Unfair advantages associated with likelihood of confusion and dilution in trademark law

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Abstract

The trademark guarantees market transparency and protecting clear communicative channel between innovative product and consumer rather than rewarding creators or creating direct incentives for the inventor like in Intellectual Property and Patent. However, unfair advantages of the trademark are rising to new challenges because of complex average consumer behaviour. Nevertheless extended protections of the trademark can also create obstacles to innovation and market competition. Therefore to understand the unfair advantages and associated challenges in the trademark in this thesis the research focus is kept on unfair advantages linked with likelihood of confusion and dilution and its possible limitations, and finally problem with the existing approach to determine the unfair advantages.

Keywords: European Union, Trademark Law, Likelihood of Confusion, Dilution, and Unfair advantages
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<td>AG.</td>
<td>Aktiegesellschaft</td>
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<td>Benelux Court of Justice</td>
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<td>The European Union Court of Justice</td>
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<td>Community Trademark Regulation</td>
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<td>EWHC</td>
<td>High Court of England and Whales</td>
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<td>EU</td>
<td>European Union</td>
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<td>European Court Reports</td>
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<td>Inc.</td>
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<td>IPR</td>
<td>Intellectual Property Right(s)</td>
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<td>OHIM</td>
<td>The Office for Harmonization in the Internal Market</td>
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<td>TEU</td>
<td>Treaty on European Union</td>
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<td>para.</td>
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<td>WIPO</td>
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Chapter 1

1.1 Background

A trade mark is a sign which distinguishes the goods and services of one company from those of another. Trade Mark as indicators of business origin; identifying goods or services, can be words, logos, devices or other distinctive features, or a combination of these. They can also be referred to as 'brands'. This origin-indicating function remains the primary basis for trade mark protection in Europe; the Trademark Directive and the Trademark Regulation explicitly identify this as the essential function of marks. According to OHIM and European Patent Office latest report almost 21% of all jobs in the EU were created by trademark-intensive industries in last decade\(^1\). Over the same period, these industries were shown to have generated almost 34% of total economic activity (gross domestic product) in the EU. Therefore protection of trademark is essential for the EU economic growth. The unfair advantages of the trademark are more specifically linked to the advantaged taken by creating confusion among consumers using similar signs for similar services, and advantaged taken from trademark distinctive character and repute where former is known as likelihood of confusion and later is known as dilution of the trademark. For example, if the mark loses its significance to consumers as an indication of source due to the dilution it will lose protection as a mark\(^2\). However the advantage taken by the third party as a result of the use of an identical or similar sign commonly referred to as "free riding" or "parasitism". In free riding free riders take the advantage of the reputation attached to a third party’s trademark to get the benefit from the attractive force of that trademark.

The concept of the likelihood of confusion informs the consumers’ cognitive behaviour and purchasing habits therefore it is a legal concept and its assessment dependents on both legal questions and facts. Thus determining the relevant factors and whether they exit is question of law and its current interpretation are needed for establishing likelihood of confusion. These factors include (i) normal case; this is where the defendant uses the same mark in relation to the same goods, unconnected with the trade mark power, (ii) exhaustion of rights cases; parallel import cases where the trade mark owner’s goods are imported from outside the European Economic Area (EEA) and are first put on sale in the EEA without the trade mark owner’s consent, (iii) honest concurrent use cases, and (iv) keyword advertising cases.

Further the core of the dilution concept as implemented by the E.U. Directive is reflected in the wording “takes unfair advantage of, or is detrimental to, the distinctive character or the

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Introduction

repute of the trade mark.” Thus, four main different points can be classified: (i) taking unfair advantage of the reputation; (ii) taking unfair advantage of the distinctive character; (iii) being detrimental to the distinctive character; and (iv) being detrimental to the reputation.

The European CJ in these four different categories of dilution has not yet provided the clear interpretation. There is no clear separation of these categories, lacking of further interpretation, from one another thus the infringement to one category is somehow related to others. As a definition to the term ‘having a reputation’ is not implicitly provided in Article 5(2) of Trademark Directive which is specifically dealing with reputation infringement. This Article also doesn’t provide that how the terms ‘having a reputation’ can be compared with the term ‘well-known’ (used in Paris convention) and ‘famous’ marks. Therefore a qualitative aspect of the trademark that would require a positive reputation regarding the high quality of the products concerned is missing.

Further the European CJ has doesn’t clearly define the limit or boundary of level of similarity between the marks which is sufficient to cause such a ‘dilution relevant’ link. Therefore, the courts in E.U. member country are free to interpret this requirement of “sufficiently similar” to establish the link between the mark which results that the different European courts’ requiring different degrees of similarity for dilution claims, some requiring identity of the marks and others requiring a sliding degree of similarity, as in cases of trademark infringement.

According to above discussion and within the limit of this thesis certain specific questions are framed which are needed to explore to understand or establish the unfair advantages associated with confusion and dilution doctrines. And how could confusion and dilution doctrines produce bad results, is doctrinally incoherent, and lacks a sensible normative foundation. The questions are following,

In case of likelihood of confusion:

1. The Article 5(1) of trade mark directive limitations
2. Relation between confusion and unfair advantages and how to establish confusion.
3. Problem in confusion test and its reconstruction.

In case of likelihood of dilution:

1. Origin of dilution doctrine and problems
2. Dilution by blurring and tarnishment and limitations.

3. In order to interpret the Article 5(2) for “similarity”, the ECJ has only held that the marks must be sufficiently similar to cause the relevant public to establish a link between the marks, but that this link does not have to create a likelihood of confusion.
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Finally in this thesis the freeriding problem and associate workable solution will also be discussed.

The Benelux union and EU Trademark Law are bit different, though they are tried to be harmonized in present 2015 Trade mark Directive, therefore the Benelux and EU trademark law comparison is also made. Both Directive and Regulation’s provisions on dilution are influenced by Benelux trademark law, however Benelux Office encounter some practical difficulties to deal with the issue of reputation, in particular they wonder how to assess reputation of a CTM. Though the EU Court of Justice judgements are widely cited in Benelux courts act as harmonization process.

Still, extended protection of trademarks can create obstacles to innovation and thus the public interest; trademark in commercial or non-commercial speech, should be balanced against the interests of trademark holders. Therefore it is also necessary to discuss the limitations against the unfair advantages protections.

1.2 Purpose

The risk of confusion and dilution associated unfair advantages and as a result reduction in purchasing power of ‘mark’ in trademarks gives rise to many litigation and result a reduction in competiveness and impeding economy. Therefore there is a need of consistency in the application of the provisions of trademark law and of course CJEU interpretation related to the unfair advantages linked with likelihood of association and confusion and dilution issue, both for competitors and consumers. The intention of this thesis is to analyse the doctrine of likelihood of confusion and dilution and its normative foundation associated with unfair advantages by understanding the European court of justice decisions.

1.3 Method and materials

The European Court of Justice by its judgements has established fundamental principles for the interpretation to different articles which are now used as a guidance both by the Office for the Harmonization in the Internal Market, and by the same European CJ in all the new cases referred to it. In order to see how the Office and European Courts are applying those principles stated by the European Court of Justice, in this thesis the decision of the OHIM Opposition Divisions and Board of Appeals in opposition proceedings along with the European Courts of Justice’s judgements are analysed and studied.
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All the relevant decision of the OHIM Opposition Divisions and ECJS are discussed and analysed in order to understand the unfair advantages doctrine associated with likelihood of confusion and likelihood of dilution test. Benelux law and CTM law are also compared.

1.4 Delimitations

In this thesis author refer to Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trademark and Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008. Art. 8(5) of Regulation is referred which also corresponds to articles 4(3) and 4(4)(a) of Directive with bit different language. Author also refers to the Article 9(1) of Regulation. The article 5(1) and 5(2) of the Directive are referred. The references have also been made to the relevant articles of the Directive and Regulations, since the most important principles/ruling to understand the unfair advantaged have been stated by the European court of justice in answer to reference for preliminary rulings coming from the Member States Court.

Please note that footnotes in each new chapter are kept separate from other chapters to precept confusion and easy understanding of text.
2.1 International law and conventions

2.1.1 Paris convention for the protection of industrial property

The Paris Convention, adopted in 1883, applies to industrial property; patents; trademarks; industrial designs; utility models; service marks; trade names; geographical indications; repression of unfair competition. This international agreement was the first major step taken to protect intellectual works and to create interaction and recognition between IPRs in various countries. The Paris Convention, concluded in 1883, was revised at Brussels in 1900, at Washington in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and was amended in 1979. The Paris union has an executive committee and an assembly. The member states those have followed final provisions of the Stockholm Act (1967) is a member of the Assembly, and the members of the Executive Committee are elected from among the members of the Union, except for Switzerland. This convention provides substantive provisions in three main categories:

(i) National treatment: Under the provisions on national treatment each Contracting State must grant the same protection, as it grants to its own national, to all nationals of all Contracting States

(ii) Right of priority: It is provided in the case of patents, marks and industrial designs. This right implies that if the applicant filed regular first application in one of the Contracting States, the applicant may, within a certain period of time (6 months for industrial designs and marks), apply for protection in any of the other Contracting States. Therefore the applicants seeking protection in several countries are not required to present all of their applications at the same time.

(iii) Common rules: This convention provides certain common rules for all the contracting states. Some important rules are, (i) It does not regulate the conditions for the filing and registration of marks which are determined in each Contracting State by domestic law, (ii) The registration of a mark obtained in one Contracting State is independent of its possible registration in any other country, (iii) registration can be refused where the mark would infringe the acquired rights of third parties; where it is devoid of distinctive character; where it is contrary to morality or public order; or where it is of such a nature as to be liable to deceive the public, (iv) registration and the use can be prohibited if a mark constitute
imitation or translation, reproduction, liable to create confusion, of a mark used for identical and similar goods and considered by the competent authority of that State to be well known in that State.

This convention also provides protection for collective marks, industrial designs, trade names and along with a protection against direct or indirect use of a false indication of the source of goods or the identity of their producer, manufacturer or trader. Another important provision of the Paris Convention which deals with trademarks is effective protection against unfair competition and well known trademarks. Article 10bis provides the protection against Unfair Competition while Article 6bis gives international protection to well-known trademarks. Unfair completion is defined in Article 10bis as “Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.” Therefore, it prohibited all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor (Article 10bis). In the case of well-known mark Article 6bis provides the protection against reproduction and imitation when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith. Consequently a period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. However there is no time limit for the cancellation of the mark in the case of bad faith.

2.1.2 Madrid agreements concerning the international registration of marks

The Madrid System for the International Registration of Marks is governed by two treaties; Madrid Agreement; Madrid Protocol. The Madrid Agreement, concluded in 1891 and revised at Brussels (1900), Washington (1911), The Hague (1925), London (1934), Nice (1957) and Stockholm (1967), and amended in 1979. The Madrid protocol is to make the Madrid system more flexible and more compatible with the domestic legislation of countries or intergovernmental organizations. Protocol relating to the Madrid agreement concerning the international registration of marks adopted at Madrid on 27th June 1989, as recently amended in October 2006 and in November 2007. This international treaty allows a trademark owner to seek registration in any of the member countries of this Madrid agreement by filing a single application, called an “international application”. The international registration of the

1. Here Article 10ter is also important which is about marks, trade names, false indications, unfair competition: remedies, right to sue.
mark serves as a means for seeking protection in member countries however each of the member states apply their own rules and laws to determine whether or not the mark may be protected in their jurisdiction. This international registration is governed by International Bureau of the World Intellectual Property Organization, Geneva. This Madrid Union, the Contracting Parties to the Agreement and the Protocol, is a Special Union under Article 19 of the Paris Convention for the Protection of Industrial Property. The Assembly (Article 10) of the union in which every member of the union is a member responsible for the program and budget of the Union and the adoption and modification of the implementing regulations, including the fixing of fees connected with the use of the Madrid system. The Assembly also adopted a number of amendments to the Common Regulations, as recommended by the Working Group. Some of these amendments will enter into force on July 1, 2017, others on November 1, 2017, with the last set taking effect on February 1, 2019. The office of each designated Contracting Party shall issue a statement of grant of protection under Rule 18ter of the Common Regulations.

