

# The Trademark Reporter®



## The Law Journal of the International Trademark Association

The Siren Song of the Subtle Copycat—Revisiting Trademark Law with Insights from Consumer Research

*Martin Senftleben and Femke van Horen*

Commentary: Response to the Commentary Entitled “The Science of Proving Trademark Dilution”

*Hal Poret*

Book Review: *The Canadian Law of Unfair Competition*. Daniel R. Bereskin

*Julian Bibb*

# INTERNATIONAL TRADEMARK ASSOCIATION

*Powerful Network Powerful Brands*

675 Third Avenue, New York, NY 10017-5704

Telephone: +1 (212) 642-1700

email: [wknnox@inta.org](mailto:wknnox@inta.org)

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# The Trademark Reporter®

## THE SIREN SONG OF THE SUBTLE COPYCAT— REVISITING TRADEMARK LAW WITH INSIGHTS FROM CONSUMER RESEARCH

*By Martin Senftleben\* and Femke van Horen\*\* \*\*\**

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\* Ph.D.; Professor of Intellectual Property Law and Director, Institute for Information Law (IViR), Amsterdam Law School, University of Amsterdam; Of Counsel, Bird & Bird, The Hague.

\*\* Ph.D.; Associate Professor, Marketing Department, School of Business and Economics, Vrije Universiteit Amsterdam.

\*\*\* The authors contributed equally to this work.

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## I. INTRODUCTION

The architecture of trademark protection systems rests on the assumption that brand imitation strategies are particularly harmful when they seek to achieve a high level of similarity by copying specific trademarked features of the original brand. Marketing research, however, shows that this assumption is doubtful. Subtle, theme-based imitation strategies—aiming at a modest degree of similarity—may allow copycats to garner greater profits and manipulate consumers' purchasing decisions. Like an enchanting siren song, they may lure customers away from the original products of brand owners. Against this background, the question arises whether trademark law should be recalibrated.

To lay groundwork for this discussion, the following Part II outlines central functions of trademarks in today's market economy before describing, on the basis of EU trademark law, the traditional approach to copycat strategies from a marketing and legal perspective in Parts III and IV. Introducing insights from recent marketing research, Part V explains why subtle, theme-based strategies may be more harmful than blatant, feature-based copying. Part VI places this insight in a legal context. Contrasting the empirical findings of marketing research with traditional assessment schemes in EU trademark law, it becomes apparent that there is a remarkable mismatch between legal theory and market reality. Current trademark provisions are not aligned with "real life" consumer perception. As a result, copycats with a subtle imitation strategy remain under the radar of applicable infringement tests.

In Part VII, this dilemma is taken as a starting point to discuss the need for reforms. On the one hand, it may be argued that trademark law allows copycats with subtle imitation strategies to exploit the positive associations triggered by a known original brand and take unfair advantage of this brand's reputation. On the other hand, the mere imitation of general themes and style elements of an original brand in an endeavor to offer a valid product alternative may enhance consumer choice and intensify competition. Navigating between these two poles—trademark protection on the one hand and freedom of competition on the other—Part VIII provides recommendations for the further development of trademark law. Concluding remarks follow in Part IX.

## II. TRADEMARK FUNCTIONS

Similar to trademark systems in other regions, EU trademark law serves as a legal tool to safeguard fair competition by offering protection for signs identifying a single commercial source. When enterprises invest in the development of unique trade dress (e.g.,

word marks, logos, and/or non-functional,<sup>1</sup> distinctive package design) to distinguish their goods and services from those of competitors,<sup>2</sup> they can rely on the exclusive rights granted in trademark law.<sup>3</sup> In principle, the enterprise making the investment and obtaining trademark rights is the only market participant that is entitled to employ the protected sign as a badge of origin. On the one hand, this protection mechanism allows trademarks to create clarity about the commercial origin of goods and services in the marketplace and prevent consumer confusion (see Part II.A below). On the other hand, it offers a basis for investment in the creation of a valuable brand image (see Part II.B below).

### *A. Reliable Indication of Commercial Origin*

According to traditional trademark theory, it is the very purpose of trademark law to ensure market transparency by offering protection for indicators of the commercial origin of goods and services.<sup>4</sup> This basic concept offers important benefits for consumers. The Court of Justice of the European Union (“CJEU”) refers to

the essential function of the trade mark, which is to guarantee the identity of the origin of the trade-marked product to the consumer or final user by enabling him to distinguish without any possibility of confusion between that product and products which have another origin.<sup>5</sup>

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<sup>1</sup> As to the exclusion of so-called “functional” signs from trademark protection, see Article 7(1)(e) of the EUTMR and Article 4(1)(e) of the TMD. See also CJEU, June 18, 2002, case C-299/99, Philips/Remington, para. 82; CJEU, September 14, 2010, case C-48/09 P, Lego/OHIM (Mega Brands), paras. 45 and 53-58; CJEU, September 18, 2014, case C-205/13, Hauck/Stokke, paras. 19-20; CJEU, April 23, 2020, case C-237/19, Gömböc, paras. 50-51. For a discussion of the functionality doctrine in EU trademark law, see also A. Kur, *Too Pretty to Protect? Trade Mark Law and the Enigma of Aesthetic Functionality*, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 11-16, Munich: Max Planck Institute 2011.

<sup>2</sup> As to the practice of creating distinctive trademark experiences, see K.L. Keller, *Conceptualizing, measuring, and managing customer-based brand equity*, 57 J. Mktg. 1-22 (1993).

<sup>3</sup> Under EU law, these rights are set out in Article 9(2) of the EUTMR; Article 10(2) of the TMD. See also the analysis of these rights in A. Kur & M.R.F. Senftleben, *European Trade Mark Law—A Commentary* (Oxford: Oxford University Press 2017), paras. 5.01-5.272.

<sup>4</sup> For an overview of trademark functions, pointing out the traditional focus on identification and distinction functions and discussing extensions with regard to communication, investment, and advertising functions, see Kur & Senftleben, *supra* note 3, paras. 1.06-1.39; R. Keim, *Der markenrechtliche Tatbestand der Verwechslungsgefahr* (Baden-Baden: Nomos 2009), 37-61.

<sup>5</sup> For an early use of this formula, see CJEU, December 3, 1981, case C-1/81, Pfizer v. Eurim-Pharm, para. 8. As to the reappearance of the same formula in later judgments, see particularly CJEU, November 12, 2002, case C-206/01, Arsenal/Reed, para. 48. *Cf. I.*

In order to safeguard the exclusive relationship between a trademark and its owner, trademark law protects signs capable of guaranteeing the commercial origin of the goods and services offered under those signs. In this way, it ensures fair competition, protects consumers against confusion, and contributes to the proper functioning of market economies by allowing consumers to clearly express their preference for a particular product or service. From an economic perspective, it can be added that the clear indication of the commercial origin of goods and services reduces consumers' search costs. It enables consumers to identify branded products quickly on the shelf in the clutter of the shopping environment.<sup>6</sup>

The legal certainty resulting from the grant of exclusive trademark rights has important ramifications in practice. To allow trademarks to convey reliable information on the commercial origin of goods or services, the trademark owner is entitled to prevent use of identical or similar signs by unauthorized third parties where such use could lead to confusion. EU trademark law grants this type of protection in Article 10(2)(b) of the EU Trade Mark Directive ("TMD")<sup>7</sup> and Article 9(2)(b) of the EU Trade Mark Regulation ("EUTMR").<sup>8</sup> As a result, only the enterprise holding trademark rights is entitled to convey information to consumers via the trademark in market segments that fall within the scope of protection.<sup>9</sup>

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Simon Fhima, *How Does 'Essential Function' Doctrine Drive European Trade Mark Law?*, 36 *Int'l Rev. Intell. Prop. & Comp.* 401 (2005).

- <sup>6</sup> With regard to the search costs argument, see A. Griffiths, *A Law-and-Economic Perspective on Trade Marks*, in *Trade Marks and Brands—An Interdisciplinary Critique* (L. Bently, J. Davis & J.C. Ginsburg eds., Cambridge: Cambridge University Press 2008), 241; M. Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context*, 10 *Fordham Intell. Prop. Media & Ent. L. J.* 375, 379-382 (2000). With regard to questions arising in the digital environment, see A. Moerland, *New Trade Mark Uses in the Fourth Industrial Revolution: Virtual and Augmented Realities*, in *Intellectual Property Law and the Fourth Industrial Revolution* (C. Heath, A. Kamperman Sanders & A. Moerland eds., Alphen aan den Rijn, Wolters Kluwer 2020), 163-98; M.R.F. Senftleben, *Keyword Advertising in Europe—How the Internet Challenges Recent Expansions of EU Trademark Protection*, 27 *Conn. J. Int'l L.* 39-74 (2012-2012); S.L. Dogan & M.A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 *Houston L. Rev.* 777 (2004).
- <sup>7</sup> Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, *Official Journal* 2015 L 336, 1.
- <sup>8</sup> Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification), *Official Journal* 2017 L 154, 1.
- <sup>9</sup> However, see also the limitations of trademark rights in Article 14 of the TMD and Article 14 of the EUTMR, which, under specific circumstances, offer room for unauthorized use by third parties. For an overview, see Kur & Senftleben, *supra* note 3, paras. 6.09-6.70.



### *B. Basis for Investment in the Creation of a Brand Image*

The described exclusive relationship between the trademark owner and the protected sign offers room for the strategic transformation of trademarks into powerful communication tools. Through investment in advertising, the trademark owner can use the exclusive communication channel resulting from the grant of trademark rights to add messages that are unrelated to the underlying objective of ensuring accurate information about the commercial source of goods or services. In particular, an enterprise can start advertising campaigns to educate consumers to associate a certain attitude or lifestyle with the trademark.<sup>10</sup> The moment a trademark “speaks” to consumers about a particular image that can be associated with the trademarked product, consumers no longer simply buy products from a particular source. They also buy the respective “brand image” and may be willing to pay significantly higher prices to enjoy the “brand experience” evoked by the trademark.<sup>11</sup> Not surprisingly, enterprises spend significant resources on the establishment of strong, favorable, and unique brand associations.<sup>12</sup>

The exclusive rights necessary to ensure protection of consumers against confusion can also protect the investment made in the creation of an attractive brand image. The entitlement of the trademark owner to prevent consumer confusion helps safeguard

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<sup>10</sup> See J.E. Schroeder, *Brand Culture: Trade Marks, Marketing and Consumption*, in *Trade Marks and Brands—An Interdisciplinary Critique* (L. Bently, J. Davis & J.C. Ginsburg eds., Cambridge: Cambridge University Press 2008), 161.

<sup>11</sup> See A. Peukert, *Vom Warenzeichen zum Markeneigentum. Ein polanyischer Erklärungsversuch*, in *Marktkommunikation zwischen Geistigem Eigentum und Verbraucherschutz. Festschrift für Karl-Heinz Fezer zum 70. Geburtstag* (W. Büscher, J. Glöckner, A. Nordemann, C. Osterrieth & R. Rengier eds., Munich: C.H. Beck 2016), 405, 415-418 & 421-422; D.S. Gangjee, *Property in Brands: the Commodification of Conversation*, in *Concepts of Property in Intellectual Property Law* (H.R. Howe & J. Griffiths, eds., Cambridge: Cambridge University Press 2013), 29 (43-47); M.R.F. Senftleben, *The Trademark Tower of Babel—Dilution Concepts in International, US and EC Trademark Law*, 40 *Int'l Rev. of Intell. Prop. & Comp. L.* 45, 48-49 (2009); L. Bently, *From Communication to Thing: Historical Aspects of the Conceptualisation of Trade Marks as Property*, in *Trademark Law and Theory: A Handbook of Contemporary Research* (G.B. Dinwoodie & M.D. Janis eds., Cheltenham: Edward Elgar 2008), 3 (15-41); R.G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 *Bos. U. L. Rev.* 547, 549 (2006); K.H. Fezer, *Entwicklungslinien und Prinzipien des Markenrechts in Europa—Auf dem Weg zur Marke als einem immaterialgüterrechtlichen Kommunikationszeichen*, *Gewerblicher Rechtsschutz und Urheberrecht* 2003, 457, 461-62; G.S. Lunney, *Trademark Monopolies*, 48 *Emory L. J.* 367, 437-39 (1999); M.A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 *Yale L. J.* 1687, 1694-98 (1999); R.S. Brown, *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 108 *Yale Law J.* 1619, 1619-20 (1999); R.C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 *Notre Dame L. Rev.* 397, 397-98 (1990).

<sup>12</sup> See J. Aaker, *The negative attraction effect? A study of the attraction effect under judgment and choice*, 18 *Advances in Consumer Rsch.* 462-69 (1991); Keller, *supra* note 2, 1-22.

the exclusive relationship with the trademark. It provides security for substantial investment in the communication of a particular brand image and experience to consumers. A World Trade Organization (“WTO”) panel dealing with the protection of trademarks and geographical indications for agricultural products and foodstuffs in Europe described this protection reflex as follows:

The function of trademarks can be understood by reference to Article 15.1 [of the TRIPS Agreement] as distinguishing goods and services of undertakings in the course of trade. Every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. Taking account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark arising from the reputation that it enjoys and the quality that it denotes.<sup>13</sup>

### III. COPYCAT STRATEGIES FROM A MARKETING PERSPECTIVE

Given the economic value of an attractive brand and its considerable impact on consumers’ purchasing decisions, it is not surprising that competitors seek to create a product that comes close to inducing the brand experience developed by the trademark owner. In this respect, marketing research offers important insights.

First, trade dress similarity can cause a transfer of positive associations, due to the way concepts and categories are represented in the memory of consumers. Brands are represented in memory as a network of connected associations, consisting of attributes, benefits, and attitudes.<sup>14</sup> As information is encoded in memory in nodes, in which each node represents a concept that links with other, related concepts,<sup>15</sup> activation of a product attribute in the

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<sup>13</sup> See WTO Panel, March 15, 2005, WTO Document WT/DS174/R, European Communities—Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs, para. 7.664, based on a complaint by the United States. See also M.R.F. Senftleben, *Towards a Horizontal Standard for Limiting Intellectual Property Rights?—WTO Panel Reports Shed Light on the Three-Step Test in Copyright Law and Related Tests in Patent and Trademark Law*, 37 Int’l Rev. Intell. Prop. and Competition L. 407 (2006).

<sup>14</sup> See D.R. John, B. Loken, K. Kim, and A.B. Monga, *Brand concept maps: A methodology for identifying brand association networks*, 43 J. Mkt. Rsch. 549-563 (2006); Keller, *supra* note 2, 1-22.

