Trademark Dilution Under European Law
Charles Gielen

The Paradox of Aesthetic Functionality
Anthony L. Fletcher

Control Groups in Lanham Act Surveys
Eugene P. Ericksen and Melissa A. Pittaouilis

Who Owns Blue? An Examination of the Functionality Doctrine in University Sports Color
Michelle Gallagher

Commentary: Roll Over Gutenberg, Tell Mr. Hull the News: Obstacles and Opportunities from 3D Printing
Jonathan Moskin

Commentary: Trademarks and Brands in the Competitive Landscape of the 3D Printing Ecosystem
Neil Wilkof

Commentary: Environmental Trademarks
Jeffrey Belson
TRADEMARK DILUTION UNDER EUROPEAN LAW

By Charles Gielen

I. INTRODUCTION
A. Introduction and Legal Context

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

Brand clarity, much like the light cast by a lighthouse, is extremely important when it comes to marketing branded products. Indeed, reputed and distinctive marks are particularly vulnerable to attack by those who wish to take advantage of their reputation and distinctiveness by using bits and pieces of the brand. European trademark law generally recognizes the need to protect some trademarks against such attacks, independent of the traditional possibilities to object to likelihood of confusion. Indeed, even in the absence of confusion, a trademark can be harmed by the unauthorized use of an identical or similar sign under circumstances that prejudice the mark and its owner. Before discussing how European law deals with this situation, however, a brief explanation is provided of the statutory framework for trademark protection in the EU.

The European Union currently consists of 27 Member States. Trademark law in Europe is based on two important legal
instruments. First is the *Harmonization Directive*\(^3\) (the “Directive”), on the basis of which the trademark laws of the Member States were harmonized. The Directive eliminates disparities between the national laws that could impede the free flow of goods and services and distort competition. The Directive covers the most important aspects of trademark law, such as what can constitute a trademark, distinctiveness, absolute and relative grounds for refusal, scope of protection, exhaustion of rights, licensing, genuine use, cancellation and revocation. It does not deal with registration procedures, however. As a result of the transposition of the Directive into national law, the substantive provisions of national trademark laws are practically identical throughout the EU. Some differences remain, however, because the Directive contains both mandatory and optional provisions. An example of an optional provision is that the Member States are free to provide protection against non-confusion infringement but are not obliged to do so.

The national courts of the Member States have jurisdiction to render decisions on national trademark rights. In order to safeguard a harmonized interpretation of the substantive provisions of trademark law, however, European law provides that the national courts can (and sometimes must) refer questions regarding interpretation of the Directive’s provisions to the Court of Justice of the European Union (CJEU) in Luxembourg.

The second legal instrument is Council Regulation No. 207/2009 of February 26, 2009, on the Community Trade Mark (the “CTMR”),\(^4\) which provides for a “Community trade mark” (“CTM”), which is valid throughout the entire European Union. A CTM can be obtained by filing an application for registration with the Office for Harmonization in the Internal Market (OHIM) in Alicante, Spain.\(^5\) CTMs co-exist with national trademark rights. The substantive provisions of the CTMR are almost identical to those of the Directive.\(^6\) In the context of registration and opposition proceedings, appeals can be brought before OHIM’s Board of Appeal; further appeal is possible to the General Court (GC) in Luxembourg and, finally, on questions of law only, to the CJEU. The holders of prior national rights and CTMs can oppose

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5. For further information, see oami.europa.eu.

6. See, e.g., Art. 9 of the CTMR, which provides for mandatory protection against dilution (such protection is only optional under the Directive).
CTM applications. CTM infringement proceedings are normally brought before the CTM court in the defendant’s Member State but can also be heard by the competent court in the Member State in which the infringing act takes place. In the former case, the CTM court is, as a general rule, authorized to grant an injunction that is valid throughout the entire European Union; in the latter case, the court can grant an injunction only for that particular country. Applications for invalidation or revocation should be brought before OHIM, but can also be lodged as a counterclaim in the context of infringement proceedings.

The possibilities for a trademark holder to oppose unauthorized registration and use of its mark or a similar sign are provided for in Articles 4(1)–(4) and 5(1)–(2) and (5) of the Directive. According to the Court of Justice,\(^7\) the Directive in this regard provides for an exhaustive set of rules regarding the scope of protection of national trademarks. The Member States are not free to make special rules on infringement.\(^8\) These provisions read as follows, insofar as relevant for the purposes of this article:

**Article 4**

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

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

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

2. “Earlier trade marks” within the meaning of paragraph 1 means:

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

   (i) Community trade marks;

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\(^8\) This is not the case with Article 5(5) of the Directive (relating to the use of a trademark for purposes other than to distinguish goods and services), the interpretation of which is left entirely to the Member States; see also Robelco v. Robeco, Case C-38/98, [2002] ECR I-10913 (ECJ, Nov. 21, 2002).
(ii) trade marks registered in the Member State or, in the case of Belgium, Luxembourg or the Netherlands, at the Benelux Office for Intellectual Property;

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

(b) . . .

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

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

3. A trade mark shall furthermore not be registered or, if registered, shall be liable to be declared invalid if it is identical with, or similar to, an earlier Community trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier Community trade mark is registered, where the earlier Community trade mark has a reputation in the Community and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier Community trade mark.

4. Any Member State may, in addition, provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:

(a) the trade mark is identical with, or similar to, an earlier national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Member State concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark;

(b)-(g) . . .

Article 5

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:
(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

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

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

The CTMR contains similar provisions to the Directive, namely Articles 8(1), (2), and (5) (relative grounds for refusal or invalidation) and 9(1) (infringement). However, whereas the Directive’s provisions on non-confusion infringement are optional, the corresponding provisions of the CTMR are not.

For the purposes of EU trademark law, the provisions of Article 6bis of the Paris Convention are relevant. The recitals to the Directive state that all EU Member States are bound by the Paris Convention and that the Directive must be entirely consistent with the Paris Convention. Article 4(2)(d) of the Directive provides that well-known trademarks, in the sense of Article 6bis of the Paris Convention, are earlier marks that constitute a relative ground for refusal or invalidity. The same is true for CTMs. The EU, as such, is not a signatory to the Paris Convention. However, it is a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), Article 16(2) and (3) of which contain two important provisions extending the scope of Article 6bis of the Paris Convention. The first is that this provision should also be applied to services. The second provides that Article 6bis shall also apply to goods and services that are not similar to those in respect of which a trademark has been registered when use of the trademark indicates a connection between those goods and services and the

9. Corresponding to Article 4(2), (3), and (4) and Article 5(1) and (2) of the Directive, respectively.

10. This option has been adopted by all Member States of the EU.

11. See Art. 8(2)(c) of the CTMR.

12. See Art. 16(2) of the TRIPS Agreement.
owner of the mark, provided the owner’s interests are likely to be harmed by such use.

Because the EU is a signatory of the TRIPS Agreement, the CJEU is authorized to define the EU’s obligations under this agreement and to interpret its provisions.13 One of the questions that has been raised relates to whether certain provisions of the TRIPS Agreement have direct effect in the Member States so that the parties to a dispute can directly rely on them. The CJEU has ruled that this is not the case but held that in a field to which TRIPS applies and in respect of which the Community (nowadays called the “European Union”) has already legislated, as is the case with trademarks, the judicial authorities of the Member States are required, by virtue of Community law, to apply national rules insofar as possible in light of the wording and purpose of the TRIPS Agreement.14 In other words, in cases of non-confusion infringement, the provisions of the Directive and CTMR should be applied in light of the wording of Article 16 of the TRIPS Agreement. The consequences of this will be further discussed below.

