uses that diluted their marks. They were no longer forced to rely on state dilution laws, which were not available in every state and which varied on key questions such as whether a mark needed to be famous or merely distinctive in order to be protected.

The FTDA provided that the owner of a famous mark could secure an injunction against "another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the famous mark." Monetary relief also was available in cases of willful dilution.

The FTDA provided courts with a list of factors for determining whether a mark met the threshold requirement of fame. However, the statute did not provide factors for determining whether dilution had occurred. Dilution was defined simply as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."

Several fair uses were excluded from coverage under the FTDA: comparative commercial advertising or promotion to identify competing goods or services; noncommercial uses; and all forms of news reporting and commentary.

While the FTDA in theory offered the promise of a consistent nationwide dilution remedy for famous marks, federal appellate courts interpreting the FTDA reached different conclusions in their interpretations of important elements of the act:

- With respect to fame, at least one circuit required the mark to be inherently distinctive (e.g., arbitrary, fanciful or suggestive) in order to qualify for dilution protection, while several other circuits allowed protection for marks that were originally descriptive but had acquired distinctiveness.

"While the FTDA in theory offered the promise of a consistent nationwide dilution remedy for famous marks, federal appellate courts interpreting the FTDA reached different conclusions in their interpretations of important elements of the act"

- Also on the topic of fame, some circuits required fame among the general consuming public throughout the United States, while other circuits recognised fame within specific geographic areas or product niches.
- With respect to dilution, some circuits required proof of actual dilution, while other circuits held it was sufficient to prove only a likelihood of dilution.

In 2003, the Supreme Court resolved this last issue – actual dilution v. likelihood of dilution – in *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003), holding that actual dilution was required in order to pursue an FTDA claim. The Court observed that state dilution statutes in place before the FTDA referred to a likelihood of harm, whereas Congress, when it passed the FTDA, referred to a defendant's use that "causes dilution" without using words such as "likelihood" or "likely."

The *Moseley* decision did not provide much help to lower courts or litigators in determining how to prove actual dilution by blurring. The Court commented that a plaintiff is not required to prove "the consequences of dilution, such as an actual loss of sales or profits." But the Court added that, "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actual dilution."

The *Moseley* decision also raised a question about whether the other form of dilution recognized by courts – tarnishment – is "actually embraced by the statutory text," noting that Congress omitted any reference to tarnishment in the FTDA.

Thus, while the Supreme Court resolved the actual v. likely dilution issue, it failed to clearly define what would constitute acceptable evidence of actual dilution and it called into question the viability of tarnishment claims. In addition, the Moseley decision did not reach the inherent v. acquired distinctiveness and general v. niche fame issues.

TDRA answers many dilution questions

The TDRA went a long way to answering questions left open after the *Moseley* decision. **General fame:** §43(c)(2)(A) defines a famous mark as one that is "widely recognised by the general consuming public of the United States." Thus, marks that are famous within a limited geographic area or which are famous only within a product niche do not qualify for dilution protection.

Acquired distinctiveness: §43(c)(1) confirms protection for "a famous mark that is distinctive, inherently or through acquired distinctiveness." Marks may be protected from dilution even if they were originally descriptive terms as long as they have acquired distinctiveness.

Fame factors: §43(c)(2)(A) provides a list of four non-exclusive factors for courts to consider in evaluating fame. These factors are:

- The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicised by the owner or third parties;
- The amount, volume and geographic extent of sales of goods or services offered under the mark;
- the extent of actual recognition of the mark; and
- whether the mark is registered.

Both blurring and tarnishment recognised: §43(c)(1) expressly recognises dilution by blurring and dilution by tarnishment.

Likelihood of dilution sufficient: Responding to the *Moseley* decision, Congress provided in §43(c)(1) that protection may be available where the defendant's use "is likely to cause" dilution by blurring or tarnishment.