The international registration content shall contain following important information (only few important relevant points are presented here): (i) the number of the international registration, (ii) all the data contained in the international application, except any priority claim under Rule 9(4)(a)(iv), (iii) the date of the international registration, (iii) the mark can be classified according to the International Classification of Figurative Elements; Classification as determined by the International Bureau, (iv) an indication to whether a Contracting Party designated under the Agreement or a Contracting Party designated under the Protocol. According to Article 4bis the international registration can replace the national or regional registration even without affecting any rights acquired by nation registration provided that (i) the protection resulting from the international registration extends to the said Contracting Party under Article 3ter(1) or (2) (ii) all the goods and services listed in the national or regional registration are also listed in the international registration (iii) such extension takes effect after the date of the national or regional registration.

The refusal and invalidation of the international registration, as defined in Article 5, is similar to the ground proposed under the Paris Convention for the protection of industrial property. However, protection may not be refused, even partially, by reason only that the applicable legislation would permit registration only in a limited number of classes or for a limited number of goods or services.
Chapter 2 Legislative Framework

2.1.3 TRIPS agreements

The agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)\textsuperscript{2} is an international legal agreement between all the member nations of the World Trade Organization (WTO); TRIPS are integral part of WTO. First time in 1994 the TRIPS agreement introduced intellectual property law into the international trading system and thereafter remains the most comprehensive international agreement on intellectual property till today. The Doha declaration clarifies the scope of TRIPS, according to it TRIPS can and should be interpreted in light of the goal "to promote access to medicines for all". TRIPS agreement provides the minimum standards for the regulation by national governments of many forms of intellectual property. The Articles of the TRIPs which deal with trademarks are in Section 2 of Part II: Article 15 to 21. Article 15 of the TRIPs Agreement, which is headed “Protectable Subject-matter”, deals with standards concerning the availability, scope and use of intellectual property rights, provides in paragraph 1. Rights conferred by the owner are stated in Article 16 as per Article 6bis of Paris convention\textsuperscript{3}, and exceptions are provided in case of fair use, Article 17, under legitimate interests of the owner of the trademark and of third parties. Article 19 is about the “use” of the trade mark which is required to maintain a registration. The registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. TRIPS agreements also specify enforcement procedures, remedies, and dispute resolution procedures.

2. TRIPS was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994 and is administered by the WTO. TRIPS requires WTO members to provide copyright rights, covering content producers including performers, producers of sound recordings and broadcasting organizations; geographical indications, including appellations of origin; industrial designs; integrated circuit layout-designs; patents; new plant varieties; trademarks; trade dress; and undisclosed or confidential information.

3. The important article in the context of this thesis work is Article 16 TRIPs Agreement: “The owner of a registered trade mark shall have the exclusive right to prevent all third parties not having the owner(s) consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trade mark is registered where such use would result in a likelihood of confusion. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed. The rights described above shall not prejudice any existing prior rights, nor shall they affect the possibility of Members making rights available on the basis of use.”
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2.2 European trademark law

2.2.1 Trademark directive

European Union with the aim to harmonize the trademark laws of the member states and towards to a trademark policy in compliance with the establishment of the internal market adopted the Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008. This Directive is influenced by Benelux trade mark law which had a harmonized trademark system at the time Directive was drafting. Recent, Trademark Directive is 2015/2436; recast and text with EEA relevance. But here we will discuss only Directive 2008/95/EC. This Directive does not explicitly use the term dilution but provide the protection to the marks with a reputation, therefore articles 4(3), 4(4)(a) and 5(2) may be regarded as the dilution related part of Directive. Here the Article 4(3) of the Directive is a mandatory provision for Member States. Article 4(3) provides protection for only Community trademarks with earlier registration and reputation therefore it can be used against dilution. Article 4(4)(a), which is similar to Article 4(3), provides optional protection for national trademarks under the same situations. Therefore the member states may further provide the protection for national trademarks with reputation against later marks with similar or identical sign on dissimilar good and services if the later use result the detrimental to distinctive character or repute of the earlier national trademark with reputation. The Article 5(2) provides exclusive rights to proprietor of trademarks with reputation in Member States. Article 5(2), different from the 4(3) and 4(4)(a), does not distinguish the national and Community trademarks. This article also emphasize that the proprietor, of earlier trademark with reputation, consents is necessary to “use” his/her mark in the “course of trade”.

4. Scope of Directive 2008/95/EC: “This Directive shall apply to every trade mark in respect of goods or services which is the subject of registration or of an application in a Member State for registration as an individual trade mark, a collective mark or a guarantee or certification mark, or which is the subject of a registration or an application for registration in the Benelux Office for Intellectual Property or of an international registration having effect in a Member State.”

5. According to this article a trademark shall not be registered, or, if registered should be declared invalid, if it is an identical or similar sign to an earlier Community trademark with reputation, and is or has been registered for non-similar goods and services without due cause, thereby taking unfair advantage of, or being detrimental to, the distinctive character or the repute of the earlier Community trade mark.
This article also provide the protection to proprietor of earlier mark against identical or similar signs in relation to both identical or similar or not similar goods and services; see *Adidas Benelux BW v. Fitnessworld Trading* decision\(^6\).

Requirement of likelihood of confusion does not stated in articles 4(3), 4(4)(a) and 5(2). Article 5(1)(a) provides exclusive rights to proprietor of trademarks against the infringement in double identity (identical goods and services) cases. Whereas Article 5(1)(b) provides the protection against the infringement due to likelihood of confusion because of similarity of the goods or services covered by the trade mark and the sign. Both of these articles represent the mandatory protection of trademark to protect the essential function of origin identification.

Article 4(1)(a) and Article 4(1)(b) provides further grounds for refusal or invalidity concerning conflicts with earlier rights in case of double identity and likelihood of confusion, respectively.

For example, in *Sabel v Puma* case\(^7\) ECJ interpreted the likelihood of confusion within Article 4(1)(b) of Directive. ECJ stated that interpretation of likelihood of confusion in that article is not inconsistent with articles 4(4)(a) and 5(2) where likelihood of confusion is not required.

In *L’oreal v. Bellure* case\(^8\), ECJ in response to the question of the likelihood of confusion or association under Article 5(2) stated that likelihood of confusion is not required for Art. 5(2) to apply, but it is only enough for a link to be established by the relevant sector of the public without confusion as a result of similarity between trademarks.

Though, in this directive the confusion requirements are not that clear as dilution, it is similar to the US Lanham act (outside the scope of this thesis). Therefore all the detailed explanation and requirements for confusion doctrine usually came from CJEU decisions on double identity and confusion cases. However, the CJEU decisions extended the boundary; means extended the core zone, of these articles

\(^6\) Case C-408/01 *Adidas Benelux BW v. Fitnessworld Trading*.

\(^7\) Case C-251/95 *Sabel BV v. Puma AG* (1997) para. 23.

\(^8\) Case C-487/07 *L’Oréal SA and Others. v. Bellure NV and Others* (2009). para. 50.
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2.2.2 Trademark regulation

Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark is the second project of European Union on trademarks which introduced “Community trademark” system. However this regulation is amended by Regulation (EU) 2015/2424 of the EU parliament and the council of 16 December 2015. However this Regulation (EU) 2015/2424 is acting in accordance with the ordinary legislative procedure of Council Regulation (EC) No 207/2009 except few changes (para 1 to 40) and harmonization which are outside the scope of this thesis. Therefore here in this thesis Council Regulation (EC) No 207/2009 is considered. This Regulation also does not have clear provision for dilution as it the case with Directive. The Community trademarks system coexists with national trademark systems and the Regulation and Directive are essentially similar however, optional provisions in Directive may lead to differences in practice.

Article 8(5) of Regulation corresponds to articles 4(3) and 4(4)(a) of Directive with bit different language. Article 8(5) of Regulation states the requirement of proprietor’s opposition by the proprietor of a registered earlier trade mark within the meaning of paragraph, whereas it is an implicit requirement in Directive.

Another difference between Regulation and Directive is that if a Community trademark application dilutes another community trademark with reputation in Community then it can be converted into national trademark.

According to Article 8(5) Community trademark must have reputation within the community and National trademark should have reputation in the member state concerned, respectively. But in case of reputation in community it is unclear whether it must have reputation within one member of state or more than one member of states.

Article 9(1)(c) of Regulation corresponds to the provision of Article 5(2) of the directive. However only difference between them is that reputation should be in community in case of Article 9(1)(c) whereas reputation should be in member of state in Article 5(2). Article 9(1) of Regulation is a mandatory provision and Article 5(2) of Directive is an optional provision for Member States on deciding the scope of protection.

Further according to Article 14(1) of Regulation, the effects of Community trademarks shall be governed by Regulation whereas infringement of a Community trade mark shall be
governed by the national law relating to infringement of a national trade mark in accordance
with the provisions. Therefore the remedies against infringements are constructed from the
law of Member state.
In the Community Trade Mark system six grounds for opposition may be identified as laid
down in Article 8 of the Community Trade Mark Regulation:

1. Article 8 (1) a.: identical trade marks & identical goods/services;

2. Article 8 (1) b.: likelihood of confusion: identical or similar trade mark & identical or
   similar goods/services;

3. Article 8 (3) : trade mark filed by an unauthorized agent or representative of the
   proprietor of the trade mark;

4. Article 8 (4) : trade mark conflicting with a non-registered trade mark or another sign
   used in the course of trade protected under national law;

5. Article 8 (5) : identical or similar trade mark & non similar goods/services where the
   earlier trade mark has a reputation in the Community or in its Member State and use
   of the mark would take unfair advantage of, or be detrimental to, the distinctive
   character or the repute of the mark;

6. Articles 8 (1) a. and 8 (1) b. are also open to earlier well-known trademarks according
to Article 6bis of the Paris Convention.

2.2.3 Article 8(5) CTMR

According to Article 8(5) of community trademark Council Regulation (EC) No 207/2009:

“upon opposition by the proprietor of an earlier trade mark, within the
meaning of paragraph 2, the trade mark applied for shall not be registered:
where it is identical with or similar to the earlier trade mark and is to be
registered for goods or services which are not similar to those for which the
earlier trade mark is registered, where in the case of an earlier Community
trade mark the trade mark has a reputation in the Community and, in the
case of an earlier national mark, the trade mark has a reputation in the
Member State concerned and where the use without due cause of the trade
mark applied for would take unfair advantage of, or be detrimental to, the
distinctive character or the repute of the earlier trade mark.”
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The same wording is used in the parallel provisions of the Trademark Directive Article 4(3) (Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks), which deals with the protection of Community trademarks with reputation. Similarly, Article 4(4)(a) of Trademark Directive is the equivalent provision for national marks. All the Member States have adopted provisions granting enlarged protection to national marks with reputation though the implementation of Article 4(4)(a) of TMD was optional. Let say, if agreeing country decides not to apply an equivalent provision in its trademark law even then the independent reference to national marks with reputation in Article 8(5) imply that they are directly protected at Community level.

The Article 8(5) CTMR, provision for relative grounds for refusal, wording is also very similar to the wording used in Articles 9(1)(c) CTMR and 5(2) TMD where the provisions determining the exclusive rights of a trade mark proprietor.