B. Protection of Registered and Unregistered Rights Against Detriment and Free-Riding

In principle, only registered marks can be protected against detriment and free-riding. For a CTM, Article 6 of the CTMR provides that rights to a CTM are acquired through registration, while Article 9 describes the rights conferred by a CTM. Below we examine the possibility of protecting unregistered rights against detriment by later marks or signs.

First, it should be noted that some Member States grant protection to unregistered trademark rights and/or rights to other business identifiers, such as trade names.15 Indeed, it follows from Article 4(4)(b) of the Directive that the Member States may provide that such rights can form the basis for an opposition or declaration of invalidity, where based on such rights the owner is entitled to oppose the use of a later mark. This is an optional provision. The same provision, but of mandatory application, can be found in Article 8(4) of the CTMR. The scope of protection afforded unregistered prior national rights is determined by national law. If certain conditions are met, some countries extend

14. Id. ¶ 47.
15. Unregistered trademarks can be protected, for example, in Germany, Denmark, Finland, and England, but not in the Benelux or France. In most EU Member States, trade names can be protected, even against use only, such as in the Netherlands and Belgium.
protection against dilution not only to the registration of later marks but also the use thereof.\footnote{For an overview of such unregistered rights, see the Annex to Part 4 (Opposition) of Part C of the Guidelines Concerning Proceedings before the Office for Harmonization in the Internal Market (Trade Marks and Designs), available at https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/guidelines/ctm/opposition_nonregistered_en.pdf.}

Second, it is important to examine the protection afforded \textit{well-known marks} within the meaning of Article 6bis of the Paris Convention and Article 16(2) and (3) of the TRIPS Agreement. Such marks are protected based on the notion that “earlier marks” can form the basis for an opposition to an application for a CTM or national trademark registration, pursuant to Article 8(2)(c) of the CTMR and Article 4(2)(d) of the Directive, respectively. Well-known marks are protected regardless of whether they are registered in the country where protection is sought. Indeed, pursuant to Article 6bis of the Paris Convention, well-known marks are protected against the registration or use of confusingly similar trademarks. Likewise, Article 16(3) of the TRIPS Agreement provides for protection when a trademark is used for non-similar goods or services, provided the well-known mark for which protection is sought has been registered. Thus, there is no protection against dilution or free-riding for unregistered well-known marks. In practice, this does not appear to be problematic, however, because most well-known marks are registered as CTMs or national marks and, once well-known, certainly enjoy a reputation, the condition for a successful action against detriment by both similar and non-similar marks, as discussed below.

\textbf{C. Possibility of Non-Confusion Infringement Under the “Double Identity” Rule}

Pursuant to Articles 4(1)(a) and 5(1)(a) of the Directive (and the corresponding provisions of the CTMR), a trademark owner can oppose the registration and/or use of a sign identical to its mark for identical goods or services. The eighth recital to the Directive describes this type of protection as “absolute,” in keeping with Article 16(1) of the TRIPS Agreement, which states that, in the event of double identity (i.e., identity of the marks and of the goods or services), likelihood of confusion is presumed. It is not necessary to prove likelihood of confusion. In its \textit{Arsenal} decision, the CJEU apparently introduced a further requirement, namely that the use of an identical sign for identical goods or services cannot be prevented unless it affects or is liable to affect the functions of the mark, in particular its essential function of guaranteeing to consumers the origin of the goods or services. As the CJEU put it:
It follows that the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfill its functions. The exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.17

This wording suggests that it is necessary to prove likelihood of confusion, which would arguably violate the principle of absolute protection mentioned in the eighth recital. In L’Oréal v. Bellure, the Court extended this holding to jeopardizing any function, not just the origin function, of a trademark. It expressly mentions in particular the function of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.18 With reference to the advertising function, the CJEU stated in Interflora that “a trade mark is often, in addition to an indication of the origin of the goods or services, an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.”19 Furthermore, it held that when a trademark fulfills another function, this function will be protected under the double identity rule. This approach derogates from the traditional interpretation of the double identity rule, namely that protection is granted without having to prove likelihood of confusion.

That being said, the question arises as to whether, in light of the CJEU’s case law, in particular the idea that the communication and advertising functions of a trademark are also protected under the double identity rule, any form of non-confusion infringement is protected under this rule. Let’s assume knockoff toys are being offered for sale under the original manufacturer’s trademark, which is not (yet) reputed, and that the counterfeiter clearly states that the toys are imitations of the originals. Protection under the detriment and free-riding provisions (Article 5(2) of the Directive or Article 9(1)(c) of the CTMR) is not available because the trademark does not enjoy a reputation. Arguably, the original function of the trademark (to indicate origin) is not jeopardized, as it is clear that the toys are knockoffs. Thus, the question arises as to whether this practice affects the advertising function of the trademark, because it undermines attempts by the

trademark owner to acquire a reputation for its mark and build brand loyalty. It could certainly be argued that, in light of the CJEU’s case law, the advertising function of the mark is harmed—in other words, that consumers have less incentive or desire to buy the original goods. Thus, under the double identity rule, the owner of a non-reputed mark can oppose even the non-confusing use of its mark, if such use arguably weakens the mark’s distinctiveness or reputation.

It seems clear that this is not what the legislature had in mind when drafting the double identity rule. The purpose of this rule was to render it possible for the owner of a trademark to oppose the use of its mark for identical goods or services, as likelihood of confusion is presumed in such cases, whereas in cases involving similar marks or similar products, the trademark proprietor must prove likelihood of confusion. The CJEU seems to have lost track of this fact, by allowing the courts or OHIM to take functions other than the original (essential) function into consideration. However, it is not necessary to do so, even in the example provided above. In such cases, the origin function will also be affected, provided we accept that confusion as to origin can also arise after the imitation product leaves its point of sale. The CJEU expressly recognized the possibility of post-sale confusion in the aforementioned *Arsenal* decision.20 Thus, in the author’s opinion, the double identity rule should remain reserved to cases where likelihood of confusion can be presumed or established. This interpretation fits into the system created by the Directive and CTMR, which afford protection against detriment and free-riding only to reputed marks.

II. REPUTATION

A. The Concept of Reputation

Protection against detriment and free-riding is available only to marks that enjoy a reputation. The notion of repute or reputation is used throughout EU trademark law. Below we compare this notion with the concept of well-known marks, as used in Article 6bis of the Paris Convention and Article 16(2) and (3) of the TRIPS Agreement. “Well known” is generally understood to mean “known to a substantial segment of the relevant public.”21


Article 16(2) of the TRIPS Agreement provides that, in determining whether a mark is well known, the knowledge of the trademark in the relevant sector of the public should be taken into account, which raises the question of whether the traditional meaning of “well known” is still valid. If not, it comes close to what is understood by repute, as discussed below. Further guidelines can be found in the WIPO Joint Recommendations Concerning Provisions on the Protection of Well-Known Marks.

The protection afforded well-known marks against later national trademark and CTM applications is set out in Article 4(2)(d) of the Directive and Article 8(2)(c) of the CTMR.

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

25. See Mostert, supra note 21, at I-27, WIPO Recommendations, Annex 18. These recommendations contain detailed proposals to assess the relevant public’s knowledge of a mark.
detriment even after use of the mark has stopped, if it still enjoys a reputation in the relevant circles.