<sup>15</sup> See J.R. Anderson, *A Spreading Activation Theory of Memory*, 22 J. Verbal Learning & Verbal Behavior, 261-95 (1983); A.M. Collins & E.F. Loftus, *A spreading-activation theory of semantic processing*, 82 Psych. Rev. 407-428 (1975).

memory network can lead to a recall of associated product attributes and benefits. Thus, when the copycat product imitates trade dress aspects that are strongly associated with the original brand, consumer exposure to the copycat product will mentally unlock knowledge about the original brand. The likely result is a transfer of the brand knowledge and associations.<sup>16</sup> Some research dating back to 1986 has indeed demonstrated that products with a different commercial origin but similar packaging and brand names were rated as similar in quality and perceived performance, which, in turn, positively affected the evaluation of the copycat product.<sup>17</sup>

Second, besides brand knowledge transfer, similarity can activate metacognitive interpretations of feelings.<sup>18</sup> One such metacognitive feeling is familiarity, from which people infer that something is known or remembered. Feelings of familiarity often occur after “mere exposure.”<sup>19</sup> The mere exposure effect refers to the finding that repeated observation of a certain object, even when subliminal, affects the valuation of the object. The theory posits that mere exposures generate a feeling of familiarity, which increases the evaluation of the product, as these exposures are misinterpreted as positive characteristics of the product itself.<sup>20</sup> For instance, due to higher exposure, people prefer letters in their own name to other letters in the alphabet and have a preference for brand names starting with one’s name initials.<sup>21 22</sup>

Another such metacognitive feeling activated through similarity involves the subjective experience of fluency. People sometimes base their judgment on the *ease* with which information is being processed or retrieved from memory, which gives rise to a positive affective reaction.<sup>23</sup> For instance, research showed that when the

<sup>16</sup> See C. Pullig, C.J. Simmons & R.G. Netemeyer, *Brand dilution: When do new brands hurt existing brands?*, 82 J. Mktg. 52-66 (2006).

<sup>17</sup> See J. Ward, B. Loken, I. Ross, & T. Hasapopoulos, *The influence of physical similarity on generalization of affect and attribute perceptions from national brands to private label brands*, American Marketing Educators’ Conference, 51-56 (1986).

<sup>18</sup> See L. Jacoby, C. Kelley, & J. Dywan, *Memory attributions*, in *Varieties of Memory and Consciousness: Essays in Honour of Endel Tulving* (Roediger III and Craik ed., Psychology Press, New York, 1989), 391-422; R.E. Petty, P. Briñol, Z.L. Tormala, & D.T. Wegener, *The role of meta-cognition in social judgment*, in *Social Psychology: A Handbook of Basic Principles* (Higgins and Kruglanski, 2d ed., Guilford Press, New York, 2007), 254-84.

<sup>19</sup> R.B. Zajonc, *Attitudinal Effects of Mere Exposure*, 9 J. Personality & Soc. Psych. 1-27 (1968).

<sup>20</sup> See C. Janiszewski, *Preattentive Mere Exposure Effects*, 20 J. Consumer Rsch. 376-92 (1993).

<sup>21</sup> B.W. Pelham, M.C. Mirenberg, & J.T. Jones, *Why Susie Sells Seashells by the Seashore: Implicit Egotism and Major Life Decisions*, 82 J. Personality & Soc. Psych. 469-87 (2002).

<sup>22</sup> See G. Hodson & J.M. Olson, *Testing the Generality of the Name Letter Effect: Name Initials and Everyday Attitudes*, 31 Personality & Soc. Psych. Bull., 1099-111 (2005).

<sup>23</sup> See N. Schwarz, *Metacognitive Experiences in Consumer Judgment and Decision Making*, 14 J. Consumer Psych., 332-48 (2004); N. Schwarz, H. Bless, F. Strack, G.

exact same information about two smartphones is presented in an easy-to-read font (e.g., Arial font), only 17% of the participants postpone their choice, whereas 41% do so when the font is difficult to read (e.g., *Mistral* font). Apparently, participants misread the difficulty arising from the print font as reflecting the difficulty of making a choice.<sup>24</sup>

Proceeding on the assumption that consumers have been repeatedly exposed to the similar trade dress of the original brand in the past, the packaging of the copycat product seeking to come as close as possible to the original brand will come across as familiar and will be processed more fluently, which will give rise to a positive feeling, resulting in a more positive evaluation. Thus, higher similarity is likely to lead to higher accessibility of positive knowledge of the original brand and increased feelings of familiarity and fluency, both resulting in a more positive evaluation of the copycat product. The above reasoning would indicate that evaluation uniformly increases when more aspects of the trade dress are imitated, especially when those aspects are strongly and uniquely related to the original brand.

#### IV. COPYCAT STRATEGIES FROM A TRADEMARK LAW PERSPECTIVE

The configuration of EU trademark law reflects the assumption following from the described psychological theories: the more trade dress aspects are imitated, the larger the benefits for copycats. As long as the trademark owner is capable of preventing other traders from using identical or similar signs for identical or similar goods or services, it is possible to guarantee the clear identification of different offers in the marketplace and prevent consumer confusion.<sup>25</sup> This basic maxim—the focus on identical or similar conflicting signs—is central to trademark protection against confusion. However, the same maxim has been followed when EU trademark protection was supplemented with additional protection for trademarks with a reputation.<sup>26</sup> This enhanced protection—which is the preserve of reputed marks that convey not only origin information but also the aforementioned more complex lifestyle messages—is available in the absence of a risk of consumer

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Klumpp, H. Rittenauer-Schatka, and A. Simons, *Ease of Retrieval as Information: Another Look at the Availability Heuristic*, 61 *J. Personality & Soc. Psych.*, 195-202 (1991).

<sup>24</sup> See N. Novemsky, R. Dhar, N. Schwarz, & I. Simonson, *Preference Fluency in Choice*, 44 *J. Mktg. Rsch.*, 347-356 (2007).

<sup>25</sup> Cf. CJEU, June 18, 2009, case C-487/07, *L'Oréal/Bellure*, para. 59. For a more detailed discussion of this type of trademark protection, see Kur & Senftleben, *supra* note 3, paras. 5.105-5.110.

<sup>26</sup> Cf. Kur/Senftleben, *supra* note 3, paras. 5.182-5.192.

confusion.<sup>27</sup> Article 10(2)(c) of the TMD and Article 9(2)(c) of the EUTMR entitle the proprietor of a reputed mark to prevent competitors—using a sign “identical with, or similar to” the protected mark—from damaging the distinctive character of the mark (“blurring”), damaging the mark’s repute (“tarnishment”), and taking unfair advantage of the mark’s distinctive character or repute (“unfair free-riding”).<sup>28</sup> Whereas blurring and tarnishment concern cases where detriment is caused to the reputed mark, the free-riding action focuses on parasitic marketing strategies that seek to benefit from the investment made promoting and developing the attractive brand image of the reputed mark. The CJEU refers to

cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.<sup>29</sup>

As the following analysis will show, both types of trademark protection—protection against confusion (Part IV.A) and protection of reputed marks against blurring, tarnishment, and unfair free-riding (Parts IV.B to IV.E)—leave room for subtle copycat strategies because of the focus on the copying of concrete brand insignia—signs that are identical with, or similar to, the protected marks of brand owners (Part IV.F). Subtle forms of imitation, however, may comprise copycat products showing moderate as compared with high degrees of similarity, or products that only imitate the themes and general style elements of the reputed brand—for example, the freshness of Alpine milk communicated by the MILKA brand, as compared with specific distinctive features, for example, the color purple used by the MILKA brand.

### **A. Protection Against Confusion**

From the perspective of the legal objective to prevent consumer confusion, it is sufficient to focus on the rather defensive aim of preventing copycats from use of conflicting signs that would interfere with the basic origin function. If the prevention of confusing use is regarded as the core rationale of protection,<sup>30</sup>

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<sup>27</sup> See CJEU, June 18, 2009, case C-487/07, *L’Oréal/Bellure*, para. 36.

<sup>28</sup> See *id.*, paras. 39-41. Cf. M.R.F. Senftleben, *Adapting EU Trademark Law to New Technologies—Back to Basics?*, in *Constructing European Intellectual Property* (C. Geiger ed., Cheltenham: Edward Elgar 2013), 137, 152.

<sup>29</sup> See CJEU, June 18, 2009, case C-487/07, *L’Oréal/Bellure*, para. 41.

<sup>30</sup> For an alternative view, emphasizing the attention devoted to the trademark owner’s interest in exploiting brand value in the context of protection against confusion, see T. Cohen Jehoram & H. Van Helden, *Bekend, bekender, bekendst: Goodwill-bescherming van merken*, in *In Varietate Concordia? National and European Trademarks Living Apart Together* (Benelux Office for Intellectual Property ed., The Hague: Benelux Office for Intellectual Property 2011), 111; M. Buydens, *Pouvoir distinctif de la marquee et risque de confusion: larvatus prodeo?*, in *In Varietate Concordia? National and European*

trademark rights are to be granted only if use of a conflicting sign is likely to cause confusion.<sup>31</sup> This confusion-centric, “minimalist” approach offers considerable room for subtle copycat marketing. As long as a copycat avoids direct imitations of brand insignia—the use of signs or features that are identical or similar to a trademark from an aural, visual, or conceptual perspective<sup>32</sup>—it can escape the verdict of trademark infringement. If the copycat does not cause direct or indirect confusion by giving the impression that its goods “come from the same undertaking or, as the case may be, from economically-linked undertakings,”<sup>33</sup> it stays under the radar of trademark infringement provisions seeking to ensure protection against confusion.

Practically speaking, subtle copycat strategies—in the sense of imitation strategies that refrain from the use of signs that are confusingly similar to trademarks of the original brand owner—remain unaffected. If a copycat only imitates general themes and style elements—the general “look and feel”—of the trademark owner’s branding, it hardly ever runs the risk of being confronted with a successful trademark infringement claim based on confusion. To have success, the trademark owner would have to show that the copycat used an identical or similar version of the very sign that the trademark owner defined clearly and precisely in its trademark registration(s).<sup>34</sup> Hence, trademark protection against confusion offers trademark owners only a limited arsenal of infringement arguments to demotivate copycats from using subtle imitation strategies. In principle, protection against confusion gives trademark proprietors only limited power to control the use of general trade dress elements, such as the aforementioned general

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Trademarks Living Apart Together (Benelux Office for Intellectual Property ed., The Hague: Benelux Office for Intellectual Property 2011), 33; A.A. Quaedvlieg, *Verwaterd of verward, een kwestie van bekendheid?*, in *Een eigen, oorspronkelijk karakter—Opstellen aangeboden aan prof. mr. Jaap H. Spoor* (D.J.G. Visser & D.W.F. Verkade eds., Amsterdam: DeLex 2007), 275.

<sup>31</sup> Cf. Recital 16 of the TMD: “The likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods or services identified, should constitute the specific condition for such protection.”

<sup>32</sup> See CJEU, November 11, 1997, case C-251/95, Puma/Sabel, para. 23. Kur & Senftleben, *supra* note 3, paras. 4.337 and 5.106.

<sup>33</sup> See CJEU, April 10, 2008, case C-102/07, Adidas/Marca, para. 34.

<sup>34</sup> See Article 3 of the TMD; Article 4 of the EUTMR. As to the infringement test, see Kur & Senftleben, *supra* note 3, para. 5.108. As to the requirement of a clear and precise representation of protected signs in the trademark register, see M.R.F. Senftleben, *Signs Eligible for Trademark Protection—Dysfunctional Incentives and a Functionality Dilemma in the EU*, in *Cambridge Handbook on International and Comparative Trademark Law* (I. Calboli & J.C. Ginsburg eds., Cambridge: Cambridge University Press 2020), 209 (211-212).

themes or style elements that form the basis of subtle copycat strategies.

***B. Protection Against Blurring, Tarnishment,  
and Unfair Free-Riding***

As already indicated, current EU trademark law and practice go beyond the described basic protection of trademarks against confusion. The CJEU takes as a starting point that it is the essential function of a trademark to guarantee to consumers the origin of trademarked products and that it is the central task of trademark law to prevent any possibility of consumer confusion by protecting this essential origin function.<sup>35</sup> In *L'Oréal/Bellure*, however, the CJEU broadened the circle of protected trademark functions considerably by holding:

These functions include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.<sup>36</sup>

Hence, the Court expressly recognized brand image protection as an independent objective of EU trademark law.<sup>37</sup> Communication, investment, and advertising functions are typically fulfilled by marks with a reputation: marks with a strong brand image capable of conveying general themes and lifestyle messages that are the result of substantial investment in advertising. Naturally, these are the marks that are most prone to imitation by copycats. Protection

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<sup>35</sup> For an early use of this formula, see CJEU, December 3, 1981, case C-1/81, *Pfizer/Eurim-Pharm*, para. 8. As to the reappearance of the same formula in later judgments, see particularly CJEU, November 12, 2002, case C-206/01, *Arsenal/Reed*, para. 48. cf. Simon Fhima, *supra* note 3, 401.

<sup>36</sup> See CJEU, June 18, 2009, case C-487/07, *L'Oréal/Bellure*, para. 58.

<sup>37</sup> See Kur & Senftleben, *supra* note 3, paras. 1.20-1.39. For a positive assessment of this development, see H. Sun, *Reforming Anti-Dilution Protection in the Globalization of Luxury Brands*, 45 *Georgetown J. Int'l L.* 783, 794-795 (2014); A. Griffiths, *Quality in European Trade Mark Law*, 11 *Nw. J. Tech. & Intell. Prop.* 621, 635-637 (2013); A.A. Machnicka, *The Perfume Industry and Intellectual Property Law in the Jurisprudence of the Court of Justice of the European Union and of National Courts*, 43 *Int'l Rev. Intell. Prop. & Comp. L.* 123, 138-139 (2012). For critical comments, see Peukert, *supra* note 10, 415-18; I. Simon Fhima, *Trade Mark Law and Advertising Keywords*, in *Research Handbook on EU Internet Law* (A. Savin & J. Trzaskowski eds., Cheltenham: Edward Elgar 2014), 143 (161); Gangjee, *supra* note 10, 43-47; A. Banerjee, *Non-Origin Infringement—Has Trade Mark Law Gone Too Far?*, 43 *Int'l Rev. Intell. Prop. & Competition L.* 555 (2012); M.R.F. Senftleben, *Trade Mark Protection—A Black Hole in the Intellectual Property Galaxy?*, 42 *Int'l Rev. Intell. Prop. & Competition L.* 383 (2011); V. Vanovermeire, *Inschrijving als merk van een in het publiek domain gevallen werk*, in *Le Cumul des droits intellectuels* (A. Cruquenaire/S. Dusollier eds., Brussels: Larcier 2009), 177, 187-188; Senftleben, *supra* note 10, 48-49; Brown, *supra* note 10, 1619-20; Dreyfuss, *supra* note 10, 397-98.

of a trademark's communication, investment, and advertising functions is protection of the attractive brand image that the trademark owner created and the brand communication based on this image.<sup>38</sup>

This development has a profound impact on the assessment of copycat strategies. Protection of trademarks with a reputation is not primarily concerned with preventing consumer confusion. It aims at safeguarding the trademark's communication, investment, and advertising functions and seeks to protect the brand magnetism described as a unique "distinctive character" and "repute" in EU trademark law.<sup>39</sup> More specifically, Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD offer protection against the use of copycat signs that are identical with, or similar to, the trademark with a reputation where use of the copycat sign "without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark." Going beyond the focus on dissimilar goods and services in Article 16(3) of Agreement on the Trade-Related Aspects of Intellectual Property Rights (the "TRIPS Agreement"), EU trademark law makes this protection against blurring ("... is detrimental to the distinctive character"), tarnishment ("... is detrimental to [...] the repute"), and unfair free-riding ("... takes unfair advantage")<sup>40</sup> available across all market segments, including goods and services that are identical or similar. Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD state clearly that trademarks with a reputation enjoy protection irrespective of whether the conflicting sign is used in relation to goods or services which are "identical with, similar to or not similar to those for which the [trademark] is registered."

