

Dilution in Europe: Setting the Threshold for Blurring

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Reputation Matters – No Presumptions

Marca Mode CV v. Adidas AG & Adidas Benelux BV
[2000] E.C.R. I-6191

Likelihood of confusion cannot be presumed for marks with a reputation.

Likelihood of confusion may arise from the conjunction of distinctiveness / reputation (part of the global appreciation test) with similarity; this does not imply a presumption of “likelihood of confusion” resulting from “likelihood of association in the strict sense”.

A positive finding of likelihood of confusion is always required.

Positioning ‘Dilution’ – No Presumptions

Adidas-Salomon AG v. Fitnessworld Trading Ltd [2003] E.C.R. I-12537

Article 5(2) does not require confusion. What is required for the application of Article 5(2) that as the result of the similarity between the mark and the sign 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 ... The existence of such a link must, just like a likelihood of confusion in the context of Article 5(1)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case”.

The fact that a sign is viewed as an embellishment does not preclude the application of Article 5(2) where the degree of similarity is such as to establish a link between the sign and the mark. If 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”.**

Product Market Niche Fame

General Motors Corp. v. Yplon SA [1999] E.C.R. I-5421 – Product Market Niche Fame

For the purposes of Article 5(2) Dir. the public amongst which the earlier mark must have acquired a **reputation in the public concerned** by the products or services covered by the trade mark.

The mark must be known by a “significant part” of the public concerned. In making this assessment courts “must take into consideration all the relevant facts of the case, and in particular the market share held by the trade mark, the intensity, geographical extent[,] and duration of ... use, and the size of investment made ... in promoting [the mark]”.

The stronger the earlier mark's distinctive character and reputation, the easier it will be to accept that detriment has been caused to the mark.

Geographical Market Niche Fame

Pago [2009] E.C.R. I-09429

Article 9(1)(c) of Regulation 40/94 must be interpreted as meaning that, in order to benefit from the protection afforded in that provision, a Community trade mark must be **known** by a significant part of the public concerned by the products or services covered by that trade mark, **in a substantial part of the territory of the European Community**, and that, in view of the facts of the main proceedings, the territory of the Member State in question may be considered to constitute a substantial part of the territory of the Community.

Dilution – Blurring

Intel [2008] E.C.R. I-08823

As regards, in particular, the detriment to the distinctive character of the earlier mark, which the Court also described as ‘dilution’, ‘whittling away’ or ‘blurring’, it accepted that such detriment is caused when that **mark’s ability to identify the goods or services for which it is registered as coming from the proprietor of that mark is weakened by the use of the later sign, which leads to the dispersion of its identity and hold upon the public mind.**

It also confirmed that this is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so.

Reputation and The Relevant Public: a Blow to Niche Fame?

Then, the Court observed that the public to be taken into account for the purposes of Article 4(4)(a) varies depending on the type of injury claimed each time and proposed a two-fold test for its definition:

In the first place, the mark's reputation must be assessed, by reference to the perception of the relevant public, which consists of average consumers of the goods or services for which that mark is registered, who are reasonably well informed and reasonably observant and circumspect.

Secondly, if what has been claimed is detriment to the distinctive character or the repute of the earlier mark, it is the average consumers of the goods and services for which that mark is registered, who must be taken into account; conversely, in cases of unfair advantage, its existence must be assessed by reference to the average consumers of the goods or services for which the later mark is registered and/or used.

Blurring: Standard and Burden of Proof

Next, the Court noted that the burden of proving detriment or unfair advantage falls on the proprietor of the earlier mark, who must adduce appropriate evidence to that effect.

It stressed though, **that the proprietor is not required to demonstrate actual and present injury to its mark** since, when it is foreseeable that such injury will ensue from the use of the later mark, he cannot be expected to wait for it actually to occur in order to be able to prohibit that use; in any event, however, he must at least establish that there is a serious risk that such an injury will occur in the future.

Blurring: Standard and Burden of Proof

Moreover, considering that blurring is caused when the mark's ability to identify the goods or services for which it is registered is weakened because the use of the later mark leads to dispersion its identity and hold upon the public mind, the **proof of dilution requires evidence of a change in the economic behaviour of the consumer consequent on the use of the later mark, or at least a serious likelihood that such a change will occur in the future.**

Harm to Reputation – Unfair Advantage

L'Oréal SA v Bellure [2009] E.C.R. I-05185

The Court analysed the notions of 'detriment to repute' and 'unfair advantage', which had not formed part of the dispute in Intel.

It defined the former as **the 'tarnishment' or 'degradation'** of the earlier mark, caused when the goods or services of the later sign are perceived by the public in such a way **that the earlier mark's power of attraction is reduced**. It also pointed out that such detriment may arise in particular from the fact that the goods or services of the later mark possess a characteristic or quality which is liable to have a negative impact on the image of the reputed mark.

With regard to the concept of **'unfair advantage'**, also referred to as **'parasitism' or 'free-riding'**, it held that it relates to the advantage taken by a third party as a result of the use of an identical or similar sign and that it covers, in particular, cases where there is clear exploitation on the coat-tails of the reputed mark, by reason of a transfer of the image embedded in that mark, or of the characteristics which it projects, to the goods designated by the later sign.