The CJEU’s conclusion appears to coincide with international opinion on the meaning of the term “well-known mark” as used in Article 6bis of the Paris Convention and Article 16(2) of the TRIPS Agreement.26 In some countries, “well known” has been interpreted to mean “knowledge among the public at large.” However, it is clear from the CJEU’s decision that this is not the required threshold for assessing reputation.

**B. The Place Where the Mark Enjoys a Reputation**

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

1. **National or Regional Marks**

What does reputation “in” a Member State, as used in Article 5(2) of the Directive, mean? The CJEU ruled in *General Motors v. Yplon*27 that, in the absence of a definition, a trademark cannot be required to enjoy a reputation throughout the territory of a Member State. It is sufficient for a reputation to exist in a substantial part thereof. In this case, the Court was asked to determine how Article 5(2), which refers to the reputation of a mark in a Member State, should be read when the mark in question is a Benelux trademark. The Court stated that the Benelux territory should be treated as the territory of a Member State. Therefore, the CJEU concluded that, in order for a Benelux mark to have a reputation, it is sufficient for the mark to enjoy a reputation in a substantial part of the Benelux, which may consist of a part of only one Benelux country. Thus, based on this wording, it is clear that a Benelux trademark should at least be known to the relevant public in a substantial part of one Benelux state.

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2. Community Trademarks

Articles 8(5) and 9(1)(c) of the CTMR require a CTM to enjoy a reputation “in” the Community. In this case as well, the question arises as to whether this means the entire Community—that is, all 27 Member States, a single country or a few countries, or a part of the EU and, if so, which part. From the legislative history, it can be concluded that the legislature did not intend to require reputation throughout the entire Community. While the 1980 proposal for a CTMR expressly states that reputation should exist “in the entire Community,” this wording was changed to “in the Community” in a later proposal published in 1984. Further, if reputation in a single Member State were sufficient, a CTM would be on equal footing with a national trademark, which would undermine the purpose of the CTMR, namely to establish a uniform system of protection covering the entire territory of the European Union. It therefore seems logical to require reputation in a substantial part of the EU. Support for this opinion can be found in General Motors v. Yplon. Although this case concerned the meaning of reputation in a Member State, as this concept is used in the Directive, the Member State in question was the Benelux. The CJEU held that reputation in a substantial part of the Benelux is sufficient. In Pago, the Court took a somewhat different approach. With respect to the territorial scope of the reputation of a CTM, the CJEU held that reputation should exist in a substantial part of the territory of the European Union. As in General Motors v. Yplon, where the Court concluded that a substantial part of the Benelux territory may consist of part of a single Benelux country, in Pago v. Tirol Milch it concluded that a substantial part of the European Union may consist of a single Member State. In reaching this conclusion, the CJEU referred expressly to the “circumstances of the main proceedings.” One of the most important facts of the Pago case was that the mark was used only in Austria and was known only to the Austrian public. This decision can be interpreted to mean that when a mark is used in a larger part of the EU, reputation should exist among a significant part of the public in that part of the EU.

31. For the geographic extent of reputation in the context of a dilution case under Articles 13 and 14 (opposition and cancellation) and Article 43(c) (dilutive use) of the Lanham Act, see Ehrlich & Lehrman in Mostert, supra note 21, at 4-473. The legislative history to the federal Anti-Dilution Act seems to indicate that the geographic reputation of a mark must extend throughout a substantial part of the United States.
The implications of this approach for injunctions requested on the basis of a trademark are discussed below.\textsuperscript{33} Arguably, an injunction cannot be granted for territory of the EU where the CTM does not enjoy a reputation, because the CTM proprietor will have great difficulty proving that, in that area, unfair advantage is taken of, or detriment caused to, the reputation of its CTM.\textsuperscript{34} Another unresolved question is whether, if the description of the goods and services for which the mark is registered is broad, the reputation of the trademark must extend to all of the goods or services specified or only some of them. Furthermore, the reputation threshold national marks need to meet could potentially vary widely, given the very different sizes of the Member States.

\textit{C. Evidence of Reputation}

How can a trademark owner prove that its mark enjoys a reputation in a Member State or in the EU as a whole? \textit{General Motors v. Yplon} teaches that reference should not simply be made to fixed percentages.\textsuperscript{35} The courts or office should be convinced that the earlier mark is known by a significant part of the public concerned by the goods or services covered by the trademark.\textsuperscript{36} According to the CJEU, all relevant facts, in particular the trademark's market share, the intensity, geographic extent, and duration of the use made of the mark, and the size of the investment made by the undertaking in promoting it can all be taken into account to prove reputation.\textsuperscript{37} A high degree of public awareness of a mark, established on the basis of a market survey, is certainly relevant when it comes to assessing reputation but not necessarily decisive. Leaving aside the issue of the reliability of market surveys, the courts and offices should take into account other factors as well.\textsuperscript{38} The fact that a particular market, in terms of the target public, is small does not mean that a mark cannot enjoy a reputation in that market. As the \textit{OHIM Guidelines} rightly state, the limited size of the relevant market should not be regarded in itself as a factor capable of preventing a mark from acquiring a reputation within the meaning of Article 8(5), as

\begin{itemize}
\item \textsuperscript{33} See Part VIII.B.
\item \textsuperscript{34} Id.
\item \textsuperscript{35} General Motors v. Yplon, Case C-375/97 ¶ 25, [1999] ECR I-05421 (CJEU, Sept. 14, 1999).
\item \textsuperscript{36} Id. ¶ 26.
\item \textsuperscript{37} Id. ¶ 27.
\item \textsuperscript{38} See \textit{OHIM Guidelines}, Part 5, III, 1.2.1; for particular guidance with respect to the reliability of market surveys, see, in particular, Part 5, III, 1.4.4(iv).
\end{itemize}
reputation is more a question of proportion and less of absolute numbers.\textsuperscript{39}

One of the factors mentioned by the CJEU is the market share of the relevant product. Market share is the percentage of total sales the mark represents in a particular sector. Defining the relevant market can be a delicate exercise, depending on the characteristics of the goods in question. As the \textit{OHIM Guidelines} state:

Thus, a very substantial market share, or a leader position in the market, will usually be a strong indication of reputation, especially if combined with a reasonably high degree of trade mark awareness. Conversely, a small market share will in most cases be an indication against reputation, unless there are other factors which suffice on their own to support such a claim.\textsuperscript{40}

In the event of an opposition based on an earlier reputed mark, reputation should be evidenced as it exists on the filing date of the later mark or the priority date. Furthermore, it should be clear for which goods or services the mark enjoys a reputation.\textsuperscript{41} Market share is not always conclusive, as some goods enjoy a high reputation notwithstanding small market share. An example would be luxury goods, such as Rolls Royce cars. The CJEU also mentions intensity of use, that is, sales volume (number of units sold) and turnover (total value of all sales). Absolute numbers alone are not persuasive, however, and should be put into perspective, depending on the size of the market, including in geographic terms. Duration of use is another factor. The longer a mark is used, the stronger the indications will be that it enjoys a reputation. The same is true for what the Court calls investments in promoting a trademark. The extent of promotional activities can be proven not only by demonstrating the value of financial investments but also by outlining the advertising and marketing strategy and providing details of media campaigns.