This minute difference can be understand as Articles 9(1)(c) CTMR and 5(2) TMD read “takes unfair advantage of or is detrimental to” because prohibition of use is at issue, while Article 8(5), where use of application read “would take unfair advantage of, or be detrimental to the distinctiveness or repute of the earlier mark” because registerability is at issue which may have to be decided without any use of the later mark having been made.

The Article 8(5) CTMR has its applicability exclusively to (a) earlier registered marks and (b) dissimilar goods and services. Therefore, these wording, as mentioned above, of this article has given rise to some controversy because it should be clarified at the outset whether it is possible also to apply Article 8(5) to unregistered well-known marks and similar goods and services?

Since the well-known marks, which are not registered in the relevant territory, cannot be protected under Article 8(5) against dissimilar goods, but they can only be protected against identical or similar goods pursuant to Article 8(1)(b) which is about likelihood of confusion. Here Article 8(2)(c) refers for determining the scope of protection for Article 8(1)(b).

9. Even though the terms “well-known” (a traditional term used in Article 6bis of the Paris Convention) and “reputation” denote distinct legal concepts, there is a substantial overlap between them, as shown by a comparison of the way well-known marks are defined in the WIPO Recommendations, with the way reputation has been described by the Court in General Motors.
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If the relevant national law affords protection to the well-known mark against dissimilar goods and services then it can also be invoked under Article 8 (4). Further, if the well-known mark having reputation, fulfil the requirements of reputation, is registered either as national marks in one of the member States or as Community trademark then it can be invoked under Article 8 (5).

2.2.3.1 Condition for Article 8(5) application

The CJEU by different case law established following conditions which are needed to satisfy for Article 8(5) to apply:

i. Earlier registered mark with reputation in the relevant territory;
ii. Identity or similarity between the contested CTM application and the earlier mark;
iii. Use of the sign applied for must be capable of taking an unfair advantage of, or being detrimental to the distinctiveness or the repute of the earlier mark;
iv. Such a use must be without due cause.

In order to succeed under Article 8(5) of the Regulation condition “unfair advantage of, or being detrimental to the distinctiveness or the repute of the earlier mark”, the ECJ in the case of Environmental Manufacturing LLP v. OHIM restated that in order to succeed in this article it would have to be evidenced by

1. A change in the economic behaviour of an average consumer of the goods or services for which the opponent’s mark was registered; or
2. Evidence that there was a serious likelihood that such a change would occur in the future.

To establish these evidences logical deductions 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", and should not be on the basis of mere superposition.

10. Case T-570/10 RENV para 26 (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.”
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Article 5(1)(a) and article 5(1)(b) of the TMD provide the ground for protection against the infringement. The article 5(1)(a) forbids the use of identical mark on identical goods and services without the consent of owner and known as double identity infringement. Instigating the claim under this article doesn’t require the proof of confusion because the confusion under this article is presumed as mentioned by Mr. Geoffrey Hobbs QC in re direct wine application case. It is because the objective of presumed condition is that it would be extravagant and redundant to entail the likelihood of confusion in double identity case. Therefore, the infringement under this article is absolute although merely subjected to condition as laid down in Article 6 of TMD. However, requirement to apply this article is to establish or need to prove the identity of the goods. Therefore, in double identity infringement cases one puzzling issue is that who will bear the bourdon of proof claimant or defendant? On the other hand in Article 5(1)(b) there is a need to established a likelihood of confusion on a part of the public. Establishing confusion mechanism is perhaps one of the most difficult aspects of trademark infringement cases. Trademark Directive of European Union states that infringement may occur where there is a ‘likelihood of confusion’. Therefore, there are several confusion based models/theories that result enigma dealing with likelihood of confusion associated infringement cases. The problem occurs to apply the confusion bases theories to infringement cases mean selections of theories depending on the particular case. It is evident that the courts have not used the uniform model to establish the likelihood of confusion test in Sabel vs. Puma case, the CJEU explained the threshold of the likelihood of confusion test, and court established that average consumer point of view is inevitable important for establishing “the global appreciation of likelihood of confusion”. This statement by CJEU not only created the new dimension, global appreciably by average consumer, to establish confusion but it also resulted the difficulty due to add-on of additional interpretation for ‘average consumers’ and related factors through which global appreciation will be governed. Since the nature of the confusion is non-exhaustive and broad therefore it is categorized in different subgroups. There are three different subgroups

5. C-251/95 Sabel vs. Puma.
6. See infra
7. See infra
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among which confusion can occur in trademark: (i) pre-sale confusion; initial interest, (2) during the sale; point of sale confusion, and (3) post-sale confusion; confusion after purchase. Here most complex and least explored issue is post sale confusion among all three confusion doctrines. Post-sale confusion doctrine is well known in US law whereas first time in the EU case of Arsenal Football Club Plc v. Reed the CJEU accepted this post-sale confusion doctrine though this doctrine was questioned by advocate generals in Alcon v. OHIM case. These cases put the post-sale confusion discussion into spotlight for serious analysis in European trademark law community; among judiciary and academics. For example English High Court in the Datacard Corp. v. Eagle Technologies Ltd. mentioned that likelihood of confusion doctrine itself includes the post-sale confusion therefore finding of “post-sale confusion” is not required. This decision, however, failed to discuss the detailed factors which are need to take care while dealing with post-sale confusion but, nevertheless, revived the nature of post-sale confusion in European trademark law. But from this decision it is clear that the likelihood of confusion doctrine encompasses post-sale confusion therefore to establish post-sale confusion infringement there is a need to look into details in likelihood of confusion doctrine.

We will discuss this post-sale confusion issue in later chapter. In the following we will discuss likelihood of confusion and association in Benelux and community trademark law, problem in likelihood of confusion test and finally reconstruction of the infringement test.

3.1 Likelihood of confusion and association in Benelux and community trademark law

In this section we will discuss and compare the Benelux approach of likelihood of association and anti-dilution to understand the European law better because both Directive and Regulation’s provisions on confusion and dilution are influenced by Benelux trademark law. Three countries Belgium, Netherlands and Luxembourg established the Benelux Economic Union in 1958. Afterward in 1978 Benelux Trademark Act entered into force and it section 13 outlines the scope of protection conferred on trademarks, “The owners of a trademark can prohibit another person from using an identical sign if he can prove such use may cause him

8. The US law is out of the scope of this thesis therefore will not be discussed here.
9. C-206/01 Arsenal Football Club.
10. C-192/03 P - Alcon v OHIM.
11. In DataCard Corporation (DataCard) v Eagle Technologies Ltd (Eagle) [2011] (EWHC, PAT), the English High Court held that post-sale confusion can be relied upon in appropriate cases as demonstrating the existence of a likelihood of confusion under article 5(1)(a) of the EU Trade Marks Directive (2008/95/EEC).
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to sustain loss or damage”. Benelux countries broaden this approach from a protection which covers the loss or damage resulted from the confusion on the commercial origin of goods and services to more broaden to broader likelihood of association criteria in union Julien vs. Verschuere case judgment\textsuperscript{12}. This resulted a more broaden protection to trademark owner subsequently might create problem to the market completion. For example, the earlier trademark holder can ban the later use of trademark just by evidencing that public would consider the earlier mark when they see the later mark. Further if the later mark can induce an unique association with earlier trademark in consumers mind and loosen earlier marks capacity to induce buying then it would be sufficient to ban the use of later mark without considering the market competiveness. Benelux approach for the infringement/conflict of the trademark can be expressed as if possible conscious or subconscious association between the third party’s sign or mark and the earlier trademark made by the public considering following points, (i) goods of two marks are same; (ii) later trademark has common owner or source; and (iii) later trademark leads to a link with earlier trademark in some way, then later mark use will be revoked.

In Benelux Union likelihood of confusion is not primly required; confusion to the commercial origin of the goods and services or relationship between, mere associations is enough for infringement. However, the European Union’s Directive gratified the Members States to approximate the trademark law as a result the new Benelux Trademark Act promulgated in 1992 and came into force in 1996. However, presently the Benelux uniform law has been replaced by an international convention, the ‘Benelux Convention concerning Intellectual Property’ (BCIP), signed on 25 February 2005. Even though, the Directive cannot make essential changes in Benelux Trademark law. For example, in the EU likelihood of Dilution cases the trademark owner is anticipated to prove the damage to the distinctive character of the reputation of the mark\textsuperscript{13} whereas contrariwise under the Benelux law reputation is not necessary to be established among the public at large and relevant sector, whereas the mark owner only need to show that the mark is engaged in normal commercial use, and on that normal commercial use basis has become known within interested circles.

\textsuperscript{12} Case A 82/5 Julien v Verschuere Judgment of 20 May 1983.
\textsuperscript{13} See infra; chapter 5.
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As in Benelux law as per article 13/3, mark owner may claim damage, seize the property and transfer the profit just by claiming infringement of the reputation. For example, in the case of KLAREIN/ CLAERYN Benelux court of justice held that the prejudicial association between the registered CLAERYN mark and KLAREIN result the detriment to the registered mark CLAERYN, as a result the KLAREIN mark impaired the buying and stimulated capacity of the CLAERYN resisted mark. Conclusively the dilution is a matter of cancelation in Benelux law there is no provision for opposition against it. Further only register trademark are able to have protection in Benelux countries, Article 12/a only registered trademarks are afforded any protection regardless of the nature of action instituted, which is, however, in contrast to the EU regulation.

The difference between the CTM and Benelux system can be summaries as follows:

1. In a case with a difference in earlier rights can be invoke in an opposition in CTM. However in Benelux system there is no equivalent to Articles 8(3), 8(4) and 8(5) CTMR. It is not possible to file an opposition in Benelux, (i) on the basis of an earlier sign such as a trade name, (ii) against a trade mark filed by an unauthorized agent or representative, and (iii) on the basis of a mark with a reputation, against non-similar goods/services.

2. Differences in earlier rights one can invoke in a cancellation action however there is no equivalent in CTM cancellation proceedings of Article 2 Benelux IP law. It is not possible to file a cancellation action at OHIM on the basis of a trade mark which has recently expired.

3. There is no equivalent in Benelux cancellation proceedings of Article 8 (4) CTMR: it is not possible, under the Benelux Convention, to file a cancellation action in front of a Benelux Court based on an earlier sign such as a trade name (national laws of Belgium, Netherlands and Luxembourg shall apply for protection of trade names).

14. The new Benelux Trademark Act addresses dilution under article 13(a)/1c. According to this article, “mark owner can contest any use in the course of trade, without due cause, made of a mark that has a reputation in the Benelux territory, or of a similar sign, for goods that are not similar to those for which the mark is registered, where use of such sign takes unfair advantage of or is detrimental to the distinctive character or the repute of the mark”.

15. See Benelux Court of Justice, 1 March 1975, case A74/1 KLAREIN/ CLAERYN.

16. Art. 12/a of Benelux Trademark Act; “Regardless of the nature of the action instituted, no one may judicially claim protection for a symbol which is considered a mark within the meaning of Article 1 unless he has filed it in due form and, where applicable, has had the registration renewed.”.
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4. There is no equivalent in Benelux cancellation proceedings of Article 52 (2) CTMR: it is not possible under the Benelux Convention, to file a cancellation action in front of a Benelux Court based on another earlier sign such as a copyright, a right to a name, etc.  

In Benelux system, unlike CTM, restrictive approaches are used for comparative advertising and it is considered as one kind of unfair competition which grants an opportunity to newcomers to ride on the coat trail on established marks. However in certain non-Benelux countries it is also prohibited by national law; for example in Germany all kind of comparative advertisings are prohibited.

In contrast to CTM, in Benelux system the applications usually publish with in two week after receiving the application, and with the publication opposition period of two month start from the first day of publication. In Benelux the refusal and opposition proceedings can thus occur in parallel. Unlike the CTM system, the absolute grounds check is not done before publication but during examination which result the quick publication.