Prior to the adoption of the current infringement provisions, the CJEU already had clarified in *Davidoff/Gofkid* that, even though the infringement provisions in force at the time made express reference only to dissimilar goods and services, protection against blurring, tarnishment and unfair free-riding had to be granted, *a fortiori*, also in relation to use of a conflicting sign in the area of

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<sup>38</sup> Cf. Peukert, *supra* note 10, 421-22; K.H. Fezer, *Entwicklungslinien und Prinzipien des Markenrechts in Europa—Auf dem Weg zur Marke als einem immaterialgüterrechtlichen Kommunikationszeichen*, Gewerblicher Rechtsschutz und Urheberrecht 2003, 457. J. Moskin, *Victoria's Big Secret: Wither Dilution Under the Federal Dilution Act*, 93 TMR 842-844 (2004). Pages 843-84 refer to "the expansion of trademark rights from a tort-based theory preventing direct diversion of sales between competitors to a broader set of rights resting on a recognition that trademarks themselves possess economic value."

<sup>39</sup> See Article 10(2)(c) of the TMD; Article 9(2)(c) of the EUTMR. See CJEU, June 18, 2009, case C-487/07, L'Oréal/Bellure, paras. 39-41.

<sup>40</sup> For a definition of the blurring, tarnishment, and unfair free-riding injury, see CJEU, June 18, 2009, case C-487/07, L'Oréal/Bellure, paras. 39-41. Cf. Kur & Senftleben, *supra* note 3, paras. 5.231-5.249.



identical or similar goods or services.<sup>41</sup> Therefore, the reference to identical, similar, and dissimilar goods and services in the present text of Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD is a formal recognition of the state of the law that had already been reached under the previous statutes.<sup>42</sup> With regard to copycat scenarios, this development in EU trademark law is of particular interest. As copycat strategies typically concern identical or similar goods or services, clarity as to the availability of protection in this area is important.

### *C. Requirement of a Sufficient “Link”*

As already indicated, the particular distinctive character or repute of a trademark with a reputation may be harmed or unfairly exploited without causing a risk of confusion. The mere allusion to the mark with a reputation can be sufficient. Accordingly, the CJEU adopted an elastic association test in *Adidas/Fitnessworld* that sets a relatively low threshold for trademark infringement actions in the area of marks with a reputation. In line with this ruling, already a faint or remote degree of similarity between the copycat sign and the reputed mark can offer a sufficient basis for a finding of infringement,<sup>43</sup> provided the trademark proprietor succeeds in demonstrating an act of blurring, tarnishment, or unfair free-riding.<sup>44</sup> It is not decisive whether the association evoked by the copycat product leads the consumer to assume an economic connection with the trademark owner. The Court explained in this respect that infringements are:

the consequence of a certain degree of similarity between the mark [registered by the brand owner] and the sign [used by the copycat], by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them.<sup>45</sup>

Hence, there is no need to demonstrate a degree of similarity capable of causing a risk of confusion. A mere “connection between the sign and the mark” in the minds of consumers is sufficient. While the CJEU held in *Puma/Sabèl* that association in the strict sense of merely “calling to mind the memory of the mark” was not

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<sup>41</sup> CJEU, January 9, 2003, case C-292/00, *Davidoff/Gofkid*, para. 30; CJEU, October 23, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 18-22; CJEU, April 10, 2008, case C-102/07, *Adidas/Marca*, para. 37.

<sup>42</sup> See Kur & Senftleben, *supra* note 3, para. 5.214.

<sup>43</sup> See CJEU, October 23, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 31.

<sup>44</sup> See CJEU, June 18, 2009, case C-487/07, *L’Oréal/Bellure*, paras. 36-38.

<sup>45</sup> See CJEU, October 23, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 29.

sufficient in the area of protection against confusion,<sup>46</sup> this association in the strict sense—also described as a “mere association which the public might make between two trade marks as a result of their analogous semantic content”<sup>47</sup>—is in itself sufficient for invoking protection against blurring, tarnishment, and unfair free-riding under Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD.<sup>48</sup> When the consumer establishes this loose “link” between the copycat sign and the reputed mark, this provides a sufficient basis for an infringement action seeking to protect the highly distinctive character and repute of marks with a reputation.<sup>49</sup>

Despite the relaxation of the similarity requirement, however, the fact remains that the link that the copycat sign triggers in the minds of consumers must concern the protected sign as a trademark. In *Adidas/Fitnessworld*, the CJEU explained in this respect that, even if the public views the copycat sign as a decorative element, protection against blurring, tarnishment, and unfair free-riding is still available “where the degree of similarity is nonetheless such that the relevant section of the public establishes a link between the [copycat] sign and the [reputed] mark.”<sup>50</sup> However, the Court also indicated the limits of protection:

By contrast, where, according to a finding of fact by the national court, the relevant section of the public views the sign purely as an embellishment, it necessarily does not establish any link with a registered mark. That therefore means that the degree of similarity between the sign and the mark is not sufficient for such a link to be established.<sup>51</sup>

Under the aegis of the CJEU, it has also become established case law that the existence of the required link must—just like a likelihood of confusion when protection against confusingly similar signs is sought—“be appreciated globally, taking into account all factors relevant to the circumstances of the case.”<sup>52</sup> As a result, a broad range of impact factors enters the equation. For instance, it may play a role that copycat scenarios typically concern goods or services that are identical or very similar to those that the trademark owner offers in the marketplace. The brand imitation strategy thus concerns a market segment in which, considering the activities of the trademark owner, consumers are likely to establish a link with the reputed trademark. The degree of reputation also

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<sup>46</sup> See CJEU, November 11, 1997, case C-251/95, *Puma/Sabel*, paras. 16-26 and operative part.

<sup>47</sup> See CJEU, *id.*, para. 26 and operative part.

<sup>48</sup> See *Kur & Senftleben*, *supra* note 3, para. 5.215.

<sup>49</sup> See Article 9(2)(c) of the EUTMR; Article 10(2)(c) of the TMD.

<sup>50</sup> See CJEU, October 23, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 39.

<sup>51</sup> See *id.*, para. 40.

<sup>52</sup> See *id.*, para. 30; CJEU, April 10, 2008, case C-102/07, *Adidas/Marca*, paras. 29 and 42.

constitutes a relevant factor. Arguably, the stronger the reputation of the trademark, the easier it will be for consumers to make a connection and identify imitated brand features as an allusion to the protected trademark, instead of perceiving them as purely decorative elements. Discussing infringement claims based on unfair free-riding, the CJEU described a broad spectrum of assessment factors in *Specsavers/Asda*. The Court referred to:

a global assessment, taking into account all the factors relevant to the circumstances of the case, which include the strength of the mark's reputation and the degree of distinctive character of the mark, the degree of similarity between the marks at issue and the nature and degree of proximity of the goods or services concerned.<sup>53</sup>

Providing guidance as to the application of these assessment criteria, the CJEU concluded in the light of the facts established by the national court that the similarity between the trademarks of the Specsavers group and the signs used by Asda had been created intentionally in order to create an association in the mind of the public between the two trade signs.<sup>54</sup> In particular, the Court attached importance to the fact that Asda had used a color similar to the shade of green used by the Specsavers group.<sup>55</sup> Use of a similar color scheme to establish a link with the reputed brand thus played a decisive role.

#### ***D. Blurring and Evidence of a Change in Consumer Behavior***

Once the gatekeeper requirement of a sufficient link has been satisfied, the further question arises whether the trademark owner can provide evidence of one of the injuries falling within the scope of Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD: the trademark owner must demonstrate blurring, tarnishment, or unfair free-riding.<sup>56</sup> As the CJEU pointed out in *L'Oréal/Bellure*, the existence of a link in the mind of the public constitutes a condition that is "necessary but not, of itself, sufficient" to establish the existence of one of the types of injury against which Article 9(2)(c) of the EUTMR and Article 10(2)(c) of the TMD ensure protection for the benefit of trademarks with a reputation.<sup>57</sup>

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<sup>53</sup> See CJEU, July 18, 2013, case C-252/12, *Specsavers/Asda*, para. 39.

<sup>54</sup> See *id.*, para. 40.

<sup>55</sup> See *id.*, para. 40.

<sup>56</sup> For a definition of these injuries, see CJEU, June 18, 2009, case C-487/07, *L'Oréal/Bellure*, paras. 39-41. For a more detailed discussion of the scope of protection, see Kur & Senfleben, *supra* note 3, paras. 5.231-5.249.

<sup>57</sup> See *id.*, para. 37.

As copycat strategies often relate to well-known brands, the trademark owner may be particularly concerned about the blurring or “whittling away”<sup>58</sup> of the mark’s highly distinctive character in the core market for the branded goods. As the CJEU explained, relevant blurring harm is caused when the mark’s ability to identify the goods or services for which it is registered is “weakened, since use of an identical or similar sign by a third party leads to dispersion of the identity and hold upon the public mind of the earlier mark.”<sup>59</sup>

However, proof of relevant harm may be particularly difficult in the case of claims based on blurring. In *Intel Corporation*, the CJEU stated that proof of detriment to the distinctive character of a reputed mark required:

evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future.<sup>60</sup>

From a practical perspective, one may wonder how the required “evidence of a change in the economic behaviour of the average consumer” can ever be produced.<sup>61</sup> Nonetheless, the CJEU confirmed its strict test of detriment to distinctive character in *Environmental Systems/OHIM* by declaring that the concept of “change in the economic behaviour of the average consumer” was an objective condition, and that such change could not be deduced solely from subjective elements, such as consumers’ perceptions. In particular, the mere fact that consumers note the presence of a new sign similar to an earlier mark with a reputation was not sufficient in itself.<sup>62</sup> Following this maxim, the Court alleviated the burden of proof only slightly in *Environmental Systems* by conceding that a showing of actual detriment was not always necessary. It could be deemed sufficient that a “serious risk” of detriment to the mark’s distinctive character could be inferred from logical deductions. These deductions, however, had to go beyond “mere suppositions.”

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<sup>58</sup> As to the use of this terminology, see CJEU, *id.*, para. 39.

<sup>59</sup> See CJEU, *id.*, para. 39.

<sup>60</sup> CJEU, November 27, 2008, case C-252/07, *Intel Corporation*, para. 77.

<sup>61</sup> Cf. A. Bouvel, *Marques et renommée: À propos de l'arrêt "Intel" rendu par la Cour de justice des communautés européennes le 27 novembre 2008 (aff. case C-252/07)*, in *Les Défis du Droit des Marques au 21<sup>e</sup> Siècle/Challenges for Trademark Law in the 21st Century* (C. Geiger and J. Schmidt-Szalewski eds, Paris: Litec, 2010), 123, 163; A.A. Quaedvlieg, *INTEL en verwatering: Economisch gedrag en juridisch bewijs*, *Bijblad bij de industriële eigendom* (2009), 253; A.A. Quaedvlieg, *Herkomst- en goodwillinbreuk in het merkenrecht na INTEL en l'Oréal*, *Ars Aequi* (2009), 799; S. Middlemiss and S. Warner, *The Protection of Marks with a Reputation: Intel v CPM*, *Eu. Intell. Prop. Rev.* (2009), 326, 331-332.

<sup>62</sup> CJEU, November 14, 2013, case C-383/12 P, *Environmental Manufacturing/OHIM (Wolf Jardin)*, para. 37.

They had to 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.”<sup>63</sup>

With CJEU case law insisting on evidence of a change in the economic behavior of consumers and introducing a relatively strict test of a serious risk, the blurring argument has not become a central avenue for infringement actions against copycat products in the EU. Instead, the focus shifted to arguments based on the taking of unfair advantage.

### *E. Protection Against Unfair Free-Riding*

As unfair advantage concerns the benefits that the copycat derives unfairly from the magnetism of the reputed mark, the proof of damage—in the sense of a change in consumer behavior—is not necessary.<sup>64</sup> The CJEU explained that the infringement concept related “not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign.”<sup>65</sup> Hence, protection against unfair free-riding is available “even if the use of the identical or similar sign is not detrimental either to the distinctive character or to the repute of the mark or, more generally, to its proprietor.”<sup>66</sup>

With regard to subtle copycat imitation strategies, the protection of reputed marks against unfair free-riding is thus of particular interest. Dealing with comparison lists pairing cheap imitations of well-known L’Oréal perfumes with the corresponding original products (using their famous trademarks), and packaging of the cheap imitations in bottles that resembled packaging that also enjoyed trademark protection,<sup>67</sup> the CJEU stated in *L’Oréal/Bellure* that a mere attempt to ride on the coattails of a mark with a reputation could be sufficient to assume that unfair advantage had been taken. It explained that

where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an

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<sup>63</sup> See *id.*, paras. 42-43.

<sup>64</sup> Cf. Kur & Senftleben, *supra* note 3, paras. 5.223-5.224.

<sup>65</sup> See CJEU, June 18, 2009, case C-487/07, *L’Oréal/Bellure*, para. 41.

<sup>66</sup> See *id.*, paras. 43 and 50 and operative part.

<sup>67</sup> See *id.*, paras. 15-17.

advantage that has been unfairly taken of the distinctive character or the repute of that mark.<sup>68</sup>

Undoubtedly, this free-riding argument—the Court’s recognition of harm flowing from acts that unfairly derive benefits from another’s commercial achievements and corresponding investments—is of particular interest to trademark owners seeking to put an end to copycat strategies. As it is the very purpose of copycat strategies to insinuate a product experience that comes close to the one created by the original brand, the availability of an infringement action that directly addresses unfair free-riding plays a central role. In combination with the elastic “link” test following from *Adidas/Fitnessworld* (Part IV.C above), the coattail formula that the Court created in *L’Oréal/Bellure* offers owners of reputed brands an important additional level of protection.

### *F. Room to Leverage?*

Regardless of the elasticity of infringement criteria in unfair free-riding cases, however, a successful trademark infringement claim still requires evidence of use of a readily identifiable sign that in some way resembles the protected mark of the brand owner. In *Adidas/Fitnessworld*, the CJEU insisted on “a certain degree of similarity” between the mark registered by the brand owner and the sign used by the copycat.<sup>69</sup> Similarly, the CJEU described the taking of unfair advantage in *L’Oréal/Bellure* as a scenario “where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark. . . .”<sup>70</sup> In a nutshell, it is thus necessary to show that a *concrete* conflicting sign has been used—a concrete sign that triggers an association with a valuable brand and allows the copycat to derive unfair benefits from the brand magnetism that the trademark owner created.

Given the requirement of a concrete sign, it is conceivable that a copycat escapes the verdict of infringement not only in confusion cases but also in cases that concern the protection of trademarks with a reputation against unfair free-riding. Even though the latter type of protection, as explained, covers attempts to ride on the coattails of a mark and, thus, offers brand owners a free-riding argument that can be asserted against copycats, the trademark claim can hardly have success if the copycat uses a subtle imitation strategy. As long as the copycat refrains from using signs that resemble protected elements of reputed marks, its activities will survive scrutiny in the light of the described trademark infringement criteria. If, for instance, a copycat merely calls to mind

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<sup>68</sup> See *id.*, para. 49.