The list of factors cited by the Court is not exhaustive. Other relevant factors may be taken into account. The \textit{OHIM Guidelines} mention the following factors (some of which can also be found in the \textit{WIPO Recommendations}): (a) record of successful enforcement in other non-confusion infringement cases, (b) number and duration of registrations, (c) certificates or awards granted to the branded products, and (d) the value associated with the trademark as appears from the demand for licensing, franchising, and sponsorship.\textsuperscript{42}

\begin{itemize}
  \item \textsuperscript{39} \textit{OHIM Guidelines}, Part 5, III, 1.2.1.
  \item \textsuperscript{40} \textit{OHIM Guidelines}, Part 5, III, 1.3.2.
  \item \textsuperscript{41} \textit{OHIM Guidelines}, Part 5, III, 1.2.3 and 1.2.5.
  \item \textsuperscript{42} \textit{OHIM Guidelines}, Part 5, III, 1.3.7.
\end{itemize}
The OHIM Guidelines suggest means to prove reputation. The following means are listed and further explained in the Guidelines: 43

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

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

III. USE

A. Use of an Identical or Similar Sign

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

The CJEU clarified the meaning of the term “identical sign” in LTJ Diffusion v. Sadas Vertbaudet. 44 According to the Court, a sign is identical with the trademark where it reproduces, without any modification or addition, all the elements constituting the trademark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer. However, the question of whether a sign is identical or similar to an earlier mark is far less relevant in the context of non-confusion infringement cases. Under the provisions dealing with the registration or use of a confusing sign, it can be relevant whether the later mark is identical or similar to the earlier one; if it is identical (and registered or used for identical goods or services), neither Articles 8(1)(a) and 9(1)(a) of the CTMR or Article 5(1)(a) of the Directive require that likelihood of confusion be established. In this case, likelihood of confusion will be presumed. However, under the provisions on non-confusion infringement, likelihood of harm to the earlier mark must be established in both cases.

43. OHIM Guidelines, Part 5, III, 1.4.4.
Some claim that the notion of “similar sign” was supposed to have the same meaning in Article 5(1)(a) and (b) of the Directive (and Article 9(1)(a) and (b) of the CTMR), and this appears to be the general approach. Support for this position can be found in the CJEU’s *adidas v. Fitnessworld Trading* decision on the meaning of a similar sign as used in Article 5(2) of the Directive, which mirrors Article 9(1)(c) of the CTMR. In this case, the Court ruled that in order for similarity to be found, there must be, in particular, elements of visual, aural, or conceptual similarity. The Court reached a similar conclusion in *Puma v. Sabel*, a likelihood of confusion case. The CJEU believes that, in both cases (likelihood of confusion, on the one hand, and dilution or free-riding, on the other), similarity requires the existence of elements of visual, aural, or conceptual similarity. However, since *Ferrero v. Tirol Milch*, the Court has distinguished between the degree of similarity in likelihood of confusion cases and the degree of similarity needed to succeed in an action against detriment or free-riding. The Court stated as follows:

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

This confirms what was hinted at in earlier decisions. Thus, the establishment of a “link” or “connection” is crucial in a

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49. *Id.* ¶ 53; a nice example of a case where no sufficient similarity between the marks was found for establishing likelihood of confusion but sufficient similarity for establishing a link can be found in *Karat v. Egkarat*, OHIM Opposition Decision B 632 483, Oct. 28, 2005; see also *Red Bull v. Osborne*, Intellectuele Eigendom en Reclamerecht 2011/72 (The Hague Court of Appeal, Sept. 20, 2011).

50. See, e.g., *adidas v. Fitnessworld Trading*, Case C-408/01, ¶¶ 27, 29, & 31, [2003] ECR I-12537 (CJEU, Oct. 23, 2003), in which the CJEU found that infringement under Article 5(2) of the Directive results from a certain degree of similarity between the mark and the
detriment or free-riding case. Reference can also be made to an “association.” 51 Below we discuss how this is established. 52

**B. Use in Relation to Goods or Services**

According to the infringement criteria set out in Article 5(1)(a) and (2) of the Directive and Article 9(1)(a) and (c) of the CTMR, a trademark owner can prevent the use of a sign “in relation to” goods or services. This wording does not appear in Article 5(1)(b) of the Directive (or Article 9(1)(b) of the CTMR) but, as the CJEU held in connection with the provisions of Article 5 of the Directive, the scope of application of the criteria in Article 5(1)(a) and (b) depend on whether the trademark is used for the purpose of distinguishing goods or services, that is to say, as a trademark. 53 Use in relation to goods or services must be understood as use for the purpose of distinguishing goods or services. 54 This means that if a sign is used for purposes other than to distinguish goods or services, such use cannot be contested under Article 9 of the CTMR or Article 5(1) and (2) of the Directive. However, is the law really so clear? The CJEU’s decision in adidas v. Fitnessworld Trading provides a good basis for concluding that use within the meaning of Article 5(2) of the Directive and Article 9(1)(c) of the CTMR need not necessarily be use as a trademark. 55 In that case (again on the interpretation of Article 5(2) of the Directive), one of the questions raised concerned the impact for a detriment case if the opposed sign is seen by the public purely as an embellishment. The Court held that the fact that a sign is viewed as an embellishment by the relevant public is not, in itself, an obstacle to the protection conferred by Article 5(2) of the Directive, where the degree of similarity is nonetheless such that the relevant section of the public establishes a link between the sign and the mark. This holding supports the conclusion that use within the meaning of Article 5(2) of the Directive and Article 9(1)(c) of the CTMR need not necessarily be use as a trademark. Other types of use, such as use as a trade name or domain name, etc., can be challenged, as

51. See Advocate-General Sharpston’s opinion in adidas v. Fitnessworld Trading, Paragraph 46, which states that no distinction should be made between the notions of link, connection, or association, “which all imply a mental process above the threshold of consciousness, something more than a vague, ephemeral, indefinable feeling or subliminal influence.”

52. See ¶¶ 4.2 and 4.3.


54. Céline, Case C-17/06 ¶ 20, [2007] I-07041 (CJEU, Sept. 11, 2007).

long as it takes place in the course of trade and there is some type of link between the sign and the particular goods or services.56

A further question concerns whose goods or services should be distinguished by the sign. The Court has dealt with this question in a number of cases, although the case law is not very clear on this point. Basically, the CJEU is of the opinion that this condition should be understood as use of the sign to distinguish the goods or services of a third party, not those of the trademark owner.57 This raises the question as to how use of a trademark in comparative advertising should be construed. Based on Adam Opel v. Autec, it tends to be concluded that such use is not covered by the relevant provisions, since the advertiser uses the trademark owner’s mark to distinguish the latter’s goods or services rather than those of a third party. However, in O2 v. Hutchison, a comparative advertising case applying the principles of Adam Opel v. Autec, the Court reached a different conclusion.58 It held that in a comparative advertisement, the advertiser seeks to distinguish its goods and services by comparing them with competing goods and services; according to the Court, use by an advertiser in a comparative advertisement of a sign identical with or similar to the mark of a competitor for the purpose of identifying the goods and services offered by the competitor can therefore be regarded as use for the advertiser’s own goods and services. Such use does fall under Article 9(1)(a) or (b). The CJEU continued this line of reasoning in the Google cases.59 Where the Court concluded that, in the case of keywords, the advertiser aims to offer Internet users an alternative to the goods of the trademark owner, so that the use of the trademark as a keyword is use in relation to the goods or services of the trademark owner. Even if the advertiser does not intend to offer alternatives to the goods of the trademark owner but, on the contrary, seeks to mislead Internet users as to the origin of its goods, there is still use in relation to goods and services. The CJEU reiterated its holding in Céline, namely that use in relation to goods or services exists where the third party is using the mark in such a way that a link is established between the sign and the goods provided by the third party. In the author’s opinion, this should be the guideline in future cases.