3.2 Problem in likelihood of confusion test

The number of principles established by CJEU case-laws in the registration context can also apply to infringement. Therefore to establish infringement under article 5(1) of TMD following principles are needed to consider:

i. The likelihood of confusion must be appreciated globally, taking account of all relevant factors.

ii. The matter should be judged through the eyes of the average consumer of the goods or services in question, who is deemed to be reasonably well informed and reasonably circumspect and observant, but who rarely has the chance to make direct comparison between marks and must instead rely upon the imperfect picture of them he has kept in his mind and whose attention varies according to the category of goods and services in question.


18. The U.K. Trademark Registry has developed a set of key principles based on the different cases law that are necessary when determining likelihood of confusion. These principles were cited in Specsavers Int’l Healthcare Ltd. v. Asda Stores Ltd. in the English High Court, where Asda was found to have infringed Specsavers’ trademarks. See Case A3/2010/2581 Specsavers Int’l Healthcare Ltd. v. Asda Stores Ltd., [2012] EWCA (Civ) 24, [52].
iii. The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details. Here concerning the nature of the consumer for this analysis the CJEU has developed a series of guiding principles, which broadly correspond with those articulated for the purposes of determining distinctiveness.

iv. The visual, aural and conceptual similarities must normally be assessed by reference to the overall impressions created by the marks, bearing in mind their distinctive and dominant components, but it is only when all other components of a complex mark are negligible that it is permissible to make the comparison solely on the bases of dominant elements. Nevertheless, the overall impression conveyed to the relevant public by a composite trademark may, in certain circumstances, be dominated by one of its components. And beyond the usual case, where the overall impression created by a mark depends heavily on the dominant features of the mark, it is quite possible that in a particular case an element corresponding to an earlier mark may retain an independent distinctive role in a composite mark, without necessarily constituting a dominant element of that mark.

v. A lesser degree of similarity between the marks may be offset by a greater degree of similarity between the goods and services, and vice versa.

vi. There is a greater likelihood of confusion where the earlier mark has a highly distinctive character, either per se or because of the use that has been made of it.

vii. Mere association, in the strict sense, that the later mark brings the earlier mark to mind, is not sufficient for establishing a likelihood of confusion.

viii. The reputation of a mark does not give grounds for presuming a likelihood of confusion simply because of a likelihood of association in the strict sense.

ix. If the association between the marks causes the public to wrongly believe that the respective goods or services come from the same or economically linked undertakings, there is a likelihood of confusion.

Establishing likelihood of confusion on the basis of global appreciation by average consumer, the central question of infringement, is not only difficult but it also depends on the rational behavioural shopping pattern of the consumers.

The consumers provide the perspective by which courts determine the infringement under Article 5(1) of Directive. Being diverse and complex creators consumers are classified in several different types: lower income group, middle income group, and affluent.
Accordingly the consumer’s needs also vary from luxury goods to knock off. According to CJEU the consumers should be “reasonably well-informed and reasonably observant and circumspect” However, consumer confusion does arise even among the circumspect and observant consumers. Surprisingly even the most sophisticated consumers are confused as to the origin of their goods and services. Further the level of attention and sophistication of consumers may vary depending on the categories of goods and services under consideration. It could be low for ordinary goods and services but where the products are related to health, particular speciality and or expensive the level of attention becomes high.

In the assessment of infringement two crucial doctrine questions which depend on the global appreciation by consumer are mostly focused, first is proof of distinctiveness, and second is determination of confusion. These procedural questions usually arise when analysis of infringement; where confusion is central, and assessment of validity; where both distinctiveness and confusion are central, are made.

Mark could be inherently distinctive by its very nature like APPLE works better as a trade mark for computers than it does for fresh fruit. Here APPLE as a word is sufficiently disconnected from the natures of goods or services therefore consumers will immediately identify as indication of origin rather than a description of the goods for which it is used. On the other hand a mark may acquire distinctiveness thorough its use. Let’s say if the mark was rejected for registration because of absence of distinctiveness then the consistent and extensive use this mark, on related products and advertisements, could help or push the consumer to understand the mark uniqueness by directing toward a single source of the product or advertisement which finally comply the registration of the mark.

To empirically test the distinctiveness of the mark the CJEU several cases identified the range of range of circumstantial matters or evidences: public opinions polls and survey, extent of geographical use, market share/sales, statements from chambers of commerce and industry or other trade and professional associations, length of use, advertising spend.
Regarding the public opinion and polls to ascertain a particular percentage of association as a precondition to protection, the CJEU court have asserted that neither OHIM nor national courts can require poll to demonstrate it however all circumstances must be considered, it means that the empirical data produced by opinion polls remains an input to a broader legal analysis.\textsuperscript{22}

On the other hand UK courts are more receptive to empirical survey evidence. Like in in \textit{Enterprise Holdings} case court said that it is not able to determine such a dispute based on its own experience and/or the court may feel the need to guard against an idiosyncratic decision.\textsuperscript{23} Therefore when the Judges are not able to stand with confidence in the shoes of customer due to its complex nature they took help from survey to get informed which however don’t replace judgment but only help as suggested in \textit{Interflora} case.

More profoundly in UK courts or also in EU courts survey/poll have been used to understand the complexity of average consumer standards because they form the broader taxonomy of empirical evidence to help court. Therefore the legal enquiries concerning consumer understanding in trade mark in accessing the distinctiveness and confusion have been informed by three categories of empirical evidences. The categories of empirical evidence are following:

(i) Parties involved in infringement cases can provide the circumstantial evidence relating to use of the sign by the particular mark owner or alleged infringer and the effects thereof. The circumstantial evidences are basically a proxy for consumer perception, and are such as samples of actual advertising materials; certifications or awards for the mark; market share and turnover; press cuttings; advertising expenditure relating to the mark.\textsuperscript{24}

(ii) Circumstantial evidence are related to market condition for particular goods or services considering the generalise response of consumer for type of sign or type of services. As evident in \textit{Interflora} trial court decision where extensive evidence was submitted regarding consumer capability to distinguish between sponsored and natural search results in keyword advertising, internet literacy considering the

\textsuperscript{22} See cases C-217 and 218/13 \textit{Oberbank AG v Deutscher Sparkassen- und Giroverband} [2014] ETMR.

\textsuperscript{23} \textit{Enterprise Holdings} (n 42) [34] 52 \textit{Interflora I} (n 36) [54] (Lewison LJ).

\textsuperscript{24} Guidelines concerning proceedings before the Office for the Harmonization of the Internal Market (Trade Marks and Designs), Part B: Examination, Section 4: Absolute Grounds for Refusal (2015) 82-86.
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(iii) Direct evidence of consumer perception about the sign under dispute. Regarding the cases of infringement in the UK, usually parties under conflict historically conducted witness collection exercises. In that process they identified witnesses who, although not statistically representative, testify or submit witness statements as to their reactions. In that witness collection exercises they included probabilistic assessments of the likelihood of confusion that the surveys permit and particular instances demonstrating actual confusion also. As surveys/polls ultimately measure consumer responses to a particular stimulus in an artificial context related to the sign in conflicts therefore surveys might be strictly classified as circumstantial evidence. However proof of actual confusion is sought for establishing infringement in any event because actual confusion is best evidence. In *Interflora* hearing court stated that there should be reduced reliance on surveys, even though in several cases courts usually inclined to highlight particular instant of actual confusion\(^\text{26}\). In *Thomas Pink Ltd v Victoria’s Secret* case\(^\text{27}\) courts stated that the evidence of confusion did not support a finding of confusion, but prevented the defendant from arguing that no evidence of confusion.

Here all these circumstantial evidence, empirical evidence of any type, inform the perception of the average consumer who is hypothetical and notational. Regarding average consumer concept incorporation in EU case laws, the CJEU was expressing a “normative conception” of the consumer which would instantiate less paternalistic vision of the consumer than might have resulted from national assessments. The concept of “average consumer” developed by ECJ is largely normative in nature means it is in contrast to the empirical test for customer confusion\(^\text{28}\).

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26. *British Sky Broadcasting v Microsoft* [2013] EWHC 1826 (Ch) [143], and *Comic Enterprises v Fox* [2014] EWHC 185 (Ch), [2014] ETMR 46 [120]-[121].
27. *Thomas Pink Ltd v Victoria’s Secret UK Ltd* [2014].
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In *Thomas Pink Ltd v Victoria’s Secret* case\(^{29}\) judge clarified the issue of circumstantial evidence. They suggested that evidence of confusion did not support a finding of confusion, but prevented the defendant from arguing that no evidence of confusion. Judge, further, elaborated the effect of *Interflora* case where circumstantial evidences were sought to strengthen the average consumer perception. If the effect of *Interflora* case is in fact to switch the focus on to the particular instances of actual confusion then it is also critically important to inquire about that evidence whether that evidence of surveys and/or witness collection is representative of the average consumer or not.

The “average consumer”\(^{30}\) provides normatively infused point of view to accesses circumstantial evident or subjective empirical evidence to actual customer behaviour and perception. However, possible problem of the statistical approach can also be found in the CJEU approach regarding acquired distinctiveness. The CJEU doctrine in some cases i.e., *Interflora*, might suggest an inclination toward an empirical approach though CJEU broadly refuted a numerical approach which is in contrast to UK courts judgments. For example in *Windsurfing Chiemsee Produktions v Walter Huber* case CJEU emphasized that the question related to distinctiveness has to be considered through the eye of normative concept of average consumer though consumer recognition must subsist for the relevant class of persons, or least a significant proportion thereof\(^{31}\).

\(^{29}\) *Thomas Pink Ltd v Victoria’s Secret UK Ltd* [2014] EWHC 2631 (Ch), [2014] ETMR 57 [160].

\(^{30}\) Average consumer: Average consumer is a ‘legal construct’ that provides a ‘benchmark’ (See, eg *Interflora* (n 59) [208]-[211]); Accepting that the ‘average consumer test is normative (*Thomas Pink* (n 62) (Birss J)); The average consumer provides a normative benchmark (*Jack Wills v House of Fraser* [2014] EWHC 110 (Ch), [2014] ETMR 57 [63-65] (Arnold J)); The average consumer is not a real person but is an artificial construct (*Comic Enterprises* (n 62) [120], (Wyand QC); Describing the average consumer as a ‘a notional, typical consumer’, and a ‘benchmark’ and emphasizing that the ‘average consumer test is not a statistical test. National courts and authorities will have to exercise their own faculty of judgement, having regard to the case-law of the CJEU, to determine the typical reaction of the average consumer in a given case (See Unfair Commercial Practices Directive, recital 18); The word “average” denotes that the person is typical. The term “average” does not denote some form of numerical mean, mode or median (See *Hearst Holding v AVELA Inc* [2014] EWHC 439 (Ch), [2014] ETMR 34 [60] (Birss J)); The search for a statistical average is neither warranted by European jurisprudence, nor sensible in the present context (*Schutz v Delta* [2011] EWHC 1712 (Ch) [98] (Briggs J)); Not a statistical test, (*Interflora* (n 59) [211] (Arnold J)).

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This unification of the empirical and normative assessment to legal test pointed out that the choice between a normative and an empirical approach to legal test related to the average consumer seems to be questionable and problematic. The cases related to normative approach in EU and empirical approach in U.K. seems to fall at the opposite edge, and different issues may lend themselves to being addressed toward one end of that spectrum rather than the other. Therefore detailed analysis is still needed. As the open ended nature and without clearly supporting to rationale to limit its scope, the test results the broad interpretation to likelihood of confusion test, as a result it might risk giving mark owner the privilege and power to impede healthy completion in the market.