Factors for proving dilution by blurring: In §43(c)(2)(B), the TDRA defines dilution by blurring as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." This subsection, drawing from pre-TDRA court decisions, lists six non-exclusive factors for courts to consider in determining whether dilution by blurring is likely to occur:

- The degree of similarity between the mark or trade name 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 mark or trade name intended to create an association with the famous mark; and
- Any actual association between the mark or trade name and the famous mark.

Tarnishment defined: §43(c)(2)(C) defines dilution by tarnishment as "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark."

Exclusions expanded: In §43(c)(3), the TDRA clarifies fair uses that are not actionable as dilution by blurring or dilution by tarnishment. The section excludes any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, other than as a designation of source for the person's own goods or services, including uses in connection with advertising or promotion that permits consumers to compare goods or services, or identifying and parodying, criticising, or commenting on the famous mark owner or its goods or services. In contrast, the FTDA had referred simply to comparative commercial advertising. The TDRA also excludes all forms of news reporting and commentary and noncommercial uses, as had the FTDA.

> "In contrast, the FTDA had referred simply to comparative commercial advertising. The TDRA also excludes all forms of news reporting and commentary and noncommercial uses, as had the FTDA"

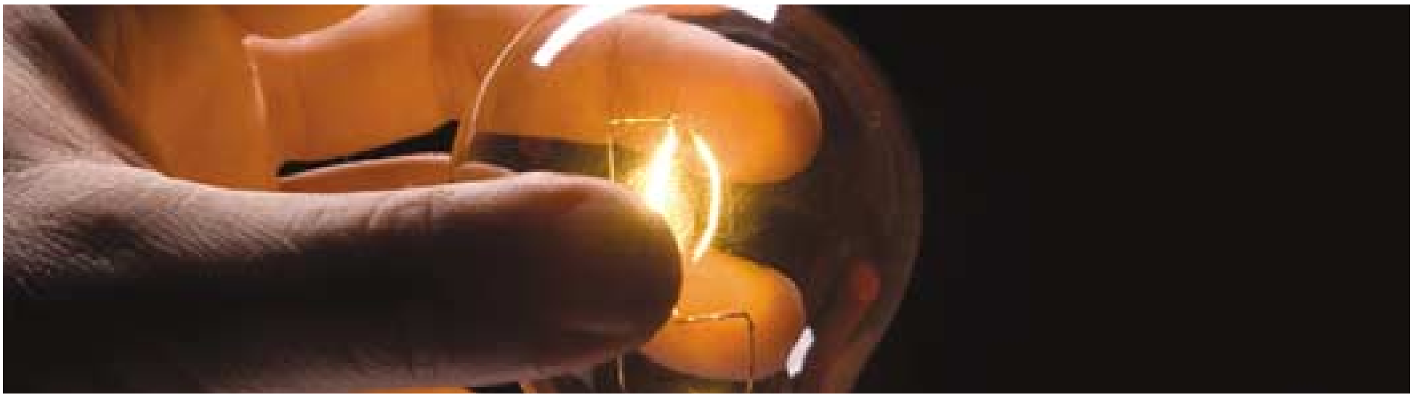
Monetary relief tied to timing of defendant's use: §43(c)(5)(A) provides that a plaintiff may recover monetary relief from a defendant if, among other things, the defendant first used the mark causing dilution by blurring or tarnishment after the date of the TDRA's enactment, which was 6 October 2006, the date that it was signed into law by President Bush.

Wilfulness required for monetary relief: As was true under the FTDA, another condition for monetary relief is that the defendant's dilution must have been willful. In the case of dilution by blurring, the plaintiff must prove that the defendant willfully intended to trade on the recognition of the famous mark, and in the case of dilution by tarnishment, that the defendant willfully intended to harm the reputation of the famous mark. §43(c)(5)(B).

Court decisions since enactment of the TDRA

A threshold issue in post-TDRA decisions has been whether to apply the TDRA or the prior FTDA. The TDRA clearly applies to lawsuits filed after its enactment in October 2006. For lawsuits that were filed prior to the TDRA's enactment, courts generally apply the TDRA if the plaintiff seeks injunctive relief, which is prospective in nature.