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56. See, e.g., Céline, Case C-17/06 ¶ 23, [2007] I-07041 (CJEU, Sept. 11, 2007).
C. Protection for Use with Non-Similar or Similar Goods or Services

Despite clear wording to the effect that protection against detriment and free-riding is available only when the goods or services are dissimilar to those for which the earlier mark is registered, it has been held that, in order to give effect to the overall purpose and objectives of the Directive, Article 5(2) also applies to situations in which the goods or services are identical or similar.60 This interpretation, which, in effect, is contra legem, is reasonable, as it is difficult to conceive why a reputed mark would be protected only against detriment and free-riding when it is used for dissimilar goods. Of course, one could argue that, in the event of use for similar goods, the available protection against likelihood of confusion is adequate. However, the Davidoff case proves that this is not the case. In this case, the German courts were struggling because, even though the same goods were concerned, likelihood of confusion between the marks DAVIDOFF and DURFFEE could be excluded in view of the differences between them. However, considering the design of these marks (same script), there was a risk of dilution, which could not be opposed if protection extends only to use for similar products. As outlined above, Article 5(2) of the Directive is an optional provision, meaning the Member States are free to implement it or not. Most Member States, if not all, have done so. The CJEU held that, once implemented, the Member States do not have the freedom to apply the provision only to cases involving dissimilar products.61

D. Use in the Course of Trade

The contested use must be “in the course of trade.” According to the CJEU, such use occurs in the context of a commercial activity with a view to obtaining an economic advantage, not in purely private relations.62 This does not mean that private persons cannot act in the course of trade. As the Court stated in L’Oréal v. eBay, when an individual sells a product bearing a trademark through an online marketplace and the transaction does not take place in the context of a commercial activity, the proprietor of the trademark cannot rely on its exclusive rights under Article 5 of the


62. See Arsenal v. Reed, Case C-206/01, [2002] ECR I-10273 (CJEU, Nov. 12, 2002). Advocate-General Jacob seems to take a more limited view of what falls outside the course of trade. In his opinion in Hölterhoff v. Freiesleben, he states that there is no infringement only if the sign is used for scientific or lexical purposes, in medical prescriptions, or on goods intended solely for personal use; see Hölterhoff v. Freiesleben, Case C-2/00, [2002] ECR I-04187 (CJEU, May 14, 2001).
Directive and Article 9 of the CTMR. If, however, owing to their volume, frequency, or other characteristics, the sales made on such a marketplace go beyond the realm of private activity, the seller will be deemed to be acting “in the course of trade.”63 The Court furthermore found that a referencing service provider, such as Google, by using a keyword system, is operating in the course of trade but not using the selected marks chosen as keywords. An advertiser that purchases a keyword composed of a trademark is using that mark in the course of trade.64 The CTMR does not contain a provision such as that foreseen in Article 5(5) of the Directive, which allows national provisions under which a trademark owner can oppose the use of a sign for purposes other than to distinguish goods or services, without a requirement that such use take place in the course of trade.

IV. ASSOCIATION

A. Requirement for Detriment or Free-Riding:
Link or Association

As indicated above and as the CJEU stated in adidas v. Fitnessworld Trading, it is a requirement for any dilution or free-riding case that: “the relevant section of the public establishes a link between the sign and the mark.”65 This case involved a similar sign, and the question is whether the existence of such a link can be presumed in the case of identity of the mark and the sign. The answer to this question is that such a link cannot automatically be found, as the CJEU confirmed in Intel.66 However, as we will see below, the greater the similarity between the marks, the earlier a link will be made. The existence of such a link must be assessed globally, taking into account all factors relevant to the case.67 As the Court puts it, it is necessary to establish in this context that the reputed mark is being brought to mind by the use of the later mark.68 As will be seen below, the CJEU takes a normative approach to the establishment of a link. This is not a question of fact, albeit existing market survey techniques can be used to investigate whether a link is being made or not.

64. See Google v. Louis Vuitton et al., Cases C-236/08, C-237/07, & C-238/08, [2010] ECR I-02417 (CJEU, Mar. 23, 2010).
B. Factors to Establish a Link

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

(i) The degree of similarity between the conflicting marks. The greater the similarity, the more likely a link will be found, in particular when the marks are identical.

(ii) The nature of the goods or services for which the conflicting marks are registered, including the degree of closeness or dissimilarity between the goods or services, and the relevant section of the public. If, for the relevant public, the goods and services for which the conflicting marks are registered or used do not overlap, the chance of the relevant public making a link between the marks is remote. On the other hand, if the relevant public is the same, or if there is some overlap, there is a small chance that a link will be made, if the goods or services are very dissimilar.

(iii) The strength of the earlier mark’s reputation. If a mark has acquired a reputation that goes beyond the relevant public as regards the goods or services for which it is registered, the relevant section of the public, as regards the goods or services for which the later mark is registered or used, could make a connection even though that public is wholly distinct from the relevant section of the public targeted by the earlier mark.

(iv) The distinctive character of the earlier mark, whether inherent or acquired through use. The reputed mark need not have distinctiveness ab initio. However, the stronger the distinctive character of the earlier mark, the more likely it is that, faced with the later mark, the relevant public will call that earlier mark to mind. In addition, the degree of uniqueness of the earlier mark will influence the likelihood of a later similar mark causing an association with the earlier mark. Uniqueness means a word mark has not been used by anyone other than the proprietor of the trade mark for the goods and services covered by the mark.

(v) Likelihood of confusion on the part of the relevant public. Although likelihood of confusion is not required for a detriment or free-riding case,69 the Court made clear that a link between the conflicting marks is necessarily

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established when there is a likelihood of confusion, that is
to say, when the relevant public believes or could believe
that the goods or services marketed under the earlier
mark and those marketed under the later mark originate
from the same undertaking or from economically linked
undertakings.

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

Although establishing a link is a normative exercise rather
than a question of fact, market surveys can be persuasive and are
often used in trademark disputes. Conducting a reliable market
survey is a delicate exercise; in some cases, the courts rely on
surveys filed by one of the parties,70 while in other cases, the court
appoints an expert to conduct a reliable survey, particularly in
cases where the parties have filed conflicting surveys or when an
expert criticizes a survey filed by one of the parties.71 A major
difficulty with such surveys is to eliminate the so-called market
effect caused by the reputed mark’s large market share. This
effect can be neutralized by using a control group, which is
presented with a mark or trade dress that clearly differs from the
reputed mark.

V. NON-CONFUSION INFRINGEMENT

A. Non-Confusion Infringement; Generally

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

• unfair advantage is taken of the repute of the mark;
• unfair advantage is taken of the distinctiveness of the
mark;
• detriment is caused to the repute of the mark; or
• detriment is caused to the distinctiveness of the mark.

70. *See, e.g.*, adidas v. Scapa, Amsterdam Court of Appeal, Nov. 8, 2007, Bijblad bij de
Industriële Eigendom 2008/20; General Biscuits v. Hoppe, The Hague District Court,
Eigendom en Reclamerecht 2013/63, note by A.M.E. Verschuur.