The intent plays a dual role in trademark infringement; it serves an obvious evidentiary function and it also serve as normative function. The problem is that the intent normative function is masked when it is considered as a factor in likelihood of confusion test of empirical nature i.e., U.K. cases. For example if the Judge has taken into account the probability of confusion doctrine then only intent’s evidentiary significance will be considered. On the other hand if the Judge convinced that the liability should be imposed due to the defendant moral culpability then the judge will persuade to apply the likelihood of confusion finding even in the realm of weak support by other factors. Finally this results the incoherence and inconsistency in the multifunction test of likelihood of confusion.

The challenge of the infringement have emerged due to the expansion of the boundary of Article 5(1)(a) and 5(1)(b). Therefore reconsideration is needed, whether the objective of this article to prevent any further damage to the original function of the trade is still valid or not, because main object of the TMD is to promote an undistorted competition in EU\(^\text{32}\). Modern developments in article 5(1) are happening in comparative advertising and keyword advertising area\(^\text{33}\). In several cases comparative advertising was legally tolerated because it is a valuable tool for commercial speech and effective communication of information\(^\text{34}\).

The conflicting views promoted EU to introduce a directive with the aim of harmonising such practices which resulted adoption of the Comparative Advertising Directive (CAD). Unfortunately, the relationship between the TMD, which grants trademark owners broad protection, and CAD, which harmonises and fairly liberalises comparative advertising, has

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32. See Arsenal; First recital in the preamble of TMD.
33. Comparative advertising refers to ‘advertising which explicitly or by implication identifies a competitor or his goods and services’. CAD, Article 2(c).
34. See the opinion of Jacob L.J. in L’Oréal SA & Bellure Ltd. [2010] EWCA Civ. 535, par. 10-13.
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been overlooked. For example, in *O2 v. Hutchison case*\(^{35}\), O2 instigated a claim against *Hutchinson* under Article 5(1)(a) and 5(1)(b) for displaying a television advertisement featuring a mark closely similar to their mark. Initially, in this case CJEU held that insofar as the defendant did not use a mark in the exact configuration as the ‘O2’ mark, the double identity rule cannot apply here. However, in this case the CJEU decision clarified that Article 5(1)(a) can be invoked to limit comparative advertising if such use give rise to a likelihood of confusion on the part of the public, and that is so irrespective of whether or not the comparative advertisement satisfies all the conditions laid down in Article 3(a) of Directive 84/450 under which comparative advertising is permitted. This decision clearly implied the expansion of the core zone to protect the modern functions.

In *L’Oréal v. Bellure case*, where dispute mainly concerned smell-alike fragrances, Court of Appeal asked to CJEU whether using an established mark in a comparative chart falls under the double identity ground or not? In a response to the query, CJEU stated that protection under 5(1)(a) is reserved to cases where the third party’s use of a mark affects, or is likely to affect, *any of the functions of the trademark; advertising; the origin; the investment; the communication functions*\(^{36}\). As a result the range of potentially infringing uses under the ambit of Article 5(1)(a) was further expanded. This right-holder friendly expansion of the jurisprudence by CJEU, reliance on the non-essential trademark functions stretching the trademark protection against unfair completion, could significantly jeopardise consumers’ interests in free competition and free speech.

In the context of keyword advertising the CJEU’s stance seems more conservative compared to their decisions in comparative advertising. There are two types of cases first is where defendant is the search engine (e.g. Google) and second is where the defendant is the competitor. In *Google France v. Louis Vuitton case*\(^{37}\) it was ruled that Google being service provider its role was passive and even though it had adversely affected the advertising strategy of the claimant however the advertising function is not effected. Therefore the use of the plaintiff’s mark is unlikely to affect the origin function.

In *Interflora v. Marks and Spencer*\(^{38}\), it was held that since M&S used an identical mark in connection to identical goods. The CJEU noted that the origin function is not the only

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35. C-533/06 *O2 v. Hutchison case*.
36. *L’Oréal* (n.418) par.51.).
37. C-236/08 *Google France v. Louis Vuitton case*.
38. C-323/09 *Interflora v. Marks and Spencer case*.
function worth protection under the double identity ground. For example, if the use by a competitor can interfere with the ability of the claimant to acquire or preserve the reputation attached to a trademark then investment function would be affected. The outcome of this case was in the favour of M&S but this ruling further extended the trademark protection boundaries. Therefore, despite using more conservative attitude the end result remains unchanged in keywords advertising cases.

Further, the double identity rule (identical marks and identical goods) has many important implications. One is the challenge for businesses to find and clear new trademarks over the vast quantity of marks now registered which results the practice of some trade mark owners to file broadly therefore covering many if not all goods and services within classes of potential interest. In this way they can secure protection for their marks, most directly by oppositions, for wide ranges of goods and services for which they will never used, despite the potential for other uses of the same mark which will cause no confusion in the marketplace but will hamper business and economy. Therefore clear instructions from CJEU in the cases of double identity are still needed.

3.3 Reconstruction of infringement test

The European Court of Justice developed the concept of the ‘average consumer’ largely in contrast to the empirical test for customer confusion which had been deployed by the German courts, in particular, and which has been described as ‘over-regulatory’\(^{39}\). In European Consumer Law the concept of ‘average consumer’ used by the Unfair Commercial Practices Directive assumes capacities superior to ordinary consumers but allows national courts to take into account social, cultural and linguistic factors\(^{40}\).

The roots of the ‘average consumer’ concept, recognised as more than an empirical or statistical exercise, in trademark law appeared in the jurisprudence of the CJEU on misleading advertising. Therefore it became easy to transfer a context of the trademark law when the CJEU first tackled case law under the Trade Mark Directive\(^{41}\). However this adoption of the concept of ‘average consumer’ from the EU advertising law by CJEU didn’t consider whether EU trade mark law possess a different normative basis than advertising law or consumer protection law. Here the adoption of the formalism embedded in the consumer law concept was not an overt prescriptive agenda to limit judicial paternalism.\(^{42}\)

\(^{39}\) See Davis (n 2) 197.
\(^{40}\) See Howells, ‘The Rise of European Consumer Law’ (n 20) 80).
\(^{41}\) See Davis, ‘Locating the Average Consumer’ (n 2) 198.
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The EU trade mark law could be viewed as more multifaceted than a mere part of advertising law. To be sure, it shares consumer protection goals but, is it a more affirmative and empowering force for consumers (or other, trader) interests than a prohibition against misleading information? No doubt that Court of Justice still continues to expand the assessment for the average consumer just by interpreting the Directive on Unfair Terms in Consumer Contracts by considering the average consumer\textsuperscript{43}. The choice between a normative and an empirical consumer is not binary one however consumer seems to be a mixture of two depending on the classification and variety of cases because market reality is a vital issue and the trademark law at least to some extent is concerned with market realities. The EU community strives for common single market therefore it would be difficult to have free movements of goods and services if the consumer is either only normative characterised or only empirical characterised i.e., not presumed to be reasonably observant and well informed according to actual market place conditions. However, still more thought should also be needed to give to embrace for fuller and more explicit normative approach. For example there was ambiguity to adopt the normative approach like it did on the meaning of the term ‘average’\textsuperscript{44}. The cause of some of the difficulties in grasping the nature of the ‘average consumer’ may be linguistic as suggested by Kerly\textsuperscript{44}. However, the term ‘average’ is usually taken as “ordinary” or “reasonable” in some English Court decisions\textsuperscript{45}.

\textsuperscript{42} See Ohly, ‘Trade mark protection and unfair competition law’ (n 7) “Some scholars (more so in the US) see trade mark law as a subset of advertising law”.

\textsuperscript{43} See Case C-26/13 Kasler v. OTP Jelzalogbank Zrt [2014], para 74 “the average consumer, who is reasonably well informed and reasonably observant and circumspect, would not only be aware of the existence of the difference, generally observed on the securities market, between the selling rate of exchange and the buying rate of exchange of a foreign currency, but also be able to assess the potentially significant economic consequences for him resulting from the application of the selling rate of exchange for the calculation of the repayments for which he would ultimately be liable and, therefore, the total cost of the sum borrowed”.

\textsuperscript{44} See Interflora I (n 36) [35]; Kerly 2014 Supplement (n 24) 8-9, para 2-02n-02o on criticising the language of Lewison LJ in Interflora I. See Schutz v Delta [2011] EWHC 1712 (Ch) [98] (Briggs J) (‘[t]he search for a statistical average is neither warranted by European jurisprudence, nor sensible in the present context’). See Interflora (n 59) [211] (Arnold J) (‘not a statistical test’). See Hearst Holding v AVELA Inc [2014] EWHC 439 (Ch), [2014] ETMR 34 [60] (Birss J) (‘[t]he word[] “average” denotes that the person is typical. The term “average” does not denote some form of numerical mean, mode or median’).

\textsuperscript{45} Reed Executive (n 80) [82] (Jacob LJ).
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The early Interflora case decision and findings might indicate the more normative and less empirical nature of average consumer in Europe and or U.K. trade mark law. Here it is important to note that the most frequent description of the trademark confusion test was normative approach before 2012. As, it can be widely found in Germany and France case law in the likelihood of confusion question; it reflect a ‘normative’ or ‘regulatory’ approach for protection within the general parameters set by the wording of the opposing specifications of goods. German courts were extremely receptive to the use of opinion poll evidence since last decade, suggesting no necessary conflict between empirical evidence and a normative approach. Therefore it is important to highlight that a normative approach cannot prevent the empirical evidences (or itself needed the empirical evidence) to prove it. Recently, considering the market reality the Interflora I opinion also discussed the relationship between the concept of ‘average consumer’ and parallel concepts in passing off. As passing off concept requires a substantial number of members of relevant public are confused or likely to be confused within a certain period of time. Therefore, this cause of action is more grounded in market reality and subsequently will be more acquiescent to resolution based upon empirical evidence, as passing off claim requires more evidence of actual marketplace conditions i.e., earned goodwill through the use of mark. It can be understood by Jacob J (honourable judge of English Court) statement “[i]t was certainly my experience in practice that my own view as to the likelihood of deception was not always reliable. As I grew more experienced I said more and more it depends on the evidence”.

The linguistic variation under multicultural societies are also needed to be consider for ‘average consumers’ concept and also needed to be strengthen to establish distinctiveness and confusion. For example in Armacell Enterprise GmbH v. OHIM case E.U. General Court ruled that the marks ARMAFOAM and NOMAFOAM were likely to be confusingly similar for non-English-speaking consumers who would not understand the meaning of the English suffix “FOAM,” and that they were not required to take into account the likelihood of confusion amongst English-speaking consumers. Apart from this the importance of pronunciation in different languages must also needed to be considered for the concept of average consumer.