Three federal appellate courts have applied the TDRA. The Fourth Circuit considered the interplay of parody and dilution in Louis *Vuitton Malletier v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007). The plaintiff made and sold luxury handbags and related goods under the LOUIS VUITTON mark. The defendant sold a line of chew toys for dogs that resembled plaintiff's products and were advertised under the name CHEWY VUITON. Plaintiff sued for trademark dilution, trademark infringement and other violations. The defendant argued that its products were parodies of plaintiff's famous luxury goods and that there was no dilution



or confusion. The Fourth Circuit affirmed summary judgment in favor of the defendant.

With respect to dilution by blurring, the court observed that the issue was whether the association between defendant's CHEWY VUITON mark was likely to impair the distinctiveness of plaintiff's LOUIS VUITTON marks. The court noted that defendant could not rely on the fair use exclusion for use of a mark as a parody, because fair uses excluded under the TDRA must be other than as a designation of source; here the defendant was using the mark as the name of its product. However, the court also observed that the TDRA does not preclude a court from considering parody as part of the circumstances to be considered in determining whether the plaintiff has made a claim for dilution by blurring. After applying the TDRA's dilution by blurring factors, the court held that defendant's use was not likely to impair the distinctiveness of plaintiff's mark. For example, because plaintiff's mark is particularly strong and distinctive, it was more likely that defendant's parody would not impair the famous mark's distinctiveness. Similarly, the defendant's mark was not so similar to plaintiff's mark as to destroy the success of its parody and diminish the capacity of plaintiff's mark to identify a single source.

The Fourth Circuit also rejected plaintiff's claim for dilution by tarnishment. Plaintiff argued that the possibility a dog could choke on a CHEWY VUITON toy could harm the reputation of plaintiff's marks. However, plaintiff's argument was based on speculation, and not admissible evidence, about the possibility of dogs choking on defendant's toys.

The Ninth Circuit applied the TDRA, in *Jada Toys, Inc. v. Mattel, Inc.*, ___ F.3d ___, 2008 U.S. App. LEXIS 3627 (9th Cir. Feb.21, 2008). Mattel, the owner of the HOT WHEELS mark for toy vehicles, argued that Jada's use of HOT RIGZ for toy vehicles caused dilution by blurring. The district court granted summary judgment in favor of Jada. The Ninth Circuit reversed, finding that a reasonable trier of fact could conclude that the competing marks were nearly identical, that the HOT WHEELS mark is famous, that Jada's use began after that mark became famous, and that, based on survey and other evidence of consumer association of the marks, there was a likelihood of dilution by blurring. The Ninth Circuit earlier had applied the FTDA, 496 F.3d 974 (9th Cir. 2007), but amended its decision to apply the TDRA.

"Plaintiff argued that the possibility a dog could choke on a CHEWY VUITON toy could harm the reputation of plaintiff's marks"

The Second Circuit also has considered whether the FTDA or TDRA should be applied. In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765 (2d Cir. 2007), the Second Circuit reversed the district court's decision that the plaintiff had failed to prove that defendant's use of "Mr. Charbucks" caused actual dilution of plaintiff's "Starbucks" mark. The appeals court held that the TDRA and its likelihood of dilution standard should have been applied to the extent that Starbucks sought injunctive relief on the issue of dilution.

Several lower courts also have considered whether the TDRA or FTDA should apply to a lawsuit pending as of the TDRA's effective date. *See Dan-Foam A/S v. Brand Named Beds, LLC*, 500 F.Supp.2d 296 (S.D.N.Y. 2007) (TDRA applies to injunctive relief, FTDA applies to other remedies); *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F.Supp.2d 188 (E.D.N.Y. 2007) (FTDA applies due to claim for monetary relief); *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 500 F.Supp. 2d 276 (S.D.N.Y. 2007) (FTDA applies to monetary relief claim). *See also Tennessee Walking Horse Breeders' and Exhibitors' Ass'n v. Nat'l Walking Horse Ass'n*, 528 F.Supp. 2d 772 (M.D.Tenn. 2007) (FTDA applies; plaintiff did not argue for TDRA).