<sup>69</sup> See CJEU, October 23, 2003, case C-408/01, *Adidas/Fitnessworld*, para. 29.

<sup>70</sup> See CJEU, June 18, 2009, case C-487/07, *L’Oréal/Bellure*, para. 49.

general themes and style elements that the trademark owner has cultivated in advertising, a trademark infringement claim is likely to fail.

The CJEU confirmed the freedom of using general themes and styles in *Dyson*.<sup>71</sup> The case concerned Dyson's attempt to register, as a trademark, "a transparent bin or collection chamber forming part of the external surface of a vacuum cleaner." The description was accompanied by pictures showing different versions of Dyson vacuum cleaners with the relevant transparent features.<sup>72</sup> Instead of seeking trademark protection for a specific type of vacuum cleaner design, Dyson thus aimed at trademark rights covering a central trade dress element—the transparent collection chamber—in a general, abstract way. In the proceedings, the European Commission pointed out that acceptance of unspecific signs of this kind would lead to an extension of trademark protection to mere concepts. It argued that the registration sought by Dyson did not concern a sign eligible for protection because it related to

a concept, in this case, the concept of a transparent collecting bin for a vacuum cleaner, irrespective of shape. Since a concept is not capable of being perceived by one of the five senses and appeals only to the imagination, it is not a "sign" within the meaning of Article 2 of the Directive.<sup>73</sup>

The Court shared the view that the Dyson application concerned too unspecific a subject matter to qualify as a "sign" in the sense of trademark law. The holder of a trademark relating to such unspecific subject matter—a transparent external element of a vacuum cleaner—

would obtain an unfair competitive advantage, contrary to the purpose pursued by Article 2 of the Directive, since it would be entitled to prevent its competitors from marketing vacuum cleaners having any kind of transparent collecting bin on their external surface, irrespective of its shape.<sup>74</sup>

In *Dyson*, the CJEU thus barred mere concepts from trademark protection to safeguard freedom of competition. The case concerned a conceptual trade dress element. It seems safe to assume, however, that the exclusion of concepts also covers unspecific descriptions of general advertising themes, such as an idyllic Alpine landscape or young people having a great time under palm trees. Under current

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<sup>71</sup> Cf. E. Derclaye & M. Leistner, *Intellectual Property Overlaps—A European Perspective* (Oxford and Portland, Oregon: Hart Publishing 2011), 49-50. The authors also mention the recognition of the need to keep colors and color combinations available in this context. Cf. CJEU, June 24, 2004, case C-49/02, *Heidelberger Bauchemie*, paras. 41-42; CJEU, May 6, 2003, case C-104/01, *Libertel*, para. 52-56.

<sup>72</sup> See CJEU, January 25, 2007, case C-321/03, *Dyson*, para. 10.

<sup>73</sup> See CJEU, *id.*, para. 29.

<sup>74</sup> See *id.*, para. 39.

EU trademark law, the mere concept of an idyllic mountain landscape and the mere concept of a party in a tropical setting (as opposed to specific depictions thereof) are not eligible for protection. As a result, a copycat remains free to imitate these general themes.

In *Apple*, the CJEU indicated where the line between unspecific concepts and protectable signs can be drawn. In this case, the Court dealt with a request for the registration of the minimalistic design of Apple flagship stores as a trademark. In the trademark application, Apple had included a picture showing the store design with wooden tables in stylized form and the explanation that the registration concerned “the distinctive design and layout of a retail store.”<sup>75</sup> In contrast to *Dyson*, Apple was wise enough to provide a concrete representation of the flagship store design showing the arrangement of tables and other design elements in the room. Against this background, the CJEU saw no reason to draw conclusions similar to its ruling in *Dyson*. Instead, the Court held that

a representation [...] which depicts the layout of a retail store by means of an integral collection of lines, curves and shapes, may constitute a trade mark provided that it is capable of distinguishing the products or services of one undertaking from those of other undertakings.<sup>76</sup>

On the basis of a concrete representation of the Apple flagship store, the CJEU was willing to qualify the store design as subject matter eligible for trademark protection if Apple could prove that consumers perceived the minimalistic shop interior as a distinctive identifier of commercial source.<sup>77</sup> After registration, the use of a similar store design could thus amount to infringement. Even after the *Apple* decision, however, a copycat remains free to develop a minimalistic store design with wooden tables that does not resemble the concrete representation that Apple used for its trademark registration. Apple cannot monopolize the concept of a minimalistic store design with wooden tables *in abstracto*. It can obtain trademark rights only in a specific store design that is clearly and precisely represented in the trademark register.<sup>78</sup>

In sum, both types of protection in EU trademark law—protection against confusion and protection of marks with a reputation against blurring, tarnishment, and unfair free-riding—offer the trademark proprietor the opportunity to bring an infringement action against a copycat only if the latter uses conflicting signs that are similar to the specific subject matter for

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<sup>75</sup> See CJEU, July 10, 2014, case C-421/13, *Apple* (the layout of a flagship store), para. 9.

<sup>76</sup> See *id.*, para. 19.

<sup>77</sup> See *id.*, para. 19.

<sup>78</sup> See Article 3 of the TMD; Article 4 of the EUTMR.



which the brand owner enjoys trademark protection. If the copycat stays at an abstract level and only imitates general themes and style elements of the brand experience created by the trademark owner, a trademark infringement action will fail.

## V. INSIGHTS FROM CONSUMER RESEARCH

The result of the foregoing analysis based on current trademark infringement standards—no protection against imitations of general concepts and styles—is in line with the traditional approach taken in marketing research. As explained in Part III, traditional marketing research assumes that copycats using a highly similar trade dress are likely to benefit from higher accessibility of positive knowledge of the original brand and increased feelings of familiarity and fluency, resulting in a more positive evaluation of the copycat. In line with this traditional approach, it may be deemed sufficient that trademark law offers brand owners infringement actions against blatant copycat strategies going beyond the subtle imitation of general advertising themes and using concrete imitations of protected brand insignia. The reviewed marketing literature would suggest that the evaluation of copycat products—and, thus, the risk of allowing copycats to benefit from parasitic marketing strategies—uniformly increases when more aspects of the trade dress are imitated, especially when those aspects are strongly and uniquely related to the original brand.

Based on knowledge accessibility theories, however, consumer research has demonstrated that this is not necessarily the case.<sup>79</sup> Such theories posit that a recent experience, event, or situation can bring information to top of mind (make it more accessible), upon which this information is more likely to be used in subsequent decision making. For instance, when French music is played in a store, consumers are more likely to purchase French wine, whereas when German music is played customers buy more German wine.<sup>80</sup> Such situationally activated information can have two opposing effects on the “target” (an object, person, product) referred to as assimilation and contrast effects. An assimilation effect occurs when judgments of the target (e.g., a new watch) are more in line with the activated information (e.g., the new watch is judged to be more

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<sup>79</sup> See F. van Horen & R. Pieters, *When High-Similarity Copycats Lose and Moderate-Similarity Copycats Gain: The Impact of Comparative Evaluation*, 49 J. Mktg. Rsch. 83-91 (2012); see also F. van Horen and R. Pieters, *Consumer evaluation of copycat brands: The effect of imitation type*, 29 Int'l J. Rsch. in Mktg. 246-55 (2012); F. van Horen and R. Pieters, *Preference reversal for copycat brands: Uncertainty makes imitation feel good*, 37 J. Econ. Psych. 54-64 (2013); F. van Horen and R. Pieters, *Out-of-category brand imitation: Product categorization determines copycat evaluation*, 44 J. Consumer Rsch. 816-832 (2017).

<sup>80</sup> See A. North, D. Hargreaves & McKendrick, *In-store music affects product choice*, 390 Nature, 132-132 (1997).

luxurious, after having seen a highly luxurious watch such as a ROLEX or CARTIER watch on TV). A contrast effect occurs when judgment of the target is opposite to the activated information (e.g., the new watch is judged *less* luxurious after having seen a ROLEX or CARTIER watch). But which factors determine whether an assimilation or contrast effect occurs?

### *A. Factors Impacting Consumer Evaluation*

In the psychological literature, various factors have been identified that cause judgments to move up (assimilation) or down (contrast) depending on situationally activated information.<sup>81</sup> One important factor is the distinctness of the information. When abstract traits or attributes are activated, such as “intelligent,” “luxury,” or “smooth,” these concepts will be perceived as less distinct than when the prototypes or exemplars of these concepts are activated (e.g., “Einstein,” “BMW car,” or “SKIPPY peanut butter”). Such exemplars constitute distinct and separate entities with relatively clear object boundaries and are therefore more likely to be used as a comparison standard, whereas an abstract concept is more general with no clear boundaries.<sup>82</sup> Along with distinctness of information, extremeness of the information is another important factor determining assimilation and contrast effects. Exposure to extreme exemplars leads to contrast effects, whereas exposure to moderate exemplars to assimilation.<sup>83</sup> Thus, when the word “intelligent” is activated, an assimilation effect occurs and an unknown person (“target”) will be judged as more intelligent. On the other hand, when the contextual information is a distinct and extreme exemplar, for instance “Einstein,” it will be used as a comparison standard, resulting in contrast: the same unknown person will be judged as less intelligent by the participant.

Copycat products and the contexts in which they are evaluated may call to mind a more distinct, clear representation of the imitated brand or they may activate more general, abstract information with several different brands or a category as a whole.<sup>84</sup> When a copycat product, e.g., an imitation of a BMW logo, activates the distinct and clear image of the imitated brand BMW, it is more likely that BMW will be used as a comparison standard, resulting

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<sup>81</sup> See T. Mussweiler, *Comparison processes in social judgment: Mechanisms and consequences*, 110 *Psych. Rev.*, 472-489 (2003).

<sup>82</sup> See G.B. Moskowitz and I.W. Skurnik, *Contrast Effects as Determined by the Type of Prime: Trait Versus Exemplar Primes Initiate Processing Strategies That Differ in How Accessible Constructs are Used*, 76 *J. Personality & Soc. Psych.*, 911-927 (1999).

<sup>83</sup> See P.M. Herr, *Consequences of Priming: Judgment and Behavior*, 51 *J. Personality & Soc. Psych.* 1106-15 (1986);

<sup>84</sup> See C. Pullig, C.J. Simmons & R. Netemeyer, *Brand Dilution: When Do New Brands Hurt Existing Brands?*, 70 *J. Mktg.* 52-66 (2006).

in a lower evaluation due to a contrast effect. When, on the other hand, the copycat activates more abstract information (e.g., “elegant,” “luxurious,” “high quality”) that is linked to the original brand, but not uniquely so, the activated positive associations are more likely to “spill over”<sup>85</sup> and be “included”<sup>86</sup> in the judgment of the copycat product. As such, the activation of such abstract associations with the original brand is likely to help rather than hurt the copycat product.

When a copycat immediately activates a clear and distinct image of the original brand, it may also heighten consumers’ awareness of the imitation practices being used by the copycat, and the idea that such practices are used to mislead them.<sup>87</sup> The persuasion knowledge model predicts that people will show a negative reaction when they suspect that persuasion attempts have been made to influence their judgment or attitude.<sup>88</sup> Thus, in addition to using the original brand as a comparison standard resulting in a negative evaluation of the copycat product, the activation of a distinct and clear image of the original brand may heighten consumers’ awareness that the copycat is trying to leverage the reputation of the leader brand through imitation, which results in contrast.

Whether the copycat activates a clear image or more abstract positive associations of the original brand thus plays a pivotal role in copycat product evaluation. Marketing research has shown that the characteristics of the copycat product such as the degree of similarity (high versus moderate similarity)<sup>89</sup> and the type of similarity (feature versus thematic types of imitations)<sup>90</sup> importantly determine what is being activated (a clear image vs. more abstract associations of the original brand).

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<sup>85</sup> See S.T. Murphy & R.B. Zajonc, *Affect, Cognition, and Awareness: Affective Priming With Optimal and Suboptimal Stimulus Exposures*, 64 *J. Personality & Soc. Psych.* 723-739 (1993).

<sup>86</sup> See N. Schwarz and H. Bless, *Assimilation and Contrast Effects in Attitude Measurement: An Inclusion/Exclusion Model*, 19 *ACR N. Am. Advances* 72-77 (1992).

<sup>87</sup> See M.C. Campbell & A. Kirmani, *Consumers’ Use of Persuasion Knowledge: The Effects of Accessibility and Cognitive Capacity on Perceptions of an Influence Agent*, 27 *J. Consumer Rsch.* 69-83 (2000); see also R.E. Petty & D.T. Wegener, *Flexible correction processes in social judgment: Correcting for context-induced contrast*, 29 *J. Experimental Soc. Psych.*, 137-65 (1993); D.T. Wegener & R.E. Petty, *Flexible Correction Processes in Social Judgment: The Role of Naive Theories in Corrections for Perceived Bias*, 68 *J. Personality & Soc. Psych.* 36-51 (1995).

<sup>88</sup> See Boush, Friestad, & Wright, *Deception in the Marketplace: The Psychology of Deceptive Persuasion and Consumer Self-Protection* (Routledge, New York, 2009); M. Friestad & P. Wright, *The Persuasion Knowledge Model: How People Cope with Persuasion Attempts*, 21 *J. Consumer Rsch.* 1-31 (1994).

<sup>89</sup> See F. van Horen & R. Pieters, *When High-Similarity Copycats Lose and Moderate-Similarity Copycats Gain: The Impact of Comparative Evaluation*, 49 *J. Mktg. Rsch.* 83-91 (2012).

<sup>90</sup> F. van Horen & R. Pieters, *Consumer evaluation of copycat brands: The effect of imitation type*, 29 *Int’l J. Rsch. in Mktg.* 246-255 (2012).

### *B. Degree of Similarity*

In order to look similar to the original brand, copycats imitate to a greater or lesser extent the brand name and package features (graphics, colors, lettering, design) of the original.<sup>91</sup> The general idea in both the marketing literature and practice is that the more similar the trade dress of the copycat products to the original brand, the more they are liked. Counter to this idea, van Horen and Pieters (2012) showed in their research that consumers like copycat products with moderate degrees of similarity more than copycat products with high degrees of similarity, especially when the original brand was present.<sup>65</sup>





In one of their experiments, sixty-five consumers<sup>92</sup> were asked to evaluate brand packages (see Figure 1) with either a low, moderate, or high degree of similarity with the original brand. A separate pre-test showed that respondents rated these three packages as equally attractive, but the degree of similarity with the original as different. In one condition, they were asked to evaluate just the brand packages without seeing the original. In the other condition, participants were asked to evaluate the packages with different degrees of similarity while the package of the original (e.g., BERTOLLI spreadable butter) was presented next to the copycat product. As predicted, the results demonstrated that when the original brand was absent, a liking for the copycat product increased uniformly with higher degrees of similarity. However, when the original was present, liking was curvilinearly related to similarity; moderately similar copycat products were evaluated more positively than both low *and* high similarity copycat products. Thus, when consumers could directly compare the copycat product with the original, highly similar copycat products were liked less than moderately similar ones. Moreover, the evaluation of moderately similar copycat products was equally positive regardless of whether the original was absent or present. These findings were replicated with a large representative consumer panel (N = 542) using brand name copycats in two different product categories, establishing the robustness of the findings.