71. *See, e.g.*, G-Star v. Pepsico, The Hague District Court, Dec. 21, 2011,
www.ieforum.nl, No. 10742, and The Coca Cola Co. v. Superunie, Arnhem District Court,
At first glance, this list would appear to cover four different situations. In Intel v. Intelmark, the CJEU grouped the first two categories together, distinguished three types of harm, and confirmed that one type suffices for the protection against detriment and free-riding to apply.\(^{72}\)

As outlined in Part IV.A, these types of harm are the result of a certain degree of similarity between the earlier mark and later mark, by virtue of which the relevant section of the public makes a connection between them. However, as the CJEU clearly notes, a link is not sufficient to establish harm.\(^{73}\) Nevertheless, once a link has been established with a reputed mark, in particular when the mark enjoys a substantial reputation, it is only a small step to find that detriment is caused to the distinctiveness of that mark, in particular by the use of an identical sign.

With respect to the types of harm mentioned above, the CJEU has confirmed in general terms that it is necessary to take into account all factors relevant to the circumstances of the case, referring to the same circumstances considered relevant to establish a link.\(^{74}\)

Regarding the relevant public, the Court at first ruled that the distinctiveness and reputation of a mark should be assessed with reference to the perception of the relevant public consisting of average consumers of the goods and services for which the mark is registered. For this purpose, the Court distinguishes between detriment, on the one hand, and free-riding, on the other. With respect to the first type of harm, the CJEU believes the relevant public is average consumers of the goods and services for which the earlier mark is registered, whereas for free-riding, the average consumer of the goods and services for which the later mark is registered or used should be taken into account.\(^{75}\)

**B. Actual Injury or Likelihood of Injury**

When examining the circumstances under which the detriment of, or free-riding on a reputed mark can be opposed, it is first necessary to determine whether effective detriment or free-riding is required or if a likelihood thereof will suffice. According to the literal wording of Article 5(2) of the Directive and Article 9(1)(c) of the CTMR, it is necessary to establish that unfair advantage is taken of, or detriment caused to, the distinctive

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\(^{73}\) Id. ¶ 32; see, in particular, Mercator v. Mercator Studios, Case T-417/09 (GC, Mar. 29, 2012) (not yet published).


\(^{75}\) Id. ¶¶ 33-36.
character or repute of the CTM. It would therefore appear that the mere likelihood of unfair advantage or detriment is not sufficient. However, this reading would violate, at least in part, Article 16(3) of the TRIPS Agreement, which provides that, with respect to the use of a well-known mark for dissimilar goods and services, the owner of the mark can oppose the registration and use of a later mark if its interests are likely to be damaged. In Intel v. Intelmak, the Court gave an indication of how this requirement should be interpreted. In the context of Article 4(a) of the Directive, the Court ruled that the proprietor of the earlier mark cannot be required to demonstrate actual and present injury to its mark. If it is foreseeable that such injury will ensue from the use of the later mark, the proprietor of the earlier mark must prove that there is a serious risk that such an injury will occur in the future. It seems that the word “serious” means non-hypothetical, as appears from CJEU’s rulings in TDK and Helena Rubinstein and L’Oréal v. OHIM. In the decision Environmental Manufacturing v. OHIM the CJEU confirmed that there should be a serious risk of detriment, allowing the use of logical deductions; such deductions, the Court said, must not be the result of mere suppositions but must be founded on an analysis of the probabilities and by taking into account of the normal practice in the relevant commercial sector as all the other circumstances of the case. This decision seems to confirm that the risk of dilution should be established on clear indications not on hypothetical suppositions.

VI. DETRIMENT TO DISTINCTIVENESS

A. Detriment to Distinctiveness Generally

We now turn to the different types on injury, the first of which is detriment to the distinctiveness of a mark or what is commonly called dilution. In Intel, the CJEU first defined detriment to distinctiveness. It is interesting to first note what Advocate-
General Jacobs had to say on this subject in his opinion in *adidas v. Fitnessworld Trading*:

The concept of detriment to the distinctive character of a trade mark reflects what is generally referred to as dilution. That notion was first articulated by Schechter, who advocated protection against injury to a trade mark owner going beyond the injury caused by use of an identical or similar mark in relation to identical or similar goods or services causing confusion as to origin.81 Schechter described the type of injury with which he was concerned as the “gradual whittling away or dispersion of the identity and hold upon the public mind” of certain marks. The courts in the United States, where owners of certain marks have been protected against dilution for some time, have added richly to the lexicon of dilution, describing it in terms of lessening, watering down, debilitating, weakening, undermining, blurring, eroding and insidious gnawing away at a trade mark. The essence of dilution in this classic sense is that the blurring of the distinctiveness of the mark means that it is no longer capable of arousing immediate association with the goods for which it is registered and used. Thus, to quote Schechter again, for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark anymore.82

The Court in *Intel* followed this approach by finding that detriment to distinctiveness consists of a risk of weakening the mark’s ability to identify the goods or services for which it is registered and used, as use of the later mark leads to dispersion of the earlier mark’s identity and hold on the public mind. According to the Court, this will notably be the case when the earlier mark, which used to cause an immediate association with the goods and services for which it is registered, is no longer capable of doing so.83

One of the consequences of detriment to the distinctiveness of a mark is that the mark becomes a generic indicator of the goods in question. This issue arose in *Interflora v. Marks & Spencer*. The owner of the INTERFLORA trademark argued that use by undertakings of the word “Interflora” as a keyword in a referencing service gradually persuaded Internet users that the word is not a trademark designating a specific flower-delivery

service (provided by florists in the Interflora network) but rather a generic word for any flower-delivery service. The CJEU stated that this is not the case when the use as a keyword of a mark with a reputation triggers the display of an advertisement that enables the reasonably well-informed and reasonably observant Internet user to tell that the goods or services offered originate not from the proprietor of the trademark but, on the contrary, from a competitor of that proprietor, in which case the conclusion will have to be that the trademark’s distinctiveness has not been damaged by such use, which has merely served to draw the Internet user’s attention to the existence of an alternative to the trademark proprietor’s goods or services. If, however, the advertisement were to enable Internet users to determine whether the services offered by the advertiser are independent of those of the trademark owner, the selection of signs corresponding to the INTERFLORA trademark as Internet keywords could have such an impact on the market for flower-delivery services that the word “Interflora” would come to designate, in the consumer’s mind, any flower-delivery service. In that case, the use of the trademark as a keyword could be opposed on the ground that it causes detriment to the distinctiveness of the mark.

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


86. That is exactly what the Benelux Court of Justice considered to be the harm a trademark could suffer; see Claeryn v. Klarein, Case A 74/1, Jurisprudence of the Benelux Court of Justice 1975, 472 (Benelux Court of Justice, Mar. 1, 1975).
INTEL for computer chips—it could indeed be argued that the use of the INTEL mark for bicycles does not hinder the ability of the mark to distinguish computer chips (unless there is a risk of the trademark becoming a generic identifier). However, it is also necessary to take into account the basic economic function of a trademark. Indeed, a trademark is not only a means to indicate the (source of) goods or services but also serves as a communication channel with customers. This latter power can clearly be affected when the mark is used by a third party for dissimilar goods, as such use disperses the original mark’s power of attraction. Thus, one aspect of harm is the whittling away of the mark’s identity.