Several district courts have rejected TDRA claims because of failure to show general fame. *See, for example, Componentone, L.L.C. v. Compenentart, Inc.*, 2007 U.S. Dist. LEXIS 89772 (W.D.Pa. Dec. 6, 2007)(niche fame only); *Verilux, Inc. v. Hahn*, 2007 U.S. Dist. LEXIS 58507 (D.Conn. Aug. 10, 2007) (niche fame only); *GMA Accessories, Inc. v. Croscill, Inc.*, 2008 U.S. Dist. LEXIS 16052 (S.D.N.Y. Mar. 3, 2008) (insufficient evidence of general fame); *Board of Regents, University of Texas v. KST Electric, Ltd.*, 2008 U.S.Dist. LEXIS 8883 (W.D.Tex. Feb. 5, 2008) (consumer survey and other evidence insufficient to show general fame). Another court found sufficient fame, although the court also commented on "market fame." *Pet Silk, Inc. v. Jackson*, 481 F.Supp.2d 824 (S.D.Tex. 2007). *See also Phase Forward Inc. v. Adams*, 2008 U.S. Dist. LEXIS 8320 (N.D.Cal. Feb. 5, 2008)(court vacates earlier summary judgment, concluding that FTDA applies along with recognition of niche fame under the FTDA).

Several district courts have analyzed the TDRA's dilution factors. S*ee, for example, Autozone, Inc. v. Strick*, 466 F.Supp.2d 1034 (N.D.Ill. 2006)(summary judgment granted to defendant where plaintiff failed to show actual or likely dilution); *Century 21 Real Estate LLC v. Century Insurance Group*, 2007 U.S. Dist. LEXIS 9720 (D.Ariz. Feb. 9, 2007) (blurring claim denied due to dissimilarity in marks, lack of evidence of intent to create an association, and no survey or other evidence showing that consumers associate CENTURY with CENTURY 21); *Nissan Motor Co., Ltd. V. Nissan Computer Corp.*, 2007 U.S. Dist. LEXIS 90487 (C.D.Cal. Sep. 21, 2007) (defendant's use does not cause dilution by blurring or tarnishment of plaintiff's famous mark); *Nike, Inc. v. Nikepal Int'l, Inc.*, 2007 U.S. Dist. LEXIS 66686 (E.D.Cal. Sep. 10, 2007) (survey and other evidence proves dilution by blurring of famous mark).

The TDRA has resolved most of the major questions created by federal courts' application of the FTDA. The TDRA also has raised the bar reserving protection for only those marks with general nationwide fame, and has provided greater guidance to courts in determining whether dilution by blurring or tarnishment has occurred. Whether this guidance is effective will be determined as courts continue to apply the statute.

Back to the future

Has dilution doctrine outgrown its strength?

Jeremy Phillips, IP Consultant for Olswang, former editor of *Trademark World*, and founder of the *IPKat* weblog asks: "If dilution doctrine continues to grow in complexity, drawing criticisms from all sides that neither courts nor legislators can assuage – if the way forward is barred, why not take a u-turn?"

AUTHOR

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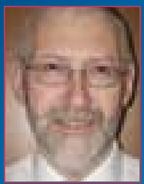


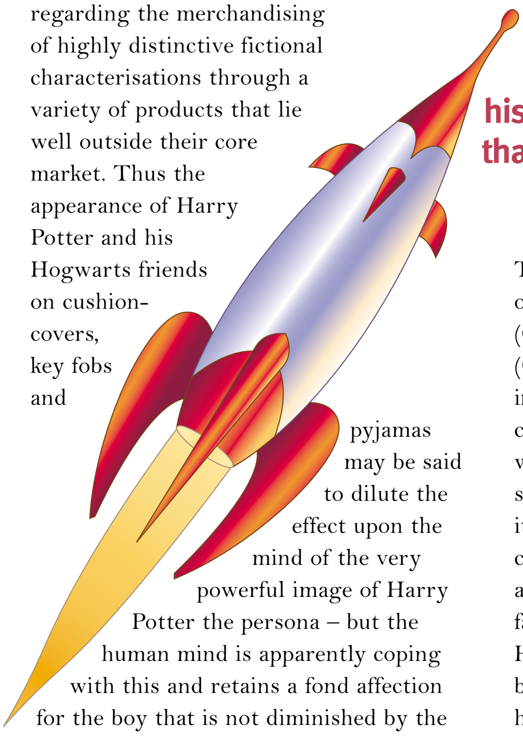
Every schoolboy knows Mark Antony's classic line: "Friends, Romans, countrymen, lend me your ears. I come to bury Caesar, not to praise him". If one might be permitted a heretical thought, perhaps the time has come to bury Schechter, that veritable Caesar of dilution, not to persist in contorting the corpse of his writings on trademark dilution into an apparition of modern legal doctrine.