46. See Zee Entertainment Enterprises (n 54) (Floyd LJ) [44]. J Griffiths, ‘Star Industrial Co Ltd v Yap Kwe Kor: The End of Goodwill in the Tort of Passing Off’ in S Douglas, R Hickey and E Waring (eds), Landmark Cases in Property Law (Oxford, Hart Publishing 2015) 277, 279 (‘the fundamental principles of the law of passing off are generally aligned closely with the reactions of real marketplace consumers’).
47. See Davis, ‘Revisiting the Average Consumer’ (n 2) 26.
48. Case C-514/06.
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To understand the double identity test, understanding of the *DataCard v Eagle* case\(^{49}\) is important where the goods under the issue could not be said to be identical. In this case the Judge Arnold J. outlined the conditions to be succeed under the article 5(1)(a)\(^{50}\). Conspicuously for the infringement claims, under this article, the use of the sign must be able to affect or be liable to affect the functions of the trade mark for similar services or goods. Further CJEU in the *Celine SARL v Celine SA* and *L’Oreal v Bellure NV* cases indicated that the damage to functions other than the origin function can be relied upon to support a claim under Article 5(1)(a). However, in joined *Google France SARL v Louis Vuitton Malletier SA* cases\(^{51}\) the Court of Justice’ approach appeared to have shifted such as it introduced a new test of likelihood of confusion but with a reversed burden of proof. The new test related to the advertising function was described as the origin function of the trade mark is adversely affected if the use of the sign (advertisement) considered in context does not enable average consumers (internet user), or enables them only with difficulty to ascertain whether the goods or services referred to under the sign originate from the proprietor of the trade mark or an undertaking economically connected to it or from a third party. Arnold J in his opinion accepted that by taking the view from these joints *Google France SARL v Louis Vuitton Malletier SA* cases he was able to generalised the more specific test which is valid only in keyword advertising on the internet. The judge Arnold J went on with his comments in this *DataCard v Eagle* case and said “combined effect of the judgments in Google France and BergSpechte is to narrow the distinction between Article 5(1)(a) and Article 5(1)(b) even if they do not eliminate it”. Here indeed the Judge Arnold J. identified only distinction ‘the burden of proof” set out in *Google and BergSpechte*; as in Article 5(1)(a) the burden of proof lies upon the trademark proprietor to establish the likelihood of confusion where as in Article 5(1)(b) the alleged infringer must establish that there is no risk of confusion.

\(^{49}\) *DataCard Corporation v Eagle Technologies Limited* [2011] EWHC 244 (Pat).

\(^{50}\) The six conditions for article 5(1)a. The case law of the CJEU establishes that the proprietor of a trade mark can only succeed in a claim under Article 5(1)(a) of the Directive or Article 9(1)(a) of the Regulation if six conditions are satisfied: (i) there must be use of a sign by a third party within the relevant territory; (ii) the use must be in the course of trade; (iii) it must be without the consent of the proprietor of the trade mark; (iv) it must be of a sign which is identical to the trade mark; (v) it must be in relation to goods or services which are identical to those for which the trade mark is registered; and (vi) it must affect, or be liable to affect, one of the functions of the trade mark [citations omitted]”([2015] EWHC 256 (Ch))

\(^{51}\) Cases C-236/08; C-237/08; C-238/08.

\(^{52}\) Case C-59/08.
In *L’Oreal* and *Copad SA v Christian Dior Couture SA* CJEU ruled that the damage to the advertising, communication and investment functions of the trade mark can also be relied upon to support a claim under Article 5(1)(a). Though in the case of DataCard v Eagle case the issue of the function of the trade mark did not arise because good under conflict could not be said to be identical. However In this DataCard case the Arnold J. in his judgement stated that “the uses were not liable to affect the advertising function of the trade marks because the trade marks did not convey a prestigious or luxury image, so that Eagle’s uses of the signs complained of did not take unfair advantage of the reputation of the trade marks or adversely affect it by associating it with down-market goods, marketing methods or advertising.”. Therefore, he controversially provided the enhanced protection to Luxury goods which is however under fierce debate since the protection of the marks with a reputation is optional for members of states under article 5(2). This enhanced protection seems to be problematic to maintain a healthy competition in market innovation and economic growth.
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4.1 Dilution doctrine: scope of protection of Article 5(2) TMD

This Article 5(2) of TMD protects the proprietors of reputed mark against the unfair advantages of their mark; protection where use of mark or sign without due cause take unfair advantages, detriment to distinctive character or repute of the mark. Therefore four type of unfair use it can protect, (i) use which takes unfair advantage of the mark's distinctive character, (ii) use which takes unfair advantage of its repute, (iii) use which is detrimental to the mark's distinctive character, and (iv) use which is detrimental to its repute.

Article 5(2) implies the need to find similarity between the reputable mark and the used sign however it does not suggest that the concerned goods need to be similar. Initially Article 5(2) was only reserved to the cases where the goods and services are dissimilar which is in contrast to Article 5(1) for similar goods and services. Later in Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd case¹ judgement this condition was waived off, that means Article 5(2) can also be applied in case of similar goods and services.

²Conditions laid out under Article 5(2) can be summarised as follows: (i) that in the mind of an average consumer there is a link between the junior mark and the senior mark, (ii) that the mark has reputation, (iii) that the used mark is (dis)similar or (un)identical, (iv) that the trademark use ‘takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark’, (v) that the trademark was used in the course of commerce, (vi) that the mark was used without due cause. It is important to note that unlike Article 5(1) where the requirement is consumer confusion, in this Article 5(2) CJEU approach require some link between conflicting marks. CJEU mentioned in Intel Corp. Inc. case³ “the relevant section of the public as regards the goods or services for which the earlier mark was registered must not be completely distinct from the relevant section of the public as regards the goods or services for which the later mark was used”³

The reputation under Article 5(2) is similar to the well-known mark’ requirement under the Paris Convention and the ‘fame’ requirement under section 43(c) of the Lanham act.

1. C-292/00 Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.
2. Dilution doctrine was well summarised by Advocate-General Jacobs in C-408/01 Adidas-Salomon v Fitness World [2004] FSR 21. Opinion of Mr. Jacobs — Case C-408/01.
3. Intel Corp Inc. (n.730).
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However, establishing reputation is different from ‘well known’ mark, where at least 70% individual must know the mark. The reputation assessment considers a commercial magnetism of the mark, and independent of the level of knowledge the general public possess. The dilution concept is usually referred as detriment to the distinctive character or repute of a trade mark. It can be understand as non-confusing use of famous marks by second mark/third party can dilute their selling power due to cumulative harm. Detriment to distinctive character of trademark is defines as blurring and detriment to repute to trademark is defined as tarnishment; will be discussed in detail in next chapter.

The dilution notion was first articulated by Schechter\(^4\) who advocated the protection for trademark owner against injury caused by the use of similar or identical mark for similar good or services by third party. He illustrated this injury as “the gradual whittling away or dispersion of the identity and hold upon the public mind of certain marks.” Schechter’s dilution notion essence can be understood as the trademark no longer capable of arousing immediate association with the goods for which it is registered and used. However this doctrine seems to be unobjectionable and relatively simple.

Advocate-General Jacobs in Adidas-Salomon case\(^2\) explained Schechter notion as, "for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more".

AG Jacobs in his opinion suggested that the concept of unfair advantaged of the mark repute and distinctive character must include the instances where there is clear exploitation and free-riding on the coattails of a famous mark or an attempt to trade upon its reputation. He provided example as, “Rolls Royce would be entitled to prevent a manufacturer of whisky from exploiting the reputation of the Rolls Royce mark in order to promote his brand. It is not obvious that there is any real difference between taking advantage of a mark's distinctive character and taking advantage of its repute; since however nothing turns on any such difference in the present case, I shall refer to both as free-riding\(^5\). .

5. Opinion of Mr. Jacobs — Case C-408/01; Number 39.
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The complicated structure of the Article 5(2) created significant theoretical uncertainty and judicial perplexity to clearly define the scope of protection. For example, even some member states like UK are reluctance to accept reputation based arguments for protection\(^6\). Therefore here we will look into the current issued related to the Dilution doctrine.

4.2 Problem with existing doctrine and possible solution

The CJEU approach in dilution doctrine requires the existence of the link, between two conflicting mark, in the mind of average consumer. This link must be determined keeping all the factor of the case and of course must also be appreciated globally\(^7\).

The relevant factors of the case includes: the nature of the goods or services covered by the marks at issue, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public; the degree of similarity between the marks at issue; the degree of the earlier mark’s distinctive character, whether inherent or acquired through use; the strength of the earlier mark’s reputation; and the existence of a likelihood of confusion on the part of the public if it exist at all though it is not needed in this dilution doctrine.

Despite not requiring consumer confusion in this doctrine, the approach requires to establish link in the mind of average consumer is seems soft\(^8\).

For example, in *Victoria’s Secret UK Limited* case\(^9\) it was suggested that the relevant section of the public (consumers) must not be completely different for the conflicting marks; for earlier and later registered mark. Further, let’s say if the sign is viewed as an embellishment by the relevant section of the public, then it also means that the degree of similarity between the sign and the mark is not sufficient for such a link to be established.

In *Adidas-Salomon* case\(^7\) the CJEU held that the Artcile 5(2) is applicable regardless if the goods are competitive, similar, or dissimilar. However, this approach would result the higher degree of protection for reputed mark holder in case of dissimilar goods. It cannot be ignored that this approach may result the unfair sate of law in comparison to the high threshold for proving the double identity test according to article 5(1)(b).

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Dilution doctrine requires that trademark must have a reputation for claim under Article 5(2).

The dilutive doctrine also recognizes the “nice fame” and is based on it. However, recognising the “niche fame” raises the question that how court will proceed in those cases where the trademark is well known only for product where market is limited. But court in the General Motors v. Yplon SA case\(^{10}\) court held the reputation in substantial part of the relevant territory is sufficient; there is no not need to have a reputation throughout the Member State. Further, a reputed mark does not need to be well-known by a large segment of the public however the significant portion of the consumer related to the product is sufficient to establish reputation. The factors\(^{11}\) which are needed to consider to establish the reputation are following, the market share of goods and services sold under this mark, duration and intensity of use of the mark use intensity of use, in case of advertisement amount of investment made by the entity in promoting and advertising a trademark.

These criteria indeed lower the threshold for establishing reputation and subsequent broaden the dimension of protection for well-known mark. These criteria have provided the court the flexibility in its approach for dilutive harms. However, this can result the monopoly of the reputed mark holder over market competition. The limited domain, with in particular relevant territory, to determine the reputation of the mark can create hurdle for the competition. For example, if an organization has invested huge money and time for promoting its product (therefore the trademark) but still fail to gain the recognition because court cannot measure the state of mind of consumer by certainty. According to current state\(^{12}\) of law the organizations which don’t have the broader reputation still can use the Article 5(2) just by showing that they have reputation in relevant sector of consumer. Therefore, the organizations who have invested huge money and time for promoting its product will also try to register their mark for its futuristic applications which can prohibit the use of similar marks in every market sector and consequently granting its owners a right in gross over the use of a trademark.

Nevertheless, it seems unfair to protect a mark which is only known to particular segment of consumers, lets say couple of hundred, whilst not affording protection to the owner of a mark whose mark has large number of consumer in larger territory.

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11. Market Surveys according to the CJEU are certainly relevant but not necessarily decisive in deciding on reputation. See OHIM Guidelines Part 5, III 1.4.4.
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Therefore, it have been suggested\(^{13}\) that the concept of nice fame in EU law can be eliminated and consequently that only marks which are considerably known by the consumers or public as a whole in a given region or territory should only be able to use the Article 5(2) of TMD. On the other hand if we take into account the Fashion, Jewellery or any Luxury industry where these industries only focus on the specific consumers then the eradication of the nice fame will result the financial losses to them which is illogical and unfair for these company\(^{13}\). As the brand building of the product requires huge effects and financial assistant. Therefore, the marks associated with the luxury industries are also needed to protect that means they need extra layer of protection. They need protection against the free riding and detriment to their mark. Then what could be the solution, enhancement of the threshold of the reputation?

Let’s say, if the threshold for the reputation is enhanced for the protection of luxury industry then it cannot be ignored that this high threshold will empower the luxury industries to take the unfair legal advantages, and will result their monopoly in market. Nevertheless, we should not forget that the reputation is not the sole criteria for the protection under article 5(2). However, to be successful under the claim of article 5(2) the other condition\(^{12}\) of that article associated with unfair advantages are also needed to satisfy.

It is important to note that the Quality of the marks, particularly relevant within the luxury fashion industry, covers all characteristics to which consumers mentally or emotionally attach because consumer behaviour is predominantly based on the subjective (intangible) dimension of quality. As, the CJEU held *Copad v. Christian Dior* case\(^{14}\) that quality can include intangible or mental quality characteristics which are linked to the aura of the brand.