B. Factors to Establish Detriment

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

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

Before finding that none of these factors alone is sufficient to establish injury,87 the Court formulated a few general principles in this regard.88 First, the existence of a link must be established; second, the more immediately and strongly the earlier mark is brought to mind by the later mark, the greater the likelihood of injury; third, the existence of a link and of injury or the serious likelihood of injury must be assessed globally, taking into account all factors relevant to the case; and, finally, the stronger the earlier mark’s distinctiveness and reputation, the more likely detriment will be found (this principle was expressed earlier in the General Motors v. Yplon SA decision).

With respect to detriment to distinctiveness, the Court of Appeal asked what is required to establish this type of injury and,

88. Id. ¶¶ 66-69.
more specifically, whether (i) the earlier mark must be unique; (ii) a first conflicting use is sufficient to establish detriment to distinctive character; and (iii) detriment to distinctive character requires an effect on the economic behavior of consumers. The Court answered these three questions briefly, as follows: 89

(i) A mark does not need to be unique; a trademark should have a reputation, which means it has distinctiveness, at the very least acquired by use. This means that the Court does not require the mark to be inherently distinctive. The more unique a mark, the greater the likelihood that the use of a later identical or similar mark will be detrimental to its distinctiveness. 90

(ii) In some (unspecified) circumstances, a first use may suffice to cause detriment or to give rise to a serious likelihood of such detriment in the future.

(iii) With respect to the question whether an effect on the economic behavior of a consumer required, the Court said that detriment to the distinctive character of an earlier mark is caused when the mark’s ability to identify the goods or services for which it is registered and used is weakened since use of the later mark leads to dispersion of the earlier mark’s identity and hold on the public mind.

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

C. Evidence of an Effect on Economic Behavior or a Non-Hypothetical Risk

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

In the author’s opinion, however, this view is not correct. This can be based on an argument drawn from the *Intel* decision itself, but that argument does not seem to be correct if we read the more recent *Environmental Manufacturing v. OHIM* decision. The argument is that Paragraph 77 of the *Intel* decision should not be read in isolation. It starts with the words “[i]t follows,” which seems to indicate that what is being said in this paragraph follows from the preceding paragraphs, in which the CJEU, in answering the Court of Appeal’s questions (referred to above in Paragraph 6.2), outlines the factors relevant to assess detriment to distinctiveness. In answer to the specific question of whether detriment to distinctive character requires an effect on the economic behavior of consumers, the Court answered that such detriment is caused when the mark’s ability to identify the goods or services for which it is registered and used is weakened because use of the later mark leads to dispersion of the earlier mark’s identity and hold on the public mind. Thus, read in context, it becomes clear that as long as the owner of the reputed mark can convince a court that use of the later mark leads to dispersion of the identity and hold on the public mind of its mark, this constitutes sufficient proof of a risk of change of the economic behavior of consumers. This reading makes sense. If the distinctiveness of a mark is diluted, the result will be that consumers, when faced with the mark, will no longer make a direct association with the earlier mark, thus influencing their economic behavior by causing them to turn away from the original mark. This is all the trademark owner must prove.

The question, however, is whether the argument outlined above still holds after the recent *Environmental Manufacturing v.*

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91. Environmental Manufacturing v. OHIM, Case C-383/12 (CJEU, Nov. 14, 2013), publication pending.


93. See id.
In that decision the CJEU said that the wording “[i]t follows” in Paragraph 77 of the Intel decision is not merely an explanation of the preceding paragraphs of that decision but is a requirement to establish a change in the economic behavior of the average consumer laying down an objective condition that needs to be fulfilled for a successful case on detriment to distinctiveness. The Court held in Paragraph 37:

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

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

(. . .) the proprietor of the earlier mark is not required to demonstrate actual and present harm to its mark but must, however, adduce prima facie evidence of a future risk, which is not hypothetical, of unfair advantage or detriment, and such a conclusion may be established, in particular, on the basis of logical deductions made from an analysis of the probabilities and by taking account of the normal practice in the relevant

94. Environmental Manufacturing v. OHIM, Case C-383/12 (CJEU, Nov. 14, 2013), publication pending.
95. Id. ¶ 42.
96. Id. ¶ 43.
commercial sector as well as all the other circumstances of the case.97

So, although the Environmental Manufacturing v. OHIM decision seems to require evidence of a change in the economic behavior of the average consumer, or a serious likelihood that such change will occur, as an objective condition, the analysis whether or not such change occurs or will occur depends on all circumstances of the case. In other words, the author believes that the Court warns against a too premature establishment of detriment to distinctiveness. The courts should be convinced that there is a serious risk that the “... mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.”98 In an interesting decision the Federal Supreme Court of Germany decided that detriment to distinctiveness can already occur if the advertisements made by the alleged infringer suggest that there is a commercial relationship between the advertiser and the trademark owner.99

D. Case Law on Detriment to Distinctiveness

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

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

60. In this respect, first, it should be recalled that it cannot indeed be entirely excluded that, in certain cases, the coexistence of earlier marks on the market could reduce the likelihood of confusion which the Opposition Division and the Board of Appeal find exists

97. See Helena Rubinstein & L'Oréal v. OHIM, Case C-100/11 ¶ 95 (CJEU, May 10, 2010), publication pending; such finding can already be found in earlier decisions of the General Court; see, e.g., Spa v. Spafinders, Case T-67/04 ¶ 40, [2005] ECR II-1825 (GC, May 25, 2005).


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

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

- München Court of Appeal, Nov. 25, 1999 [2000] MarkenR 65; use of ALLIANZ for insurance services by a musical group.
- Den Bosch District Court, Sept. 26, 2006, www.ieforum.nl, No. 2659; use of the reputed trade dress of “Red Bull” by another energy drink producer under the name “Bullfighter.”

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

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

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

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

- The Hague Court of Appeal, Sept. 20, 2011, Intellectuele Eigendom en Reclamerecht 2011/72; use of tin for energy drink with picture of bull and word “Toro” is not detrimental to distinctiveness of word and device mark RED BULL.

VII. DETRIMENT TO REPUTATION

A. Detriment to Reputation Generally

The first time the CJEU ruled on the meaning of detriment to reputation was in L’Oréal v. Bellure. In that case, the Court held that detriment to the reputation of a mark, also referred to as tarnishment or degradation, is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trademark’s
power of attraction is reduced. A likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or quality that is liable to have a negative impact on the image of the mark.\textsuperscript{100} The Court followed the opinion of Advocate-General Jacob in \textit{adidas v. Fitnessworld Trading}, in which he stated that:

\textit{(. . .) the concept of detriment to the repute of a trade mark, often referred to as degradation or tarnishment of the mark, describes the situation where—as it was put in the well-known Claeryn/Klarein decision of the Benelux Court of Justice—the goods for which the infringing sign is used appeal to the public’s senses in such a way that the trade mark’s power of attraction is affected. That case concerned the identically pronounced marks Claeryn for a Dutch gin and Klarein for a liquid detergent. Since it was found that the similarity between the two marks might cause consumers to think of detergent when drinking Claeryn gin, the Klarein mark was held to infringe the Claeryn mark.\textsuperscript{101}}

\textbf{B. Case Law on Detriment to Reputation}

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

- Benelux Court of Justice, Mar. 1, 1975 (see note 101); use of KLAREIN for a detergent was considered detrimental to the use of the phonetically identical mark CLAERYN for a Dutch gin.