Frank Schechter's *Harvard Law Review* article in 1927 has initiated an apparently endless stream of legislative and judicial propositions, a reformation and counter-reformation of trademark doctrine, and a flood of academic literature on the precise psychological mechanisms by which the consumer's intellectual capacity to grasp the significance of a trademark is reduced, the economic consequences of this diminution of intellective cogency and the strategic issues facing both those who create new brands and those who may in some way elect to encroach upon them. Over 80 years later, we inhabit a living laboratory in which our responses to trademark dilution, both rational and Pavlovian, are made the guinea pigs upon which further legislative and judicial experiments are practised. But are we any the better for it?

Every day dilution

On one level we practise dilution in our own private capacities and do not find it unfair or oppressive. The prominence of celebrities such as Kylie Minogue and Britney Spears has launched a veritable armada of children into the world as Kylies and Britneys. In one sense the choice, by the common herd of mankind, of a name formerly used by a single celebrity might be seen to dilute it. Where previously there was but one Kylie and she occupied centre-stage, there are now Kylies to be found in every supermarket, on every beach, in every disco – but there is still only one Kylie who is "the" Kylie: this shows that the loss of uniqueness of a name is not necessarily to be equated with a dilution of its distinctiveness.

On another level we as consumers have learned to tolerate and indeed expect dilution of a brand's reputation or distinctive force, because many of the world's most successful brand owners have taught us to do so. This occurs where a leading brand is the subject of what we term "brand extension" or "leveraging". The spread of a much-admired mark from fashionable apparel to cosmetics, from luxury goods to leisure wear, or from premium spirit brand to alcopop, is achieved. Much the same can be said regarding the merchandising of highly distinctive fictional characterisations through a variety of products that lie well outside their core market. Thus the appearance of Harry Potter and his Hogwarts friends on cushion-covers, key fobs and pyjamas may be said to dilute the effect upon the mind of the very powerful image of Harry Potter the persona – but the human mind is apparently coping with this and retains a fond affection for the boy that is not diminished by the knowledge that the makers of the films, the cushion-covers, the key fobs and the pyjamas are unlikely to be connected to one another and may each live in a different continent from the others.



My example so far – Kylie Minogue, Britney Spears and Harry Potter – have been chosen either from the realm of real life or from what might be termed plausible fiction, "Harry Potter", like "Stuart Little" and "James Bond", being the sort of name that a person might have. Frank Schechter's plea for the protection of trademarks against dilution was however aimed at original, made-up names, to which no person other than the name's creator or his successors in title might be able to stake a claim without being accused of being at best unoriginal and at worst a plagiarist. Can it be said that the likes of Kodak, Prozac or Fanta – by virtue of their inherent originality – are entitled to a higher level of protection against the unauthorised use of the same or similar mark in a non-confusing, non-competing manner if it results in a dilution of the distinctive character of the invented mark?

Taking the rational view of the functionality of intellectual property law, the answer is surely "no". Trademark law does not exist to reward the creativity of the trademark creator: registration is based on a mark's distinctiveness alone. On this basis the same protection that is given to strikingly original trademarks such as Haagen Dazs, Exxon and Ikea is also given to such inherently bland and unoriginal words as Apple, Orange and Blackberry.