The misuse or uncontrollable use of luxury trademark can reduce it commercial magnetism because consumer is emotionally attached to the mark. Therefore, the extra layer of protection for luxury products is primarily based on good will of the mark. As proposed by Dima Basma\(^{13}\) in his thesis that the extra layer of protection can be justified if the additional benefits of this layer of protection outweigh the costs associated with the mark.

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12. See Article 5(2) of TMD.
Further it was suggested that since the highly reputed luxury mark have advantage therefore the threshold for proving the required consequences means the claims under free riding, blurring or tarnishment of the reputed mark should be high.

It is important to highlight here that EU commission in his midterm report\textsuperscript{15} of 2014 “Niche to Norm” suggested that as the developing world continues along linear growth path then EU and its member of states are needed to change its policies because without change the EU will be less attractive less competitive and less economic viable.

### 4.3 Justification for dilution doctrine

The likelihood of confusion test, which is only limited to avoidance of consumer confusion, in itself is insufficient to protect the interest of the trademark owner for good market economy. However, the harm to the trademark is possible even without confusion i.e., free riding on the coat-tails of a reputed mark by competitors and or detriment to mark distinctiveness. Therefore, dilution doctrine can protect the mark when confusion is unable to do so. The dilution doctrine does not require the confusion but determining and establishing dilution is challenging. The conceptual and practical difficulties have, somehow, prevented dilution doctrine from developing into a robust and coherent doctrine as discussed in preceding sections. Nevertheless, the dilution doctrine is justified because, (i) it protect financial and human investment for brand building or creating a strong trademark from being unfairly misappropriated and undermined, (ii) it prevents compelled commercial speech, by safeguarding the expressive autonomy of the trademark owner, and (iii) it prevent companies brand equity (strength and uniqueness) from being impaired.

It is important to note that there are still some issues, as discussed in previous section, regarding the existence of the link in the mind of average consumer, and reputation of trademark especially for trademark of luxury industries. However, a balanced interpretation by CJEU in context of reputation and existence of a link in the mind of the consumer for the content of Article 5(2) can resolve these issues.

\textsuperscript{15} European commission report on Horizon 2020, “Niche to Norm”.
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The unfair advantages were appeared broadly in European Court in *L’Oréal SA v Bellure NV* case\(^1\). In this case *L’Oréal* presented the claims of its trademark infringement through the use of lookalike packaging, the production of comparison lists and smell alike *L’Oréal* products by the *Bellure NV*. Since the smell of the perfume is unprotected under TMDR therefore *L’Oréal* alleged the trade mark infringements under double identity; in relation to the comparison lists, and under article 5(2) for unfair advantages taken by *Bellure NV* of *L’Oréal* products. In the EU the prohibition on the taking of unfair advantage is, however, currently not based on any direct protection of harm caused to the trademark and or even to consumers. However the unfair advantages are placed within broader classification of EU trade mark ‘dilution’ doctrine. In European Union four type of opposition/infringement are known for the protection against unfair advantages: (i) free riding on the coat-tails of reputed trademark, (ii) post sale confusion to consumer, (iii) taking unfair advantage of the distinctive character or the repute of an earlier trade mark, (iv) detriment to distinctive character (‘blurring’) and (v) detriment to the repute of an earlier trade mark (‘tarnishment’).\(^2\)

In this chapter we will discuss the possibilities by which unfair advantages of the trade mark can be taken and how these broader protections for unfair advantages can influence the market completion and economy.

### 5.1 Free riding

The EU general court\(^3\) define free-riding\(^4\) as an attempt to trade on the reputation of the mark and or a clear exploitation by having free riding on the coat-tails of famous mark. According to the WIPO the free riding is defined as ‘any act that a competitor or another market participant undertakes with the intention of directly exploiting another person’s industrial or commercial achievement for his own business purposes without substantially departing from the original achievement’.\(^5\)

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1. C-487/07 *L’Oréal* SA.
2. Ohly, ‘The Freedom of imitation and its limits – A european perspective’, for the importance of the influence of competition in the market the Ohly said that “If [...] imitation is a necessary and welcome process in a market economy, the argumentative threshold for justifying intellectual property rights is significantly high”.
3. T-570/10 RENV LLP v OHIM.
5. WIPO, Protection against unfair competition 55 (1994) WIPO publication No. 72.
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The free riding concept was raised in *L’Oreal v Bellure* where the CJEU ruled that ‘free riding per se shall be prohibited’ and that ‘taking unfair advantage (intentionally clinging to the coat tails of trademark’s owner mark) is synonymous with ‘parasitism’. However court further ruled that ‘parasitism’ refers not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of an identical or similar sign’.

In *LLP v OHIM* case European Union general court held that to determine if the applicant’s sign is taking the advantage of reputed mark, there is need to depict the link in the mid of relevant consumers related to concerned signs and goods. This link between the conflicting signs and good should be evaluated through global assessment considering all the relevant factors associated with the particular circumstances of the case. These relevant factors must include the degree of similarity between the marks in issue and the nature and degree of closeness of the goods and services offered, the degree of the earlier mark's distinctive character and the strength of the earlier mark's reputation. Here courts emphasized that mere establishing the link is not enough but evidences would have to be provided.

The court also acknowledged that the exceptionally high reputed mark holder can also fill an opposition to show that the probability of a future risk of detriment to the mark and or unfair advantage being taken of it is so apparent that the opposing party (exceptionally highly reputed mark holder) would not have to put forward any other fact to show it. However, it is important to mention here that this is not the situation with present LLP case. In this *LLP v OHIM* case court held that although the opponent’s mark have highly distinctive character and possess a long-standing reputation however this did not mean that the opponent mark (earlier marks) particular(any) quality associated with its distinctive character was also capable of being transferred to the goods covered by the applicant's marks. Therefore, court held, there is not a high likelihood of such transfer happening in the commercial sector concerned (i.e., a change in economic behaviour of average consumer) which is prime requirement for claim under free riding linked unfair advantages. Court also stressed that it is not always true that the reputation, attraction, and prestige the earlier marks would be useful to the applicant in marketing his goods.

6. CJEU in *L’oreal v Bellure NV* case ruled: “Taking unfair advantage of the distinctive character or the repute of the trademark also referred to as parasitism or free riding that concept relates 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 it covers, in particular, cases where by reason of a transfer of the image of the mark of the characteristic which it project to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.”
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In this LLP case, after taken all consideration, the EU General Court held that the contested decision should be annulled. In this case the EU general court decision did strict the guidelines for free riding based claims by highly reputed marks which are indeed good for fair completion and good market economy. The decision in this case indeed reaffirmed the strict guidance issued in Intel case. The objective condition laid in this case as "change in the economic behaviour of the average consumer" to be succeed under the free riding claim is necessary to ensure that trade mark owners of specifically of reputation cannot distort competitive practices of a marker. This case also provided guidelines to be succeed under Article 8(5) CTMR opposition as discussed in chapter 2. According to guidelines the opponent (the mark owner) is required to put the argument and compelling evidences that there is a risk that consumers of the goods protected by the mark (opponent mark or earlier mark) will change his economic behaviour as a result of the applicant's marks. Here I would like to covey that during the evaluation of change in the economic behaviour of consumer, the consumer complex nature i.e., consumers love for particular brand and different linguistic factors cannot be ignored.

Here it is important to note that regarding the extended protection for famous trademark owner Griffiths already suggested that “whilst extending legal protection would clearly generate benefits for the owners of trademarks, an economic case for doing so requires account to be taken of the adverse impact on consumers and third parties, including that resulting from any restriction of competition”.7

As per free market norm the intellectual property law are for generating economic incentives for goods or services or artistic work and providing gain for IP holder. The intellectual property usually protected from economic point of view; economic reward or particular kinds of conduct deemed by society as being of value. Similarly patent law protect inventor and inventor can reap the rewards for its invention for certain period. However this is different in trademark cases as Ohly broadly highlight for trade mark that “broad-antidilution laws [...] are more difficult to justify because consumer interests are only marginally affected because there is no evident need to create incentives for the creation of luxury images.”

8. Ohly, note 30 at 1.
On the other hand, it is also important to note here that the protection for luxury goods or services was traditionally outside of trademark protection as also argued by Senftelben that “investment in brand creation ... is an individual selfish marketing decision for which the trade mark owner cannot expect a reward from society as a whole.”

5.1.1 A workable criteria to maintain fair competition

To maintain fair competition in market intention-based analysis along with economic based analysis are also needed. These analyses can guide the courts in determining whether a free-riding claim can be justifiably prohibited or not. The intentional based analyses are needed to determine if a trademark owner (a benefit provider) can justifiably be compensated for third party use. However if the third party is intentionally riding on the famous mark for its own benefit then court must evaluate the advantages and disadvantages of this use. Here advantages are basically taken by third party and disadvantages are about substantiality disadvantages inflicting on the trademark owner. Let’s say if disadvantages are significant according to market condition then free-riding must be prohibited. To understand the free-riding induced effect on market competitions the case to case detail analysis is needed. However, the free riding should also be prohibited, considering market condition, if it causes a substantial disadvantage to claimant or if it provides substantial advantages to mark owner.

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5.2 Post-sale confusion

The traditional boundaries of source confusion are still prevalent in EU although the notion of post-sale confusion is new concept in EU CTMR therefore it usually lacks traditions. Post-sale confusion doctrine is not consistent under unfair completion law and passing off concept in EU countries like Germany and U.K., respectively. However in European Union unlike particular member countries the post-sale confusion is to be based on EU CTMR law. Primarily and more broadly the English Court constructed the post-sale confusion doctrine within the context of article 5(1)(b) of trademark directive. As per English Court post-sale is define as “confusion on the part of the public as to the trade origin of goods or services . . . after the goods and services have been purchased[.]”

The following quote provides direct approach to the post-sale confusion doctrine:

“The post-sale confusion doctrine aims to extend the scope of the likelihood of confusion question to post-sale situations. Instead of looking for possible confusion only at the point of sale, it recognizes that the courts should also consider whether third parties may be misled by viewing the items after the purchaser has put them to their intended use. In essence, post-sale confusion occurs when a third party viewing either the original manufacturer’s product or the infringing manufacturer’s product mistakes one for the other, and the mistake influences her subsequent purchasing decisions.”

David Ehrlich also defined the post-sale confusion as:

“Post-sale confusion occurs when persons, other than the actual purchasers of a product, view the mark on a product after it has been sold to the actual purchaser, such as persons who use a product that another person buys. It also occurs when passers-by see the mark on the product that an actual purchaser is wearing...”

12. Ehrlich, supra note 11, at 267 n.2; See David Ehrlich, When Should Post-Sale Confusion Prevent Use or Registration of Mark?, 81 Trademark Rep. 267, 279 (1991) (examining the reasons why courts refuse to apply the post-sale confusion doctrine).
In EU, in the Arsenal Football Club plc v. Reed case\textsuperscript{13} CJEU hinted the concept of post-sale confusion. In this case court explained that the use of the trademark created the impression that there is a material link from the goods sold by the vendor to the “Arsenal” trademark, which is owned by the Arsenal Football Club. The CJEU also argued that the use of the sign can also affect the origin function of the trademark. Further CJEU stated that “the proprietor must be protected against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it.”, this opinion by the CJEU clearly created the nexus between the reputation and post-sale confusion; harm of the reputation in post-sale confusion. The court also held that the consumer might interpret that sign as designating Arsenal FC as the undertaking of origin of the goods. The decision of this case brought the global assessment requirement and therefore post sale confusion but somehow left the post-sale confusion into hibernation.