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<sup>91</sup> See J.L. Zaichkowsky, *The Psychology Behind Trademark Infringement and Counterfeiting* (Hove: Psychology Press 2006).

<sup>92</sup> Sample sizes in experimental are determined by the estimated effect size (the estimated size of the effect may be small, medium or large) and statistical power of at least .80 (the probability that a statistical test will detect an effect when such an effect truly exist, see Cohen, *A power primer*. Psych. Bull. 155-159 (1992)), and a set significance level of  $\alpha = .05$ . According to the Gpower program (Faul, Buchner, Erdfelder & Lang, 2017) a total sample size of N = 38 was required for the effect size ( $f = .25$ ) obtained in the study, with .80 power and  $\alpha = .05$ . To increase power, we tested more respondents than required. Furthermore, the finding was replicated with a sample of 542 consumers of a national consumer panel.

Figure 1. Brand packages used in study

Original brand	Highly similar copycat
	
Moderately similar copycat	Lowly similar copycat
	

The findings show that the evaluation of copycats is critically dependent on the degree of brand similarity and presence of the original brand. It provides evidence that subtler, moderately similar copycat product (Figure 1, “Mediterrane”) can be more threatening than blatant, highly similar ones (Figure 1, “Bellamia”). This is important because the subtle imitation strategy pursued by moderately similar copycat products remained undetected by consumers, even when the original brand was present. Moderately similar copycat products may therefore fly more easily under the radar.

### C. Type of Similarity

Besides the degree of similarity, copycats can differ in *what* they imitate. Two types of imitation can be differentiated, namely, “feature-based” and “theme-based” imitation:

- Feature-based copycats directly imitate the concrete, distinctive perceptual features and specific objects of the original brand’s trade dress. For instance, the letters of the

original brand's name may be imitated by replacing one or more letters of the name or by rearranging them (e.g., "JetEx" as an imitation of "FedEx"), or through imitation of the distinctive perceptual features of the original brand's package design (e.g., the lilac color, the creamy-white letter-type, and the cow of the MILKA chocolate brand);

- Theme-based copycats, by contrast, imitate the abstract theme communicated by the original brand (i.e., the freshness of Alpine milk communicated by the MILKA brand, or the traditional olive oil production in Tuscany communicated by the BERTOLLI brand). By imitating the abstract theme, copycats in this category aim to make use of the higher-order semantic meanings or inferred attributes of the original brand. Theme imitations can copy the semantic meaning of the brand name, such as "Tiger" as a copycat of PUMA sneakers, or the scene of the package of an original brand (cows grazing in a meadow in the Alps) for MILKA chocolate, but present it in a visually different way.

As distinctive features of the feature-based copycat are directly linked and exclusively associated with the original brand, it is more likely that a clear and distinct image of the original brand will immediately come to mind. Theme imitations, on the other hand, are more implicit and less tangible than feature imitations because the underlying meaning or theme is only indirectly linked to the original brand. Furthermore, because themes are not exclusively associated with the original brand but also with other objects, brands, or events, the evaluation of such copycat products are mainly driven by the transfer of pleasant and positive associations, without the distinct image of the original brand being activated. In the described research, it was therefore hypothesized that imitating the underlying meaning or theme of an original brand is a *more* effective strategy than imitating the distinctive features of an original brand. In addition, as theme-based imitations are only indirectly linked via higher-order semantic meanings or inferred attributes, it was predicted that consumers evaluate theme-based copycats more positively because they perceive this type of imitation as more acceptable and less unfair than when the distinctive perceptual features of the original brand are directly imitated. Moreover, the experiments rested on the hypothesis that this is even the case when consumers are aware of the imitation strategy being used.<sup>66</sup>

In this research, 106 consumers were asked to evaluate either a differentiated product that did not show any similarity with the original brand MILKA, the theme-based copycat product, or the feature-based copycat product (see Figure 2 below). Afterwards they were asked to what extent they thought that the similarity of the product with the MILKA product was unacceptable—acceptable, not

manipulative–manipulative (reverse-coded), insincere–sincere, and unfair–fair. The original brand was not presented during evaluation, and the packages were rated as equally attractive by a separate set of respondents in a pre-test.

Figure 2. Brand packages used in study

Original product	Feature copycat product
	
Theme copycat product	Differentiated product
	

The results showed that consumers evaluated the theme-based copycat product (Figure 2, “Montana”) more positively. Their willingness to buy the theme-based copycat product was higher than in the case of both the feature-based copycat product (Figure 2, “Lecha”) and the differentiated brand (Figure 2, “Davinia”). Interestingly, the results showed further that theme-based imitations were evaluated more positively than feature-based imitations because consumers perceived theme-based copycats as more acceptable and less unfair than feature-based copycats. A follow-up study (N = 55) showed that participants were equally as aware of the imitation tactics being used (e.g., “It was clear to me that the manufacturer of this product made use of an imitation strategy,” ranging from 1 (definitely not) to 9 (totally)), irrespective of whether the copycat was theme-based or feature-based. Interestingly, however, consumers thought—despite this awareness—that the imitation strategy used by the theme-based copy was *more acceptable and fair* than the strategy used by the feature-based copy. These results were replicated with different brand packages (such as the “Bertolli” variations, Figure 1) and a large variety of brand names, across several consumer samples (total N = 326). This research confirmed that imitation of the

underlying meaning or theme of an original brand is a more effective copycat strategy than the imitation of distinctive and concrete perceptual features.

## VI. MISMATCH BETWEEN LEGAL THEORY AND MARKET REALITY

The described insights from marketing research challenge the current configuration of infringement provisions in trademark systems, such as EU trademark law. As concluded in Part IV, both types of trademark infringement actions—protection against confusion and protection of reputed marks against blurring, tarnishment, and unfair free-riding—require the use of concrete signs that are similar to the trademarks registered by the brand owner. For the latter type of protection, a moderate degree of similarity may be sufficient if, due to the presence of other relevant factors, a link is made between the copycat product and the reputed mark by the relevant public (Part IV.C above). Nonetheless, the focus clearly is on feature-based imitations that include distinctive features of protected marks. Given this focus on the imitation of concrete brand features, theme-based copycat strategies—imitating the general theme and style of the original brand—remain under the radar of trademark infringement provisions. Evidently, trademark law regards copycats that imitate concrete distinctive features of the original brand as most perilous. Contemporary marketing research, by contrast, shows that consumers evaluate copycat products with a high degree of similarity and feature-based imitations negatively and purchase them less often, whereas they evaluate subtler forms of imitation (copycat products with a moderate degree of similarity and theme-based imitation strategies) positively and purchase such type of copycat products more often. However, as highly similar copycat products and feature-based copycats are more likely to cause consumer confusion,<sup>93</sup> trademark law has traditionally focused on these types of copycat activities in light of the overarching objective to ensure market transparency and avoid consumer confusion.<sup>94</sup> Yet brand imitation strategies are

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<sup>93</sup> See B. Loken, I. Ross & R.L. Hinkle, *Consumer “Confusion” of Origin and Brand Similarity Perceptions*, 5 J. Pub. Pol’y & Mktg. 195-211 (1986); see also Kapferer, *Brand Confusion: Empirical Study of a Legal Concept*, 12 Psych. & Mktg. 551-569 (1995).

<sup>94</sup> As to the rationales of trademark protection, see CJEU, December 3, 1981, case C-1/81, *Pfizer/Eurim-Pharm*, para. 8; CJEU, November 12, 2002, case C-206/01, *Arsenal/Reed*, para. 48; CJEU, November 16, 2004, case C-245/02, *Anheuser-Busch*, para. 59; CJEU, January 25, 2007, case C-48/05, *Opel/Autec*, para. 21. As to the underlying theoretical groundwork, cf. G.S. Lunney, Jr., *Trademark Monopolies*, 48 Emory L. J. 367, 432 (1999); M.A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 Yale L. J. 1687, 1694-95 (1999); R.C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 2 Wis. L. Rev. 158, 161 (1982).



often subtler than the blatant, high similarity cases that occupy center stage in trademark law. A copycat product with blatant, highly similar imitation features is likely to receive attention, lead to brand confusion, and be rightfully banned from the market for that reason. Subtle copycat products, by contrast, often have a clearly distinguishable brand name and packaging style, while still being similar to the original brand at a more abstract, thematic level. Private labels that carry a retailer's name can serve as examples. Consumers generally do not confuse such subtle, moderately similar copies with the original.<sup>95</sup> Warlop and Alba aptly describe the crux of this copycat strategy as follows: "Lack of confusion does not imply a lack of psychological response."<sup>96</sup>

In fact, insights from marketing research demonstrate that subtle copycat products are liked, whereas more blatant ones are disliked. The results of a 2008 survey among Dutch lawyers specializing in intellectual property law attest to the mismatch between legal theory and market reality.<sup>97</sup> The survey data provided evidence that there is indeed a mismatch between how lawyers think consumers evaluate feature-based copycat products (positively) and how consumers *actually* evaluate them (negatively). At the Benelux Association of Trademark and Design Law conference, 30 lawyers were asked to participate in a short survey. The sample consisted of 14 males and 16 females, with an average age of 36 years (range 27 to 54), of which 43% indicated they were lawyers, 50% indicated they were trademark attorneys, and 7% indicated they were corporate lawyers, with an average experience of 9 years (range 1 to 31). At the start of the survey, they were asked to imagine themselves being a consumer, picturing themselves in front of a shelf in the supermarket, considering which product to buy. They were then asked to indicate how they believed a regular consumer would evaluate the three "Bertolli" copycats with respectively low, moderate, or high similarity (Figure 1), while presented next to the original Bertolli brand (based on the same evaluation items as used in the study described in Part V.B).

As Figure 3 illustrates, lawyers believed that consumers would evaluate the highly similar copycat products most positively, followed by the moderately and the lowly similar ones. When juxtaposing these results against the findings reported in Part V.B

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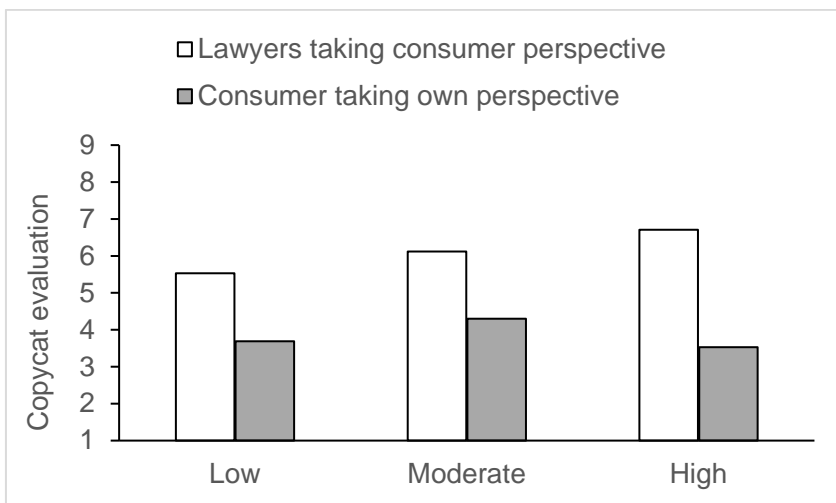
<sup>95</sup> L. Warlop & J.W. Alba, *Sincere Flattery: Trade-Dress Imitation and Consumer Choice*, 14 *J. Consumer Psych.* 21-27 (2004); *See also* R. Wilke & J.L. Zaichkowsky, *Brand imitation and its effects on innovation, competition, and brand equity*, 42 *Bus. Horizons* 9-18 (1999).

<sup>96</sup> L. Warlop & J.W. Alba, *Sincere Flattery: Trade-Dress Imitation and Consumer Choice*, 14 *J. Consumer Psych.* 21, 21 (2004).

<sup>97</sup> Unpublished data collected at the Benelux Association of Trademark and Design Law Conference (2008), the Netherlands. <https://www.bmm.eu>. Survey available upon request.

above, they show that they are in sheer contrast with how consumers themselves evaluate these copycats with different degrees of similarity. As shown in Figure 3, instead of evaluating the highly similar copycat products positively, consumers actually evaluate these negatively. Moreover, opposite to lawyers' assumptions, consumers evaluate moderately similar copycat products more positively (instead of more negatively) than highly similar copycat products.

*Figure 3. Evaluation of low, moderate, and high similarity copycats with the original brand (BERTOLLI) present, judged by consumers versus lawyers taking the perspective of consumers*



In the same survey, lawyers were also asked against which of the three copycats they would start a lawsuit. They could select one, two, or all three copycats. All lawyers chose the copycat with the highly similar product. Only 8 out of the 28 lawyers would also start a lawsuit against the moderately similar product. This finding confirms that, in line with the focus of EU trademark infringement provisions on concrete, feature-based imitations, subtle copycats enjoy the freedom of imitating general themes and style elements of valuable brands without exposure to trademark infringement actions.<sup>98</sup>

To provide more evidence for the mismatch between legal assessment standards and actual consumer perception, another survey was conducted among 58 judges and lawyers attending the

<sup>98</sup> Data reported in F. van Horen and R. Pieters, *When High-Similarity Copycats Lose and Moderate-Similarity Copycats Gain: The Impact of Comparative Evaluation*, 49 J. Mktg. Rsch. 83-91 (2012).

European Judges Conference held in the Netherlands in 2019.<sup>99</sup> The sample consisted of 31 males and 26 females of which 12% indicated they were judges, 43% that they were trademark lawyers, 38% that they were trademark attorneys, and 7% that they were “other” (e.g., legal publisher, editor). The sample was international (41% Dutch, 7% Belgian, 14% German, 3% Swiss, and 35% from other European countries), with an average age of 46 years and 19 years of experience (ranging from 1 to 40 years). The judges and lawyers were asked whether they expected the original brand owner to start litigation against the producer of a highly versus a moderately similar copycat product. With regard to the highly similar copycat product, 91% of the lawyers reported *definitely yes* or *probably yes*, whereas only 5% reported *maybe* and 4% *probably not* or *definitely not*. When they were asked whether they expected the original brand owner to start litigation against the producer of a moderately similar copycat product, only 35% reported *probably* or *definitely yes*, whereas 44% reported *maybe* and 21% *probably* or *definitely not*. When asked whether they expected the original brand owner to start litigation against the producer of a feature-based copycat, 81% of the lawyers reported *definitely* or *probably yes*, whereas only 16% reported *maybe* and *probably not* (none indicated *definitely not*). When, on the other hand, they were asked whether they expected the original brand owner to start litigation against the producer of a theme-based copycat, only 23% reported *probably* or *definitely yes*, whereas 74% reported *maybe*, *probably not*, or *definitely not*.<sup>100</sup>

## VII. UNDERLYING POLICY DIMENSION

The mismatch between legal theory and market reality gives rise to serious questions about current trademark infringement provisions. Are copycats aiming at a high degree of similarity and imitating protected, distinctive features of the original brand really the most perilous imitators? Is it advisable to focus exclusively on feature-based copycat strategies in trademark law even though this copycat strategy may be less harmful than more subtle, theme-based approaches? The above-described findings suggest that the current focus on blatant copycat practices may overlook two important issues, namely the possibility that:

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<sup>99</sup> Unpublished data collected at the Marques European Judges Conference (2019), the Netherlands. Marques is a European association representing the interests of brand owners. [https://www.marques.org/events/archive/2019/20190118\\_EUJudges/](https://www.marques.org/events/archive/2019/20190118_EUJudges/). Survey available upon request.