"At this point the reader may be shifting uncomfortably on his or her seat and wondering, "does the author not believe that trademarks should be given adequate protection?""

This is because, whether a term is an ordinary word in common speech (Obsession), a surname (Ford), a place name (Champagne) or a cleverly-conceived invention (Gatorade), in the mind of the consumer it does not convey a connection with any goods or services of any maker or supplier until the consumer is taught what it means. Where the word 'apple' is concerned, the primary meaning is a fruit and the secondary meaning is a brand of fashionable electronic product; in the case of Haagen Dazs, the primary meaning is a blank space that the consumer fills in with his imagination (is it a name, or perhaps a greeting?) and the secondary meaning is a seductively tasty species of ice cream. In each case the association of the word with the goods or services to which it is applied is something that is not inherent in nature: it is something that has to be taught, regardless of the originality or inventiveness of the mark itself.

Protection Reputation

The legal basis of trademark law too makes no distinction between the inventive mark and the happy borrowing of a pre-existing sign as an apt medium by means of which a trader may pin his reputation to the goods or services he produces or supplies. In the US, power to enact the Lanham Act was not based on the 'inventions and creations' clause of the Constitution, but instead upon the interstate commerce clause. In other words, it is concerned with fair trade, not human creativity. In the European Union there is no equivalent constitutional provision, but the creation of a mark and its registrability are kept apart. Thus the infringement of an artist's copyright in an original logo or arguably even in an original slogan will furnish him with a basis upon which he may resist the registration of a trademark by someone else, but the creation of an original work confers no entitlement of its own to register a mark.

At this point the reader may be shifting uncomfortably on his or her seat and wondering, "does the author not believe that trademarks should be given adequate protection?" Let me affirm at once that I believe that all trademarks that are validly registered and abused or damaged by others should indeed be protected. What I question is the utility of dilution-based doctrine as a means of achieving this aim.

Taking an objective stance, it is difficult to reach the conclusion that legislative experience so far, both in the US and elsewhere, suggests that it is difficult to pin down with precision the nature of the reputation to be protected, the types of act that are perceived as diluting that reputation (or of the mark's distinctiveness), or the means and the extent to which such dilution may be established through the submission of evidence or, in the case of provisional pre-trial relief to prevent a putative dilution taking place, the likelihood that the actions in question will indeed lead to dilution. Even when all of these difficult concepts can be addressed – in the teeth of hostile response's from the other side's lawyers – the quantification of damage for dilution still remains to be accomplished.

Yet it may not be the inherent difficulty of the subject-matter that causes the problems, so much as the over-intellectualization and hyper-conceptualization of the process itself. A businessman, when deciding how to name his new restaurant or what brand to give a range of lingerie, needs bright-line tests that can assist him. He does not need to be a lawyer to know that he can't use the exact form of an earlier trademark on precisely the same goods. To the opposite effect, he needs no advice that terms such as 'cola', 'burger' and 'toys' are generic and cannot be monopolized by even the

“If dilution is not the basis upon which one objects to the use by one trader of a mark or brand that calls to mind another, earlier and better-known one, what then is the basis?”

biggest and most powerful businesses in respect of those items unless those raw terms are garnished with something special. It’s the in-between bits that give the trader trouble. When he is not copying another’s name and style as a direct competitor, but may be seeking to give his brand the same buzz or the same “look and feel” (to borrow a term from copyright), he needs more clarity in guidance than the concept of dilution, as transferred from psychology to law, appears to be capable of delivering.

If dilution is not the basis upon which one objects to the use by one trader of a mark or brand that calls to mind another, earlier and better-known one, what then is the basis?

Turning back

When driving a car into a *cul-de-sac* we appreciate that it makes sense to turn the vehicle round if we want to get anywhere other than to the end of the road. We do not regard this as a retrograde move but rather as a means of attaining progress. In legal circles, turning back is generally regarded as a conservative, unimaginative policy – but it need not be so.