Case C-383/12 P, *Environmental Manufacturing – The General Court*

This was an appeal against T-570/10 *Environmental Manufacturing v OHIM – Wolf (Representation of a wolf's head)* [2012] ECR II-0000 where the GC had dismissed an action for annulment of the decision of the Second Board of Appeal in R 425/2010-2.

The predecessor of Environmental Manufacturing (EM) had applied for a CTM covering a figurative sign representing a wolf's head for goods in Class 7. Société Elmar Wolf (EW) opposed on the basis of a number of earlier French and international word and figurative trade marks.

The opposition was dismissed on the ground that there was no likelihood of confusion and on the ground that EW failed to produce evidence of detriment or unfair advantage. The BoA, however, concluded that the earlier marks possessed the necessary reputation and that the mark applied for might dilute the unique image of the earlier marks and take unfair advantage of their distinctive character or their reputation.

Case C-383/12 P, *Environmental Manufacturing – The General Court*

EM challenged the decision before the GC.

The General Court

The GC found that the BoA had correctly established that the relevant public might establish a link between the marks.

It also stressed that:

52. [Following *Intel*] the proprietor of the earlier mark must adduce prima facie evidence of a future risk, which is not hypothetical, of detriment [...]. Such a conclusion may be established, in particular, on the basis of logical deductions made from an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case [...].;

Case C-383/12 P, *Environmental Manufacturing* – *The General Court – Introducing a Presumption?*

53. It cannot, however, be required that, in addition to those elements, the proprietor of the earlier mark must show an additional effect, caused by the introduction of the later mark, on the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered. Such a condition is not set out in Article 8(5) of Regulation No 207/2009 or in *Intel Corporation* [...].

54. So far as concerns paragraph 77 of *Intel Corporation* [...], it is apparent from the choice of words ‘it follows’ and from the structure of paragraph 81 of that judgment that **the change in the economic behaviour of the consumer, to which [Environmental Manufacturing] refers in support of its claim, is established if the proprietor of the earlier mark has shown, in accordance with paragraph 76 of *Intel Corporation*, that the mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark.”**

Case C-383/12 P, *Environmental Manufacturing* – CJEU

The Court of Justice

Before the CJEU EM argued that, according to *Intel*, proof that the use of the later mark would be detrimental to the distinctive character of the earlier mark required evidence of a change in the economic behaviour of the relevant average consumer or evidence of a serious likelihood that such a change will occur in the future.

OHIM submitted that the change in the economic behaviour of the average consumer and the dispersion of the identity of the earlier mark were neither independent nor cumulative, but in reality were part of a single requirement. Accordingly, it was sufficient, in order for the consumer's economic behaviour to be affected, for the consumer to consider the sign having a reputation to be less attractive, prestigious or exclusive as a result of the use of the later sign in dispute.

Case C-383/12 P, *Environmental Manufacturing* – CJEU – No Presumption

The CJEU accepted that

“35 Admittedly, paragraph 77 of the *Intel Corporation* judgment, which begins with the words ‘[i]t follows that’, immediately follows the assessment of the weakening of the ability to identify and the dispersion of the identity of the earlier mark; it could thus be considered to be merely an explanation of the previous paragraph. However, the same wording, reproduced in paragraph 81 and in the operative part of that judgment, is autonomous. The fact that it appears in the operative part of the judgment makes its importance clear.

36 The wording of the above case-law is explicit. It follows that, without adducing evidence that that condition is met, the detriment or the risk of detriment to the distinctive character of the earlier mark provided for in Article 8(5) of Regulation No 207/2009 cannot be established.

Case C-383/12 P, *Environmental Manufacturing* – CJEU – *Objective Condition*

37 The concept of ‘change in the economic behaviour of the average consumer’ lays **down an objective condition**. That change cannot be deduced solely from subjective elements such as consumers’ perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.” Consequently the GC had erred in law by in essence dismissing the assessment of the condition laid down by *Intel*.

Case C-383/12 P, *Environmental Manufacturing* – *Competition Considerations*

The CJEU repeated that:

- 40 “... in its judgment in *Intel Corporation*, the Court clearly indicated that it was necessary to demand a **higher** standard of proof in order to find detriment or the risk of detriment to the distinctive character of the earlier mark, within the meaning of Article 8(5) of Regulation No 207/2009.”

It added that:

41 “.... the criterion put forward by the General Court could, in addition, lead to a situation in which economic operators improperly appropriate certain signs, which could damage competition.”

Case C-383/12 P, *Environmental Manufacturing* – CJEU – *Proper Reasoning*

Accepting that account should also be taken of a serious risk of detriment the CJEU note that this allowed the use of logical deductions, but added:

43 “None the less, such deductions must not be the result of mere suppositions but, as the General Court itself noted at paragraph 52 of the judgment under appeal, in citing an earlier judgment of the General Court, must be founded on **an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case**”.

The CJEU referred the case back to the GC.