<sup>100</sup> Similar findings were obtained from the Benelux Trademark Conference Benelux Trademark Congress (2010), the Netherlands, with a sample of forty-four lawyers specialized in intellectual property law. The data is reported in F. van Horen & R. Pieters, *Consumer evaluation of copycat brands: The effect of imitation type*, 29 Int'l J. Rsch. in Mktg. 246-255 (2012). Survey available upon request.

- blatant imitations of concrete, trademarked features of an original brand may actually backfire and reduce the positive evaluation of copycats. From this perspective, the imitation of distinctive features of an original brand, or the imitation of many features, to achieve a high degree of similarity may be less harmful than is often assumed; and
- more subtle copycats may be able to derive substantial benefits from the imitation of general themes and style elements, or the imitation of less recognizable features of the original brand. These imitations trigger positive associations in the minds of consumers, which are transferred and become infused into the evaluative judgment.

Consumers—more so than lawyers realize—dislike copycats that make their products highly similar because these products pale in direct comparison with the original brand. Consumers also perceive a feature-based imitation strategy to be unfair and unacceptable. When the focus in trademark law continues to be solely on the harm from highly similar copycat products, it will prevent legislation from addressing the potential dangers of more subtle forms of imitation. The above-presented findings indicate that moderate similarity and theme-based copycats can sometimes be more threatening than high similarity and feature-based copycats.

Hence, the question arises whether a change of course is necessary in trademark law. Taken to the extremes, the described insights from marketing research could culminate in broader acceptance of feature-based imitations aiming at a high degree of similarity (which are currently the main target of trademark infringement provisions) and the prohibition of theme-based imitations reaching only a moderate level of similarity (which currently stay under the radar).

Before jumping to conclusions, however, it is essential to place the insights from marketing research in the broader context of impact factors that inform the infringement analysis in EU trademark law. As a normative set of rules, the infringement provisions in EU trademark law need not be aligned one-on-one with empirical insights into consumer perception. Normative considerations can constitute central impact factors as well. Despite clear evidence of copycat evaluation patterns in “real life,” trademark law and practice may still opt for normative corrections if there is a sound legal justification for the departure from empirical market reality. With regard to theme-based copycat strategies, the above-described *Dyson* decision of the CJEU provides important signposts. As explained in Part IV.F above, the CJEU expressed the concern that the holder of a trademark relating to unspecific subject matter, such as the abstract concept of a transparent collection chamber in the case of vacuum cleaners, would obtain an unfair competitive advantage because it would be

entitled to prevent its competitors from marketing vacuum cleaners having “any kind of transparent collecting bin on their external surface, irrespective of its shape.”<sup>101</sup>

This decision shows clearly that the Court recognizes the need to reconcile the protection of trademark owners with the interest of competitors in undistorted, free competition. Freedom of competition has beneficial effects not only for competitors but also for consumers. They can enjoy a broader spectrum of comparable offers in the marketplace. Enhancing consumer choice, freedom of competition also limits the trademark owner’s ability to impose monopoly prices on consumers. From a legal-normative perspective, the decision with regard to trademark protection for abstract themes and style elements of original brands thus requires a careful weighing process: the benefit of enhanced protection for the trademark owner must be weighed against the detriment to competitors (who may face an overbroad restriction of freedom of competition) and consumers (who may lose product alternatives<sup>102</sup> and the advantages of price-based competition). In the case of copycats with a theme-based imitation strategy, the potential harm to original brands due to free-riding is thus only one side of the medal. In the final assessment of this copycat strategy, the inroads into free, undistorted competition must be factored into the equation as well.

The grant of trademark rights in general concepts, such as an idyllic Alpine landscape or a summerly Tuscany scenery, would lead to an undesirable restriction of freedom of competition. The judgment of the CJEU in *Libertel* sheds light on this problem.<sup>103</sup> In this decision, the CJEU articulated concerns about the curtailment of freedom of competition that are quite similar to those expressed in *Dyson*. *Libertel* concerned the question whether an orange color could be registered—in *abstracto*—as a trademark. The telecom company Libertel had filed an orange color as a trademark for goods and services comprising, in Class 9, telecommunications equipment, and in Classes 35 to 38, telecommunications services and physical, financial, and technical management of telecommunications systems. In the space for reproducing the trademark, the application form contained an orange rectangle and, in the space for describing the trademark, the word “orange.”<sup>104</sup>

Considering this request for protecting a color *per se* as a trademark, the CJEU pointed out that, as the number of colors that consumers could distinguish clearly was limited, it had to be feared

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<sup>101</sup> See CJEU, January 25, 2007, case C-321/03, *Dyson*, para. 39.

<sup>102</sup> See CJEU, September 22, 2011, case C-323/09, *Interflora Inc. and Interflora British Unit v. Marks & Spencer plc and Flowers Direct Online Ltd.*, paras. 86-91.

<sup>103</sup> See CJEU, May 6, 2003, case C-104/01, *Libertel*.

<sup>104</sup> See *id.*, paras. 14-15.

that a small number of trademark registrations for certain goods or services could exhaust the entire range of colors available for marketing purposes. The Court deemed such an extensive monopoly “incompatible with a system of undistorted competition, in particular because it could have the effect of creating an unjustified competitive advantage for a single trader.”<sup>105</sup> Against this background, the Court stated that there was “a public interest in not unduly restricting the availability of colours for the other operators who offer for sale goods or services of the same type as those in respect of which registration is sought.”<sup>106</sup> Nonetheless, the Court held that color *per se* could constitute a valid trademark in specific circumstances.<sup>107</sup> Consumers were not “in the habit of making assumptions about the origin of goods based on their colour or the colour of their packaging, in the absence of any graphic or word element.”<sup>108</sup> Hence, distinctiveness without any prior use was inconceivable save in exceptional circumstances, and particularly where the number of goods or services for which the mark was claimed was very restricted and the relevant market very specific.<sup>109</sup> In addition to this restrictive approach to inherent distinctiveness, the CJEU recognized the option of acquiring distinctive character through use in trade:

However, even if a colour *per se* does not initially have any distinctive character [. . .], it may acquire such character in relation to the goods or services claimed following the use made of it [. . .]. That distinctive character may be acquired, *inter alia*, after the normal process of familiarising the relevant public has taken place.<sup>110</sup>

Quite clearly, the normative considerations underlying the *Libertel* decision also carry weight when attempts are made to obtain trademark protection against subtle imitations, such as imitations of mere themes or style elements which a trademark owner included in his brand experience. The moment the producer of MILKA chocolate obtains trademark rights in the concept of Alpine landscapes, it would have the right to prevent all other traders in the chocolate sector from evoking any kind of Alpine landscape in

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<sup>105</sup> See *id.*, para. 54.

<sup>106</sup> See *id.*, para. 55.

<sup>107</sup> For a more detailed discussion of color registrations under EU trademark law, see M.R.F. Senftleben, *Signs Eligible for Trademark Protection—Dysfunctional Incentives and a Functionality Dilemma in the EU*, in *Cambridge Handbook on International and Comparative Trademark Law* (I. Calboli & J.C. Ginsburg eds., Cambridge: Cambridge University Press 2020), 209-25.

<sup>108</sup> See CJEU, May 6, 2003, case C-104/01, *Libertel*, para. 65.

<sup>109</sup> See *id.*, para. 66.

<sup>110</sup> See CJEU, *id.*, para. 67. See also the confirmation and further elaboration of this position in CJEU, June 19, 2014, cases C-217/13 and C-218/13, *Oberbank and Others*, paras. 33-49.

marketing and advertising campaigns. The same can be said about Tuscany landscapes and BERTOLLI. The moment Bertolli manages to obtain trademark protection for Tuscany landscapes *in abstracto*, it could monopolize this general theme and prevent all other market participants from alluding to pine-trees in the mild Tuscany sun. Obviously, the grant of these broad, conceptual trademark rights could lead to a snowball effect. Once trademark rights in Alpine landscapes are obtained for MILKA chocolate, competitors in the chocolate sector will secure trademark protection for “their” general marketing theme. The more conceptual trademark rights of this kind are granted in a given sector, the smaller the room for newcomers to develop meaningful theme alternatives without infringing existing trademark rights.

While the grant of trademark rights in general marketing themes may thus address the issue of potential unfair benefits accruing from theme-based copycat strategies, it would cause new problems by offering brand owners control over general marketing themes: a degree of control over marketing tools that may stifle freedom of competition and reduce consumer choice. Hence, a much more fine-grained assessment seems necessary to arrive at appropriate solutions.

### VIII. RECOMMENDATIONS

In the area of copycats and copycat strategies, a nuanced approach is necessary in trademark law. CJEU case law (e.g., the decisions in *Dyson* and *Libertel*) reflect normative considerations, in particular the need to ensure freedom of competition and avoid the “ring-fencing” of attractive marketing themes. These normative considerations must be taken into account when recalibrating trademark law in light of insights from marketing research.

At the same time, the risk of consumer manipulation must be factored into the equation. Due to the subtlety of theme-based imitation strategies, the evocation of a positive attitude toward theme-based copycat products may occur outside of the awareness of consumers. Ironically, the results of the described marketing research show that even when consumers are fully aware of the imitation tactic being used, they still do not regard a theme-based imitation to be unacceptable and unfair. This uncritical assessment may be due to the impression that such an imitation triggers not only associations with the imitated brand, but also with other contexts, objects, and events. Succumbing to the siren song of the copycat, consumers basically misattribute the feelings of familiarity and fluency to the copycat.<sup>111</sup> Consumers may thus underestimate

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<sup>111</sup> See N. Schwarz, *Metacognitive experiences in consumer judgment and decision making*, 14 J. Consumer Psych. 332-348 (2004); see also N. Schwarz and G.L. Clore, *Mood*,

the impact of theme-based copycat strategies on their purchasing decision.

Navigating between the described poles of strong trademark protection (and the protection of consumers against manipulative marketing tactics) on the one hand, and sufficient room for freedom of competition (and the enhancement of consumer choice) on the other, the foregoing analysis provided important signposts. In light of the need to avoid broad inroads into freedom of competition at the level of general marketing themes with positive connotations, it is advisable, first, to refrain from granting trademark rights in highly conceptual subject matter such as an idyllic Alpine landscape or a summy Tuscan scenery *in abstracto*. This conclusion is in line with the CJEU judgment in *Dyson*.

Second, considering the competing interest of trademark owners and the potential risk of consumer manipulation, it seems appropriate to revisit how trademark law can protect concrete elements of a marketing theme that has been developed and cultivated by the original brand. A distinctive Alpine landscape with a specific arrangement of mountains and cows, and a distinctive Tuscan scene with a specific arrangement of a villa on a hilltop and pine trees, can be represented clearly and precisely on the trademark register. Using this clear and precise representation as a reference point for the infringement analysis,<sup>112</sup> trademark tribunals can draw a line between problematic theme-based imitations that copy the setting chosen by the original brand, and unproblematic use of the Alps or Tuscan theme that keeps a sufficient distance from the specific arrangement of Alps or Tuscan identifiers in original brand marketing. While the general theme remains freely available, trademark protection may thus be extended to concrete arrangements of thematic features that the brand owner has managed to establish as distinctive identifiers of commercial source in the minds of consumers. The above-discussed CJEU decision in *Apple* (Part IV.F) should serve as a basis for reminding brand owners of the potential trademark protection available for trade dress that distinguishes its goods and services from its competitors.<sup>113</sup>

Third, it must not be overlooked that trademark law and the grant of exclusive trademark rights are only one legal tool for addressing the concerns arising from marketing research. Alongside the protection of trademark rights as exclusive, subjective rights, general protection against unfair competition in line with the minimum standard recognized at the international level in Article

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*Misattribution, and Judgments of Well-Being: Informative and Directive Functions of Affective States*, 45 *Personality & Soc. Psych.* 513-523 (1983).

<sup>112</sup> See Kur & Senftleben, *supra* note 3, para. 5.108.

<sup>113</sup> See CJEU, July 10, 2014, case C-421/13, *Apple* (the layout of a flagship store), para. 19.



10bis of the Paris Convention<sup>114</sup> can offer brand owners relief on a case-by-case basis.<sup>115</sup> In the EU, the interplay between EU-wide, harmonized unfair competition law and individual national approaches must be taken into account.<sup>116</sup> Article 4(f) of the Directive on Misleading and Comparative Advertising,<sup>117</sup> for instance, bans comparative advertising that takes unfair advantage of “the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products.” In *Toshiba/Katun*, the CJEU clarified that a sign falls within the category of “other distinguishing marks” if the public “identifies it as coming from a particular undertaking.”<sup>118</sup> The protection following from the ban on parasitic advertising practices thus goes beyond trademarks and trade names. It includes other identifiers of commercial origin. Arguably, a flexible interpretation of the concept of “other distinguishing marks” in cases involving subtle copycat strategies may provide an avenue for including thematic elements of a brand experience that the brand owner developed and cultivated. In cases where a copycat reproduces such thematic elements systematically to unfairly exploit the brand owner’s achievements, it seems conceivable to allow an action against parasitic behavior based on unfair competition law.

To the extent to which EU unfair competition law does not offer harmonized legal instruments to develop such alternative protection avenues,<sup>119</sup> EU Member States are free to explore the room for individual national solutions.<sup>120</sup> Prior to the partial

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<sup>114</sup> See Paris Convention for the Protection of Industrial Property of March 20, 1883, lastly revised at Stockholm on July 14, 1967, and amended on September 28, 1979.

<sup>115</sup> Cf. M. Höpferger & M.R.F. Senftleben, *Protection Against Unfair Competition at the International Level—The Paris Convention, the 1996 Model Provisions and the Current Work of the World Intellectual Property Organization, in Law Against Unfair Competition—Towards a New Paradigm in Europe?* (R.M. Hilty & F. Henning-Bodewig eds., Berlin/Heidelberg: Springer 2007), 61-76.

<sup>116</sup> For an overview, see F. Henning-Bodewig, *Unfair Competition Law—European Union and Member States* (The Hague/London/New York: Kluwer Law International 2006).

<sup>117</sup> See Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 Concerning Misleading and Comparative Advertising (codified version), Official Journal 2006 L 376, 21.

<sup>118</sup> CJEU, October 25, 2001, case C-112/99, *Toshiba/Katun*, para. 49.

<sup>119</sup> For a central additional legal instrument at EU level, see Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market, Official Journal L 149, 22. For a discussion of the status of harmonization efforts, see the contributions to *Lauterkeitsrecht und Acquis Communautaire* (R.M. Hilty & F. Henning-Bodewig eds., Heidelberg/Dordrecht/London/New York: Springer 2009).