In most continental Europe, and in many jurisdictions elsewhere that have shared its legal concepts, there is an old and well-established doctrine of unfair competition law. It is essentially a single rule with a set of ever-changing reifications, as it is invoked or dismissed in the context of each set of specific facts against which it is measured. Many common law countries in the Anglo-American tradition have found it difficult or impossible to establish and develop a single principle of unfair competition as a civil wrong. This is a pity, since the fusion of the civil law tradition of rendering acts of unfair competition unlawful, coupled with the common law experience of creative application of the law to fresh and changing sets of facts with the assistance of the doctrine of precedent, has much to appeal to it as a means of regulating allegedly dilutionary uses more effectively than do doctrines of dilution themselves.

The Schechterian notion of dilution rests on the premise that a trademark owner is entitled to protection against the damage that is inflicted upon his sole and intense relationship with a brand-conscious consumer when the cognitive grasp of that brand is weakened in the consumer’s mind through the malign influence of one or more later brands that weaken or break the intensity of that exclusive and powerful relationship – a bit like interference picked up by a radio transmission. Even if that premise were true (and it appears to be difficult to reconcile where words like Polo, Apple and Trojan, by virtue of their multifunctional semantic core, will always carry more than message), judges and attorneys are equipped neither by their professional training nor by their practical experience to play the role of consumer psychologist.

Lawyers are however equipped to identify and elucidate upon notions of fairness in human and commercial conduct. Bodies of law such as equity are underpinned by the notion of fairness. So too is the civil wrong of unfair competition. We cannot tell for sure what the effect of an allegedly dilutionary act is upon the mind of the consumer and upon the conduct of third party traders. We can however form a plausible notion – even before the threatened infringement occurs – as to whether it is fair play, in market terms, or not.

What if…

At this point the sentient reader will be asking: *“if the concept of dilution is difficult to apply, is not that of fairness equally a problem?”* Notions of fairness are subjective; they cannot be substantiated by the submission of evidence or deduced by logic. This is indeed the case. However, compared with the mysteries of dilution – and one has only to read the footnotes to any American law school doorstep of an article on the subject to see how many and how great they are – the fixing of the point, on a scale between absolutely fair and absolutely unfair, at which the use of, say, Visa for condoms is unfair to the owner of the earlier Visa trademark for financial services, appears as a problem that one can answer with the precision of the Sudoku.

Why should this be? There are several reasons. First, the branding and promotion of goods and services is a practice that has been subjected to notions of fairness in many respects other than dilution. The manner in which comparisons between competing products or services may be made, the use of puffery and self-laudatory terms, the extent to which they may truthfully disparage or falsely defame, the manner in which they make adult products appeal to juveniles, and so on– these are all areas in which aspects of fairness have been brought to bear, in most or all free market economies, with some success. Second, commercial and industrial sectors increasingly set their own standards as to what is fair. The infrequency of litigation against lookalike consumer products in the United Kingdom is a case in point: it reflects the role of organisations such as the British Brands Group in seeking to identify a common area of fair competition in a keen and cut-throat market. Thirdly, we have all obtained a deeper and more subtle understanding of fairness in trading in an age in which so many brand-related market practices are regulated (such as pharmaceuticals and agrochemicals) and scrutinised by competition and antitrust authorities – or both.

What would then happen if we replace dilution doctrine with a classic one-liner to the effect that the blurring of the clarity of perception of another’s mark or the free-riding on its resonance is actionable only if it is an act of unfair competition? The most egregious pilferings of another’s brand would be just as actionable, without the need to fret over whether the earlier mark had the right sort of reputation, whether its fame was nestled in a niche, whether the word or logo used as an earlier mark was invented and original or pre-existed its use, or what might be going on inside the head of a consumer (or, worse, an expert witness). The most distant and non-damaging acts would continue to escape liability. Somewhere between the two, where the hard cases lie, they would turn on the assessment of the moral value of the defendant’s act, reflecting or setting standards of trading conduct against which others might measure their own behaviour. and you can make yourself very unpopular with consumers by rejecting a standard of judicially-assessed fairness in favour of any other variable-length yardstick.