\textsuperscript{100} See L’Oreal v. Bellure, Case C-487/07 ¶ 40, [2009] ECR I-05185 (CJEU, June 18, 2009).

\textsuperscript{101} Claeryn v. Klarein, Case A 74/1, Jurisprudence of the Benelux Court of Justice 1975, 472 (Benelux Court of Justice, Mar. 1, 1975).

• The Hague District Court, Nov. 9, 2000, Bijblad Industriële Eigendom 2001, 304, use of shampoo bottles imitating the outward appearance of MOËT & CHANDON champagne bottles.

No detriment to reputation was established in the following case:

• The Hague Court of Appeal, Nov. 18, 1999, Bijblad Industriële Eigendom 2001, 58, use of PLUTO for pet food and PLUTO for pet insurance services.

VIII. DEFENSES AND REMEDIES

A. Without Due Cause

The detriment and free-riding provisions in the Directive and CTMR provide that the allegedly infringing use can be opposed only if it is without due cause. Until the CJEU ruled in the Red Bull v. Leidsepleinbeheer case, it was unclear what “due cause” meant. The only thing that was clear was that it was up to the alleged infringer to establish due cause. In Intel v. Intelmark, the Court ruled that when the proprietor of a reputed mark has shown that there is either actual and present injury or a serious risk that such injury will occur in the future, it is then up to the proprietor of the later mark to establish that there is due cause for the use of its mark.102 The Red Bull v. Leidsepleinbeheer case sheds light on the meaning of due cause.103 Under former Benelux law, the Benelux Court of Justice ruled in Claeryn v. Klarein that there is due cause only if the use lies beyond the control of the trademark owner, or an earlier right on the part of the infringing party exists.104 This approach has been followed by OHIM as well as by other IP offices and courts.105

However, from the CJEU decision it becomes clear that this approach is no longer valid. According to the Court the concept of due cause may not only include objectively overriding reasons for using the mark but may also relate to the subjective interests of a

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103. Red Bull v. Leidsepleinbeheer, Case C-65/12, not yet published (CJEU, Feb. 6, 2014).


third party using a sign that is identical or similar to the mark with a reputation. In this particular case the question was whether the circumstance that the alleged infringer already made use of a name similar to the reputed mark for similar products before the rights to that mark were vested could result in a due cause. The Court ruled that the answer should be positive provided that the use of that name for such products was made in good faith. The national court should when assessing such good faith prior use in particular take into account of how that name has been accepted by, and what its reputation is with, the relevant public, the degree of proximity between the goods and services for which that sign was originally used and the product for which the mark with a reputation was registered, and the economic and commercial significance of the use for that product of the sign that is similar to that mark.

In the author’s opinion, the “without due cause” defense will seldom be accepted in detriment cases, which seems to be the majority opinion in literature. Aside from a strictly commercial need to use a particular mark or a right to do so, one can think of situations where the fundamental right to freedom of expression is at stake.

### B. Remedies in Detriment and Free-Riding Cases

When the owner of a reputed mark is confronted with the registration and/or use of a later mark that causes a likelihood of detriment to its mark or that should be considered to take unfair advantage of the earlier mark, he or she has several options. In the event of registration of such a mark, the owner can oppose the application or, once the mark has been registered, request a declaration of invalidity. For a national application or registration, the available remedies will depend on whether the Member State has enacted the option set out in Article 4(4)(a) of the Directive. If the later mark is a CTM, the owner of the earlier reputed mark can oppose the later application on the basis of Article 8(5) of the CTMR or, once the application has been registered, request a declaration of invalidity on the basis of Article 53(1)(a) of the CTMR. A declaration of invalidity will negate the entire CTM, as a result of the unitary character of a CTM as provided for by Article 1 of the CTMR.

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107. For a discussion on the “without due cause” defense in the context of taking unfair advantage of the distinctiveness or reputation of a mark, see Ilanah Simon Fhima & Sir Robin Jacob, Unfair Advantage Law in the European Union § 11.22, in International Dilution Law (Daniel Bereskin ed., 2013).
In the event of dilution or free-riding through the use of a later mark, the owner of the earlier reputed mark can, pursuant to Article 5(2) of the Directive (provided the relevant Member State has enacted the relevant option), prevent the use of the later mark. This means that, under the relevant national laws, the owner can obtain an injunction, the specificities of which will be determined by national procedural law. With respect to non-confusion infringement of a CTM, Article 102(1) of the CTMR provides that where a defendant has infringed or threatened to infringe a CTM, the CTM court shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts that infringed or would infringe the CTM. It should be noted that this is a provision of EU rather than national law. This means that even if the laws of a Member State do not provide for injunctions in cases of threatened infringement, the court of that state will nevertheless have to grant one. The CTM court shall also take such measures in accordance with its national laws as are aimed at ensuring that this prohibition is complied with. These measures will differ from country to country. In some countries, the law provides for fines for violation of a court order or injunction, payable either to the plaintiff (as in the Netherlands) or to the state (as in Germany). In other countries (such as the United Kingdom), violation of a court order is considered contempt of court. The wording “unless there are special reasons for not doing so” in Article 102(1) of the CTMR has given rise to a number of questions. The CJEU held in Nokia v. Wärde 108 that this exception to the general rule that an injunction shall be given effect should be interpreted in accordance with EU law and restrictively. Special reasons do not include the fact that the risk of further infringement or threatened infringement of a CTM is not obvious or is otherwise merely limited. The Court cited as an example of a special reason the situation where, after the commission of the acts in question, an action was brought against the proprietor of the infringed mark, which resulted in the revocation of the latter’s rights.

For all other sanctions for the infringement of a CTM, Article 102(2) of the CTMR refers to national law. It should be noted that Article 103 of the CTMR provides that applications can be made to the competent courts of a Member State to grant provisional relief, including protective measures as may be available under the national laws of such courts.

In detriment and free-riding cases concerning reputed CTMs, the question arises as to whether an injunction against infringing use should, in principle, be issued for the entire territory of the EU and, if not, under which circumstances this should be the case.

Article 1 of the CTMR provides that a CTM shall have equal effect throughout the Community. The fifteenth recital to the CTMR states: “Whereas decisions regarding the validity and infringement of Community trade marks must have effect and cover the entire area of the Community, as this is the only way . . . of ensuring that the unitary character of Community trade marks is not undermined.” On this basis, the CJEU held in DHL Express France v. Chronopost that, in order to ensure uniform protection, a prohibition on further infringement or threatened infringement issued by a competent CTM court must, as a rule, extend to the entire area of the EU. However, the territorial scope of this prohibition may, under certain circumstances, be limited.

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

The CTMR does not provide for criminal sanctions, with the exception of Article 110(2), which states that the CTMR shall not affect the right to bring proceedings under criminal law for the purpose of prohibiting the use of a CTM. Of course, Article 61 of the TRIPS Agreement provides for an obligation to impose criminal sanctions for trademark infringement, but this is left to national law.

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


113. See also Von Mühlendahl, Ohlgart, op. cit., §§ 6, 8; Charles Gielen in Gielen and von Bombard, Concise European Trade Mark and Design Law, CTMR, Art. 98, note 1. This has recently been confirmed by the German Federal Supreme Court (Volkswagen v. Volks. Inspektion, Volks.Reifen & Volks. Werkstatt, Apr. 11, 2013, Case No. I ZR 214/11, publication pending). This court said that an injunction can be granted only for that part of the EU where the CTM enjoys a reputation.