<sup>120</sup> For an overview of national approaches to unfair competition law in EU Member States, see F. Henning-Bodewig, *Die Bekämpfung unlauteren Wettbewerbs in den EU-Mitgliedstaaten: eine Bestandsaufnahme, Gewerblicher Rechtsschutz und Urheberrecht—International* 2010, 273.

harmonization of unfair competition law at EU level, protection against unfair free-riding—in the sense of a broad misappropriation doctrine covering the evocation of a competitor’s products, services or other commercial achievements—already formed an element of continental-European legal traditions.<sup>121</sup> To avoid an undesirable mosaic of divergent national approaches, EU legislation could follow developments at the national level and identify best practices that evolve from national experiences. Best practice examples could finally serve as templates for a set of additional, harmonized unfair competition rules.

## IX. CONCLUSION

In sum, the analysis demonstrates that the quest for the right mix of empirical and normative factors for the assessment and regulation of subtle copycat strategies—consumer perception on the one hand and overarching policy goals on the other—has just begun. When intellectual property judges and lawyers at the European Judges Conference were asked whether they thought a brand owner should be able to start litigation against a copycat brand that through similarity activates the “look and feel” of the original brand without directly bringing the original brand to mind, 42% indicated *definitely not* or *probably not*, 38% indicated *probably yes* or *definitely yes*, and 20% indicated *maybe*. This shows that awareness of the potential influence of subtle forms of imitation is growing. However, it also shows that no clear trend has arisen yet with regard to the question whether subtle copycat strategies relying on theme-based imitations and moderate degrees of similarity should readily be actionable under trademark law. The foregoing analysis suggests that, in light of the need to leave room for freedom of competition and keep general marketing concepts free, it may be advisable to focus in trademark law on the protection of concrete elements of a marketing theme that has been developed and cultivated by the brand owner. On a case-by-case basis, general protection against unfair competition may be available to offer additional protection against the parasitic exploitation of more abstract, conceptual elements of a brand experience. In particular, a claim based on unfair competition law may cover cases where a copycat pursuing a subtle, theme-based imitation strategy exploits the achievements of the brand owner in an unfair manner by systematically copying thematic features of the original brand.

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<sup>121</sup> A. Ohly, *Is the Unauthorised Commercial Exploitation of Sports Events Unfair?*, in *Intellectual Property and Sports—Essays in Honour of Bernt Hugenholtz* (M.R.F. Senftleben & J. Poort et al. eds., The Hague/London/New York: Kluwer Law International 2021), 197, 200-01.

## COMMENTARY

### RESPONSE TO THE COMMENTARY ENTITLED “THE SCIENCE OF PROVING TRADEMARK DILUTION”

*By Hal Poret\**

#### I. INTRODUCTION

Federal trademark law provides as follows: “dilution by blurring’ is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”<sup>1</sup> As this indicates, there are two prongs to the dilution standard: (1) the similarity of the allegedly diluting mark gives rise to an *association* with the famous mark; and (2) such association causes *impairment* to the distinctiveness of the famous mark.<sup>2</sup> In seeking to assess likelihood of dilution with consumer survey evidence, litigants have primarily conducted, and courts have primarily considered, what have been referred to as “association” surveys—namely, surveys that test the first (association) prong of the dilution standard by measuring whether the allegedly diluting mark calls to survey respondents’ minds the famous senior mark.<sup>3</sup> Such evidence of an association forming in consumers’ minds between the allegedly diluting mark and the famous mark has been credited to certain degrees as evidence of likelihood of dilution, even without the survey going further to establish the second prong of the standard, that such association results in impairment of the famous mark’s distinctiveness.<sup>4</sup>

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\* President, Hal Poret LLC, Sleepy Hollow, New York. The author has conducted over 1000 trademark surveys and given expert testimony in over 300 U.S. District Court litigations and TTAB proceedings.

<sup>1</sup> Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006) (classified at 15 U.S.C. § 1125(c)(2)(B)).

<sup>2</sup> *Id.*; see also Shari Seidman Diamond, *Surveys in Dilution Cases II*, in Trademark and Deceptive Advertising Surveys: Law, Science, and Design (Shari Seidman Diamond & Jerre B. Swann eds., 2012) [hereinafter *Surveys in Dilution Cases II*].

<sup>3</sup> Barton Beebe, Roy Germano, Christopher Jon Sprigman & Joel H. Steckel, *The Science of Proving Trademark Dilution*, 109 TMR 955 (2019) [hereinafter *Proving Trademark Dilution*]; Nike Inc. v. Nikepal Int’l Inc., 84 U.S.P.Q.2d 1820, 1824-25 (E.D. Cal. 2007).

<sup>4</sup> See, e.g., Perfumebay.com Inc. v. eBay Inc., 506 F.3d 1165, 1172 (9th Cir. 2007); Deere & Co. v. FIMCO Inc., 302 F. Supp. 3d 837 (W.D. Ky. 2017); see also Krista F. Holt & Scot A. Duvall, *Chasing Moseley’s Ghost: Dilution Surveys Under the Trademark Dilution Revision Act*, 98 TMR 1311, 1324-29 (2008); *Proving Trademark Dilution*, *supra* note 3, at 958 (“a majority of courts have held that to establish blurring, a plaintiff need show only that consumers associate the defendant’s mark with the plaintiff’s famous mark,” citing Wrenn v. Boy Scouts of Am., No. C 03-04057 JSW, 2008 WL 4792683, \*7 (N.D.

In an article by Barton Beebe, Roy Germano, Christopher Jon Sprigman, and Joel H. Steckel entitled “The Science of Proving Trademark Dilution” (hereinafter referred to in this article as “Proving Trademark Dilution”), the authors reject the “association” test as a valid measurement of likelihood of dilution because it does not assess “impairment” and propose alternate survey methodologies for measuring whether impairment of a famous mark is likely.<sup>5</sup> “Proving Trademark Dilution” discusses two example studies implementing the proposed methodologies and concludes by suggesting that litigants can employ such methodologies to test for likelihood of dilution in future court cases.<sup>6</sup> As discussed in detail below, the proposed methodologies both involve testing whether a single brief first-time exposure to an allegedly diluting use results in the impairment of the distinctiveness of a famous mark. The “impairment” aspect of dilution, however, is far from a phenomenon that can validly be measured after only one exposure. Rather, dilution has been described as a “gradual whittling away”<sup>7</sup> of the distinctiveness of the famous mark that, almost by definition, would

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Cal. Oct. 28, 2008); *Hershey Co. v. Art Van Furniture, Inc.*, No. 08-14463, 2008 WL 4724756, \*14-15 (E.D. Mich. Oct. 28, 2008); *New York Yankees P’ship v. IET Prods. & Servs., Inc.*, 114 U.S.P.Q.2d 1497, 1506 (T.T.A.B. 2015)).

<sup>5</sup> *Proving Trademark Dilution*, *supra* note 3, at 955 (“We offer a new ‘association strength test’ that can be used to prove—or, to disprove—dilution by blurring.”). I agree with the authors that the commonly used “association” survey measures only whether the allegedly diluting mark creates an association with the senior mark and not *actual* impairment to the mark. I do not agree, however, that the results of an association survey are not probative of the *likelihood* of dilution—i.e., likelihood that impairment will occur. “Likelihood” is a probabilistic concept. For instance, we may not be able to prove who is *actually* going to win a football game in advance, but we can consider data that is probative of the *likelihood* that one team is going to win, and we can certainly attempt to project whether it is more likely than not. Likewise, a survey does not need to prove actual impairment to produce evidence that is probative of how *likely* it is that impairment will occur. Whether an “association” survey shows a 10% versus 50% versus 90% rate of the allegedly diluting mark calling to mind the senior mark could be probative of how *likely* it is that impairment will occur. In the most obvious instance, it is clear that a rate of “association” that is relatively close to 0% has a strong tendency to show that there is *not* a likelihood of impairment, because an association is a prerequisite for dilution. It is hard to imagine how a 0% or negligible rate of association in an association survey could be rejected as failing to address the likelihood of impairment/dilution occurring. At the high end, similarly, there is no reason that a high rate of “association” cannot be considered evidence that increases the *likelihood* that impairment will occur. In short, while not proving *actual* impairment, wherever the result of an association survey falls on a spectrum from 0% to 100% is probative of the *likelihood of impairment*, in the sense that a low versus medium versus high rate of association has some tendency to impact the odds (how *likely* it is) that impairment will occur. Since the fact finder’s role in connection with a dilution claim is to assess the *likelihood* that dilution (impairment) will occur, there is no reason that the extent of association shown in an association survey (a result on a spectrum from 0% to 100%) should not be considered as either decreasing or increasing such likelihood (probability).

<sup>6</sup> *Id.* at 969.

<sup>7</sup> Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 830-33 (1927).

occur only after repeated exposures to diluting uses over an extended period of time.<sup>8</sup> The methodologies proposed in “Proving Trademark Dilution” fail to meaningfully test for likelihood of dilution, because a single brief first-time exposure to an allegedly diluting use would not be expected to impair the distinctiveness of a famous mark, even if impairment would be likely to occur if consumers are repeatedly exposed to the diluting use over time.

## II. THE PROPOSED METHODOLOGIES FOR TESTING FOR DILUTION

### A. Study 1

The first survey methodology proposed in “Proving Trademark Dilution” purports to test whether an advertisement containing an allegedly diluting use affected the strength of the association between the famous MERCEDES mark and its product category (cars) and the attributes of “wealth” and “luxury.”<sup>9</sup> Respondents in a Treatment Group were shown several ads including an ad for the potentially diluting “MERCEDES toothpaste.”<sup>10</sup> Respondents in a Control Group were also shown several ads but were not shown the ad for MERCEDES toothpaste.<sup>11</sup> Both groups of respondents were then shown various terms, including “cars” and two words that consumers tend to associate with MERCEDES—“luxury” and “wealth”—as well as a word that is not associated with the MERCEDES car brand—“cheap.”<sup>12</sup> Respondents in both the Treatment Group (which had seen the MERCEDES toothpaste ad) and the Control Group (which had not) were then questioned about their associations with the MERCEDES mark. The authors’ premise underlying the survey design is as follows: if the MERCEDES toothpaste ad causes dilution by blurring, we would expect that participants in the Treatment Group, which saw the ad for MERCEDES toothpaste, would thereafter have a lesser association of MERCEDES with the category of cars and might also have a lesser association of MERCEDES with “luxury” and “wealth.” The survey showed that exposure to the MERCEDES toothpaste ad did not weaken respondents’ associations of the MERCEDES mark with

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<sup>8</sup> The authors acknowledge that dilution has been recognized to involve the impairment of the distinctiveness of a famous mark that would occur “through the long-term accumulation of otherwise de minimis harms.” *Proving Trademark Dilution*, *supra* note 3, at 972.

<sup>9</sup> *Id.* at 964. (An identical survey was also conducted using the INFINITI brand rather than the MERCEDES brand.)

<sup>10</sup> *Id.* at 965.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

the category of “cars” or the attributes of luxury and wealth.<sup>13</sup> Rather, Treatment Group participants were no less likely to associate the MERCEDES mark with “cars” or “luxury” and “wealth” than Control Group subjects, who were not shown the MERCEDES toothpaste ads.<sup>14</sup>

In short, Study 1 showed that a single brief first-time exposure to a use of MERCEDES for toothpaste (along with three other “filler” ads) did not impair the distinctiveness of the famous MERCEDES car brand—i.e., a first-time brief exposure to a single allegedly diluting use did not diminish the ability of the long-famous MERCEDES mark to connote “cars,” “luxury,” or “wealth.”

### B. Study 2

Study 2 consisted of a “preference-ordering protocol” in which survey respondents were first shown up to twenty car brands in random order (including MERCEDES) and asked to state whether each brand was familiar to them.<sup>15</sup> After respondents had identified five familiar brands, they proceeded to a second phase of the study. In the second phase, a Treatment Group of respondents who were familiar with MERCEDES was shown a potentially diluting MERCEDES toothpaste ad in addition to three filler ads. A Control Group was instead shown a NIKE toothpaste ad in addition to the three filler ads. Both groups were then asked to rank the five car brands they had identified as familiar (including MERCEDES) in order of preference, from 1 (favorite) to 5 (least favorite). The authors found that there was no statistically significant difference in how MERCEDES was ranked for preference between the Treatment Group that saw the potentially diluting MERCEDES toothpaste ad and the Control Group that did not.<sup>16</sup>

In short, Study 2 showed that a single brief first-time exposure to a use of MERCEDES for toothpaste (along with three other filler ads) did not change consumers’ preference for the MERCEDES car brand relative to other familiar car brands.

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<sup>13</sup> *Id.* (“We found little, if any, compelling evidence that the new association between the test brands and the toothpaste product category is accompanied by a weakening of the association between the test brands and their true product category or their principal product attributes.”).

<sup>14</sup> *Id.* at 966 (“we find that subjects who saw the toothpaste ads were no less likely on average than those who did not see it to associate the MERCEDES or INFINITI marks with the product category ‘cars’ or attributes like ‘luxury’ and ‘wealth.’”) Likewise, exposure to the MERCEDES toothpaste ad did not make the Treatment Group participants more likely to associate MERCEDES with “cheap.”

<sup>15</sup> *Id.* at 967. As with Study 1, the survey also included a group that took an identical survey but included INFINITI rather than MERCEDES.

<sup>16</sup> *Id.* at 967-68.

### C. The Authors' Conclusions

The authors of “Proving Trademark Dilution” conclude that Study 1 and Study 2 constitute valid assessments that using MERCEDES for toothpaste would not create a likelihood of dilution, because seeing the ad for MERCEDES toothpaste in the survey did not impair the distinctiveness of the MERCEDES mark for cars. Further, the authors propose that these methodologies can be used for future litigations: “Our experiments provide methodologically valid and judicially administrable techniques for assessing the likelihood of blurring. Litigants can design studies to mimic our Studies 1 and 2.”<sup>17</sup>

### III. THE PROPOSED METHODOLOGIES FAIL TO ASSESS LIKELIHOOD OF DILUTION

There is a reason that “association” surveys are relatively common in likelihood of dilution cases. Like confusion, which is also often measured through consumer surveys, an “association” is an instantaneous phenomenon, for which a single brief first-time exposure in a consumer survey is sufficient and appropriate to test. If a consumer in the real world sees an advertisement for MERCEDES toothpaste, that consumer will have an instantaneous response. The consumer either will think of the famous MERCEDES car brand or will not. A typical consumer survey can measure whether such an instantaneous phenomenon occurs by simulating this single, brief exposure to the allegedly diluting use and testing whether or not the association with the famous mark occurs. Regardless of how much weight such an “association” should be given in the context of the various factors or other evidence considered in an overall dilution analysis,<sup>18</sup> a properly conducted association survey is certainly a useful measurement of at least one prerequisite for dilution to occur—the likelihood of consumers associating the diluting mark with the famous mark.<sup>19</sup> Accordingly,

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<sup>17</sup> *Id.* at 968. The authors further argue: “Courts should require plaintiffs to produce evidence showing that a weakening of the associations between the plaintiff’s mark and its source or other preexisting attributes is likely. Plaintiffs may seek to do so by using our Study 1 and Study 2 methodologies. Study 1 is a direct measure of any such impairment. Data from this type of study should be analyzed to see both whether exposure creates weaker associations on average and also whether it changes the distribution of responses in a way that suggests impairment. As a supplement, Study 2 indirectly measures association strength.”

<sup>18</sup> This article expresses no opinion on whether proof of “association” should, on its own, be considered sufficient to prove a dilution claim, or on how much weight evidence of “association” should be given in the overall dilution calculus.

<sup>19</sup> *Surveys in Dilution Cases II, supra* note 2, at 152 (“The dilution factor as to [a]ny actual association between the [junior] mark or trade name and the famous mark’ is addressed by a likelihood-of-association (‘what comes to mind’) study, just as ‘actual confusion’ in a factors analysis is addressed by a likelihood of confusion study.”).

a survey showing the extent to which (if at all) an association is likely to occur indisputably increases or decreases the probability (likelihood) that dilution (impairment) will occur.<sup>20</sup>

The methodologies proposed in “Proving Trademark Dilution,” on the other hand, seek to measure a phenomenon (impairment) that is far from instantaneous, but rather would be expected to occur only gradually as consumers are repeatedly exposed to numerous instances of the diluting use over extended periods of time. The proposed methodologies are almost certain to show the *absence* of dilution in almost any case, because even in the most obvious case of likely dilution, the very first brief exposure to a single diluting use would be exceedingly unlikely to succeed in impairing the distinctiveness of a famous mark. It is obvious why the very first brief exposure to a single use of “MERCEDES toothpaste” would not diminish the ability of the famous MERCEDES mark to call “cars” or “luxury” or “wealth” to consumers’ minds. Given that consumers likely go into a survey with powerful associations with the MERCEDES car brand resulting from decades of exposure to the MERCEDES brand on actual vehicles, in advertising, and elsewhere, it would clearly take far more exposure to allegedly diluting uses over time for the “gradual whittling away” of dilution (impairment) to occur. The proposed methodologies, with their reliance on immediately testing a reaction to a single brief first-time exposure to a potentially diluting use, simply fail to address the likelihood that dilution will occur if the allegedly diluting use is allowed to occur repeatedly over time.<sup>21</sup>

The methodologies proposed in “Proving Trademark Dilution” are also problematic from a second, related perspective. The Trademark Dilution Revision Act of 2006<sup>22</sup> (“TDRA”) replaced the Supreme Court’s requirement of proving “actual dilution”<sup>23</sup> with a likelihood of dilution standard. The legislative history behind the TDRA made clear that Congress felt that it was too high a burden for trademark owners to need to show actual impairment of the

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<sup>20</sup> *Id.* (an association study “need not show impaired distinctiveness” to address likelihood of dilution.).

<sup>21</sup> The authors essentially identify the fatal failing in their own proposed methodologies’ finding of no likelihood of dilution in the case of MERCEDES toothpaste, stating as follows: “More significantly, our methods might show a likelihood of dilution if respondents were repeatedly exposed to the stimuli longitudinally over time.” *Proving Trademark Dilution*, *supra* note 3, at 972. Nevertheless, the authors acknowledge that it would be extremely difficult to mount a longitudinal study over time in connection with a litigation, and go on to propose the use of the methodologies described in the article despite such methodologies’ inability to account for the inevitable reality that dilution (impairment) can only occur over time, not instantaneously.

<sup>22</sup> Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006) (classified at 15 U.S.C. § 1125(c)).

<sup>23</sup> *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).



distinctiveness of the famous mark.<sup>24</sup> While the authors of “Proving Trademark Dilution” assert that their proposed methodologies “do not measure actual dilution,”<sup>25</sup> this is not the case. The proposed methodologies not only demand proof of actual impairment but require that such impairment occurs instantaneously during a brief consumer survey. The proposed survey methodologies literally seek to test whether the diluting ad shown in the survey *actually impairs* the distinctiveness of the famous mark in one of two ways—either by lessening respondents’ associations of the famous mark with a category (such as cars) or attributes (such as luxury or wealth), or by causing respondents to express a reduced preference for the famous brand relative to other brands. Either requires that the exposure to the diluting mark within the survey succeeds in actually impairing the distinctiveness of the famous mark, thereby impacting the way in which survey respondents answer subsequent questions about their associations with or preferences for the famous brand. This demand for proof of actual impairment occurring during the survey conflicts with the TDRA’s elimination of the actual dilution requirement. The proposed methodologies lack any ability to look down the road and assess whether impairment is *likely* if repeated exposures to the diluting use occur over time.

The proposed methodologies also lead to the perverse result that it would be most difficult (arguably impossible) to prove dilution in the case of marks that have the strongest eligibility for protection under dilution law, since marks that have had the greatest success in causing consumers to strongly associate the mark with the trademark owner’s brand would be the least likely to suffer an immediate and appreciable diminishment of their distinctiveness with nothing more than a single brief first-time exposure to the diluting mark. For instance, in the example surveys discussed in “Proving Trademark Dilution,” the fact that MERCEDES is such a strong famous mark works against the mark owner’s ability to establish impairment using the proposed methodologies, as the mark is clearly too strong to suffer instantaneous impairment at the very first appearance of a potentially diluting junior mark.

#### IV. CONCLUSION

The proposed methodologies illustrated in “Proving Trademark Dilution” fail to meaningfully assess whether impairment is likely, for the simple reason that the methodologies test only whether impairment occurs after a single brief first-time exposure to a

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<sup>24</sup> *Surveys in Dilution Cases II*, *supra* note 2, at 152 (citing H.R. 109-23 at 5); *Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary on H.R. 683*, 109th Cong. *passim* (2005).

<sup>25</sup> *Proving Trademark Dilution*, *supra* note 3, at 968 n.39.

potentially diluting use. Such methodologies are pre-disposed to show no impairment but do not provide any meaningful measure of whether dilution is likely to occur over time and repeated exposure. Litigants should not be expected to use methodologies such as those proposed in “Proving Trademark Dilution,” and courts should not consider the failure of such methodologies to show impairment as evidence that dilution is not likely. Regardless of the fact that “association” surveys do not prove *actual* impairment, association surveys are probative on the issue of *likelihood* of dilution, as they both constitute useful evidence as to the likelihood of the association that is a necessary prerequisite for impairment, and they measure a rate of association (between 0% and 100%) that is probative of how likely it is that such association will lead to impairment.

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## BOOK REVIEW

*By Julian Bibb\**

**The Canadian Law of Unfair Competition.** Daniel R. Bereskin, Q.C., 2020, Pp. 567. \$150.00 (hardback). Thomson Reuters Canada Ltd., One Corporate Plaza, 2075 Kennedy Road, Toronto, Ontario, M1T 3V4.

Encyclopedic in scope and lavish in detail, *The Canadian Law of Unfair Competition*, by Daniel Bereskin, is a comprehensive treatise on the history, development, and current state of Canadian unfair competition law. The work, which spans twenty chapters over nearly six hundred pages, includes a detailed table of contents, doubling as an outline and serving as a practical reference for practitioners or for the intellectually curious who prefer diving into specific sections of the scholarly discourse, such as “Trademark Enforcement v. Freedom of Competition,” “Goodwill Is a Property Right,” or “Direct Competition of Parties (Is) Not Essential,” to name a few. A complementary table of cases, ordered alphabetically for ease of reference, covers forty-four pages, an indication of the depth of coverage provided in this wide-ranging examination of issues related to the law of unfair competition.

Beginning with the Paris Convention for the Protection of Industrial Property, signed March 20, 1883, the treatise recounts the inception of Canada’s recognition of a prohibition on “all acts of such a nature as to create confusion by any means whatever ... false allegations in the course of trade ... indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity of the goods.” Bereskin uses the initial chapters to lay the groundwork for the rest of the treatise, setting forth the general scope of unfair competition law in Canada, addressing the historical context and development of jurisprudence in the United Kingdom and the United States, taking care to discuss the Quebec Civil Code, and setting the foundation that the “law of passing off is based on the principal that no person is permitted to deceive the public by the offer for sale of goods or services as possessing a connection with a particular trader, which they do not in fact possess.”

Chapter 4 provides the reader with a detailed look at the roles of the Canada–United States–Mexico Agreement (“CUSMA”), the

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\* Associate, Waller Lansden Dortch & Davis, LLP, Member, International Trademark Association. Mr. Bibb is a member of *The Trademark Reporter’s* Editorial Board.

World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (the “TRIPS Agreement”), and the Canadian Trademarks Act, offering explanations behind the enactment and adoption of each, as well as key differences, distinctions, and applicability of each. The text examines concepts under each law such as acquired distinctiveness, registration and renewal, geographical indications, and enforcement.

In Chapters 5, 6, 7, 8, 11, 13, and 14, Bereskin digs deep into core concepts and substantive case decisions undergirding unfair competition legal law in Canada. Central to the text are detailed discussions regarding goodwill and reputation, wrongful interference with economic relations, injurious falsehoods, and misrepresentations in passing off, along with evidence and examples of misrepresentations, the transfer and licensing of goodwill, and distinctiveness. It is here, during a meaningful discussion regarding a variety of passing off offenses, that Bereskin offers, “Wily thieves tend to have fertile imaginations, and so cases frequently arise where defendants try to avoid liability by disguising their dishonest motives.” Indeed they do, and the numerous accounts of evidence and examples regarding misrepresentations help bolster that memorable chestnut. Starting with the importance of the degree of resemblance between the marks at issue, whether there are descriptive components, any gaps between the goods and services at issue, and the fame of the mark at issue, the text leads into a wide-ranging discussion analyzing whether a claim of misrepresentation will lie when the parties are competitors and the marks are similar, as well as an analysis when the parties are not competitors.

Central to establishing an action for passing off, whether under Canadian common law or under the Canadian Trademarks Act, is the distinctive nature of the plaintiff’s mark—as well as its reputation in the relevant marketplace. While this may be stated simply enough, Bereskin takes a leave-no-prisoners approach in offering an eighty-eight-page in-depth review of the role of the concept of distinctiveness in unfair competition law, illustrating for the reader all of the factors that shape this legal concept in Canada. Along the way, as he often does at various points throughout the treatise, Bereskin provides his own commentary and opinion on judicial decisions in a manner that keeps the discussion moving in an informative and interesting manner. As an example, regarding the use of opinion evidence offered by a market research expert, when such opinion contradicts “the common trier’s common sense,” Bereskin offers that such evidence should be rejected or at least significantly discounted. “Most people know that the first word of a trademark or name is generally the most important element, and the element that people most remember. You don’t need an advanced degree in marketing to understand that logic. Had the

trial judge relied more on his common sense than this testimony, the case may have ended then and there, and not reached the Supreme Court of Canada.”

Other offenses are explored in Chapters 10, 17, and 18, with fulsome discussions of dilution, initial interest confusion and keyword advertising, and deceptive marketing practices. The text considers the role of freedom of expression and parody in renown marks and dilution. With respect to initial interest confusion and keyword advertising, Bereskin discusses the use of paid keyword advertising as a means to compete for business online, noting that Canadian court decisions “present a mixed record on the issue of whether use of a keyword or metatag can constitute passing off.” And regarding deceptive marketing practices, the text reminds the reader that while several laws, regulations, guidelines, and codes address advertising, it is the Competition Act that most broadly deals with false and misleading advertising under both criminal and civil proscriptions. The work explores false advertising, product claims, bait and switch, sales above advertised prices, testimonials and endorsements, and contests. Bereskin even addresses Canada’s Anti-Spam Law, as well as comparative advertising claims and ambush marketing (in which a party attempts “to capitalize on the notoriety of an event without being an official sponsor”).

Damages and remedies are each discussed in fine detail in each of Chapters 9 and 12. Bereskin looks at the kinds of damage protected by unfair competition law. In Canada, proof of damage or likely damage must be real and substantial. Remedies for violations of unfair competition law range from injunctions to recovery of damages and lost profits. The text reviews the elements required to establish irreparable harm, a precursor to obtaining an injunction, and Bereskin notes that while some courts have “tended to relax” the irreparable harm requirement “by presuming irreparable harm if the court is of the view that damage to the plaintiff’s goodwill is probably difficult to assess,” he warns that this approach “has the potential for colliding with the public’s interest in freedom of competition, because the injunction curtails the defendant’s right to compete before there is proper adjudication of the merits of the plaintiff’s actions.” If a plaintiff is able to access other remedies, such as general damages or compensatory damages, Bereskin observes that Canadian courts “are not infrequently tasked with the burden of having to give their best estimate of damages that cannot be calculated with precision.”

Bereskin then moves to defenses in Chapter 15. A plaintiff bringing such claims, Bereskin cautions, should be sure to come with “clean hands.” Indeed, the text offers examples of plaintiffs who are tripped up by their own material misrepresentations. Defendants may also be aided by establishing that the mark at issue is not distinctive (perhaps it is descriptive, or perhaps it is not

actually being used as a trademark by the plaintiff) or that the plaintiff has otherwise acquiesced to the defendant's use, perhaps by a lengthy delay in bringing action (estoppel by acquiescence). Other concepts discussed include public policy considerations, concurrent use rights, and parody (although, Bereskin notes, that "[u]nlike the U.S.A., Canadian courts are more reluctant to allow parodic or social commentary uses where there is some evidence of financial gain").

The final chapter of this work sets forth nearly seventy pages to address the topics of confidential information and trade secrets. As Bereskin notes at the outset of Chapter 20, "Perhaps the most unfair type of competition is when a trusted recipient of a secret betrays that trust, and either makes that secret public, and destroys its confidentiality, or misuses that secret to his or her own advantage." The text then embarks on detailed explanations of what constitutes a trade secret, what is meant by confidentiality, what legal bases create the protection of confidential information (contract, equity, and property), how information can be protected (or otherwise accessed and made publicly available), and how obligations of confidentiality are created (contract, fiduciary, and imposed by industry). When discussing types of disclosures, Bereskin covers a litany of potential secret breakers, each supported by case law references including employees, consultants, competitors, joint venturists, governments, and even thieves. Of the last group, Bereskin notes that Canadian courts may impose a duty of confidence in some situations "where it is obvious from the surrounding circumstances that the thief used surreptitious means to obtain another's commercially valuable information or trade secrets in the face of knowledge that the information was confidential." The text goes on to address various defenses and remedies to breaches of confidentiality and trade secrets, as well as a practical subsection on how to protect confidential information in litigation, concluding with three appendices containing a model non-disclosure agreement, a model confidentiality order, and a model protective order.

## CONCLUSION

In the book's preface, Bereskin notes that, for this treatise, "an important aim was to focus on what I and others see as the growing collision between overly aggressive enforcement of trademark rights and the concomitant adverse effect on competition." As a result, this work not only presents a strikingly vast account of unfair competition law in Canada, but it also does so with critical commentary and thoughtful observation. Perhaps this extra element is what helps make this work an indispensable contribution for the legal scholar, practitioner, or curious intellectual.

Like any good legal treatise, this work is not meant to be digested in its entirety in a single sitting (and it would likely be impossible to do so!). Rather, it should be treated like a well-worn, oft-thumbed-through “old reliable,” sitting at eye-level on the shelf of every interested legal expert who might take the book in hand, flip to the table of contents outline, find the section relevant to his or her concerns, and begin absorbing the detail-laced, comprehensive review of the topic at hand, within the broad scope of the law of Canadian unfair competition.

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