In this Arsenal v Reed case the CJEU had the opportunity to consider post-sale effects of a trade mark and designated that the post-sale effect on reputation and consumer purchasing pattern should be taken into account. Therefore more broadly we can say that the CJEU was telling that post-sale confusion matters when it affects the function of a trade mark as an indicator of origin in the mind of the relevant reasonable consumer\textsuperscript{14}.

Ruiz-Picasso v. OHIM\textsuperscript{15} brought the post-sale doctrine into front line in EU however Ruiz-Picasso lost the case. In this case the recognition of post-sale confusion was presented in poor analysis. This can be understood from the construction of the post-sale according to consumers ration behaviour and it means that the average consumer’s level of attention is likely to vary according to the category of services or goods infringement question. Here the argument “consumer’s level of attention is likely to vary” can be phrased as that it is defining the post-sale confusion as court explained that the consumer attention was capable of displaying in different situations.

\textsuperscript{13} Case C-206/01 Arsenal Football Club plc v. Reed, 2002 E.C.R.
\textsuperscript{14} Consumer details are given in Chapter 3: “consumers are complex creatures with diverse behaviours and ultimate users of trademarked goods and services. The consumers can be specified as those who are affluent, middle income, and lower income. Furthermore, because of the complexity of consumers, their needs vary from luxury goods to knock-offs. Here determining confusion at any stage is not only difficult, but it also depends on the rational behavioral shopping pattern of the consumers.”
\textsuperscript{15} Case C-361/04 P Ruiz-Picasso v. OHIM, 2006 E.C.R. 1-660.
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In this case court clearly explained that the post-sale confusion occurs when consumers “across the goods after they had been sold and taken away from the place of sale, [and consumers] might interpret the sign affixed to those goods as Designating the proprietor of the mark concerned as the undertaking of origin of the goods.”

Further the Advocate General Colomer in this case argued that either in infringement or opposition proceedings the likelihood of confusion demands the analysis of post-sale confusion. He further easily explained the doctrine of post-sale as the Court simply used the post-sale confusion argument to confirm that there was a breach of trade mark rights.

The Datacard Corp. v. Eagle Techs case\(^\text{16}\) decision placed the issue of post-sale confusion back into the spotlight of European trademark law after it receded under the CJEU rulings of Arsenal case, Ruiz-Picasso v. OHIM and other relevant cases decisions\(^\text{17}\). Justice Arnold in this Datacard Corp. case held that “post-sale confusion can be relied upon in support of a claim under Article 5(1)(b)”.

There are significant differences between Datacard and previous CJEU decisions i.e., Arsenal, as in all previous decisions the CJEU did not explicitly mention post-sale confusion however the CJEU opinion and reasoning in previous cases had left little doubt that the court is referencing the post-sale doctrine. Therefore, DataCard Corp. v. Eagle Techs Ltd. case is one of the most important case because in this case judge made it clear that it is not only confusion at the time of the sale/purchase that is relevant but also post-sale confusion, though in appropriate circumstances, may be relied upon as demonstrating the existence of a likelihood of confusion under this article 5(1)(b) of trademark directive. Therefore according to Judge the CJEU case laws acknowledged that the confusion related to the origin of the goods or services on the part of public after the sales of goods or services. Consequently judge held that the post-sale confusion can come under the pursuits of article 5(1)(b) under certain balance and appropriate circumstances.

In this case several factor were consider for example the Supreme Court judgement of the Netherlands, Benetton v G-Star (2006)\(^\text{18}\), case where it was also held that the post-sale confusion could be lied under article 5(1)(b); post sale confusion is also able to damage the

17. C-206/01 Arsenal Football plc v Reed [2002]; Case C-17/06 Celine SARL v Celine SA [2007]; Case C-361/04 Ruiz-Picasso v OHIM [2006].
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reputation as well as the trademark proprietor as judge mentioned that if a consumer orders goods or services online and after receiving goods or services which are labelled in a manner that leads the consumer to believe the goods emanate from the trade mark proprietor. It may result the post-sale confusion and which cause the consumer to buy the same goods or services from the same online website the next time under the wrong belief that the goods or services are originating from the proprietor. In this case Arnold J the judge found that here in this case end uses resulted the likelihood of confusion under article 5(1)(b) of TMD. Therefore article 5(1)(b) had been infringed by the use of mark as end user consumer would be confused by the description of ‘DATACARD PLUS-RIBBON’ such as by relating or thinking that the Plus-Ribbon is subsidiary or associated brand of DataCard’s, and or relating some kind of trade relation between the Plus-Ribbon products and DataCard. In this case DataCard’s claim under article 5(1)(b) of TMD succeeded subject to Eagle’s Article 6(1)(c) defence. However the absence of actual confusion did not prevent above discussed findings. Though, in this case judge mentioned that the likelihood of confusion, even if this confusion only arose after purchase, is evident between November 2009 and February 2010 in the case of the use of the DATACARD sign on the packaging labels. It is important to mention here that this ruling came soon after the decision in Och Ziff Management Europe Ltd v OCH Capital Ltd had taken where the same judge, Arnold J, made a similar finding regarding pre-sale confusion.

As the trademarks serve two key roles, first is an identification of origin as to the good, and second is a quality impression for the consumer. Therefore post-sale confusion must have to navigate its way through these. Since the post-sale confusion can reduce the ability of a brand to guarantee the origin of goods or services, harm brand value and consequently result to lost sales in the future therefore it is considerable concern to brand owners. As it is known that consumer have rational shopping behaviour and also desired peace of mind conferred form the trademark, therefore, product quality hence this post-sale confusion is juxtaposed between quality and the origin function of trademarks. This also Important to note here that the post-sale confusion should be accessed through the consumer complex diverse shopping/purchase behaviours.

20. In Och Ziff Management Europe Ltd v OCH Capital Ltd case the court held that there was an infringement of the senior mark ‘Och-Ziff’. Courts stated that “a confusing advertisement may affect the reputation of the trade marked goods or services” and also found that “confusion may erode the distinctiveness of the trade mark”.

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5.3 Blurring

Frank Schechter\(^\text{21}\) can be credited for developing and advocating the notion of dilution, and dilution doctrine which basically includes the blurring and tarnishment. However traditionally Blurring’ and ‘tarnishment’ refer to American terminology and are not explicitly mentioned under the EU directive. However, they are used in CJEU case law. Schechter narrative for blurring is defined as: “It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon noncompeting goods”, which forms a holy narrative in modern trademark law.

On the other hand in E.U. the UK courts in the Premier Brands UK Ltd. v. Typhoon Europe Ltd case\(^\text{22}\) explained that blurring occur when the distinctiveness of the mark is eroded. Later in Intel Corp. v. CPM United Kingdom Ltd case\(^\text{23}\) CJEU defined the blurring as “detriment to distinctive character” and stated that such detriment has always been “referred to as ‘dilution,’ ‘whitting away’ or ‘blurring.’” CJEU also mentioned that for the occurrence of blurring there has to be a mental link between the marks in the mind of consumers. Therefore in this Intel case CJEU\(^\text{24}\) adopted the Schechter’s definition of blurring. Further in Intel case court also included the discussion of post-sale confusion and emphasised that to determine whether that reputation extends beyond the public targeted by that mark an inquiry into the strength of the senior mark may be necessary. The Court further stated that “a link between the conflicting marks is necessarily established when there is a likelihood of confusion.” These opinion and analysis of the courts clearly indicate some degree of relationship between blurring and post-sale confusion also but decision was unclear as to how to do so.

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24. In Intel case opinion of the Advocate General explained blurring in details: “The court stated; Blurring refers thus to the use of a sign identical with or similar to a trade mark with a reputation in a fashion that is likely to weaken its distinctiveness by decreasing its capacity to distinguish goods and services. At the end of the process of blurring (or dilution in the strict sense) the trade mark is no longer capable of creating an association in the minds of consumers of the existence of an economic link between a specific commercial source of certain goods or services and the trade mark. Therefore, what is at stake is the very capacity of a sign to serve as a trade mark, or in other words the identification or distinguishing function of the trade mark.” supra note 299, 80.
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According to Premier Brands UK Ltd. and Intel case blurring can be defined as the damage to the trademark reputation which weakens its distinctive character rather than its reputation in the minds of the consumer, however this is needed to prove by consumer’s global appreciation test\(^{25}\).

Both in General Motors\(^{26}\) and Intel case\(^{27}\) court remarked that to prove likelihood of dilution (to prove blurring also) actual detriment through credible evidence is required. As per above discussed cases it is inferred that the successful claim against blurring necessitates proof for the change in the economic behaviour of the consumer. Therefore to establish blurring direct evidences are required in contrary to reputation where indirect evidences about the state of mind of consumers would suffice.

Considering all these factors together, it is inferred from the CJEU findings that the very strong and clear evidences, change in the economic behaviour, are needed to establish the blurring which is, however, near impossible. Therefore this renders the limited practical use of blurring.

However, General Court decision in Environmental Manufacturing\(^{28}\) provided the hope for reputed trademark owners to successfully establish blurring in the absence of actual harm. In this case court held that “blurring could be demonstrated as long as the ability of the mark to identify products has been weakened” means if the plaintiff can provide more than mere suppositions to demonstrate detriment to an earlier mark. Therefore no evidences for the change in the economic behaviour are required. In another very recent case opinion\(^{29}\) it was also proposed that to successfully establish blurring in the absence of actual harm, it is required to prove that consumers would treat the products of the defendants as substitutes to products of the plaintiff. However, the establishing these criteria/condition to be successful in the claim of blurring is uncertain in modern consumer society.


\(^{27}\) In Intel case advocate general AG sharpton illustrate that distinctiveness relates to the traditional view of trademark law, in particular, trademark’s essential function.

\(^{28}\) See T 570/10 Environmental Manufacturing v. Office for Harmonization in the Internal Market (OHIM)[2012]

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As dilution is defined as the ‘gradual whittling away of a trademark’s distinctive capabilities’ therefore dilution can dilute the selling power due to cumulative harm and loss of distinctive character and thus the damage of mark. Hence the protection against the dilution safe the economic interest of the trademark owner and therefore ensure the clear linked of their product and mark in the mind of consumers. Blurring is also a tradition form of dilution which occurs when a reputed/well-known mark is used in connection to goods and services of another to reduce its (reputed mark) attractive power.

In the case of luxury industry the band value derives from the exclusivity of the products. Therefore in this industry company have strong desire to protect the exclusivity of the brand (trademark) through investment and advertising. In this luxury industry the claim in favour of blurring occurs as the uncontrollable used of the brand on different products will diminish the exclusivity of the brand in the mind of consumer. This result the loss of the capability of a mark to evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner. The supporters of the blurring theory emphasised that the economic losses caused by blurring to highly reputed mark accumulates with time which is difficult to measure in small time window therefore the CJEU, in Intel case referenced to the likelihood of the future change to the distinctive character. The supporters also emphasise that loss of selling power of the reputed trademark should also be understood as the erosion of the exclusivity of a trademark. It is also suggested that in case of absence of protection against blurring consumers will be burden with extra costs for having to filter from their mind the other uses of trademarks. These claims imply the traditional significance of 'exclusivity' within the luxury environment.

However analysis from the different cases as discussed previously in this section indicates that blurring theory is based on namely trademark distinctiveness which is however itself complex and uncertain concept. The uncertainly regarding the blurring concept results from the facts that in the post-modern consumer society the blurring cannot be proved economically and measured quantitatively. For example in both the Intel Corp Inc v. CPM United Kingdom Ltd and Specsavers International Healthcare Ltd. v. Asda case the CJEU

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and English courts, respectively, failed to provide additional clarification on what constitutes change in economic behaviour in the absence of sufficient evidence of such change. Therefore relying on blurring to protect the modern function of reputed trademark specially in case of luxury industry will result inconsistency. Thus blurring act as secondary justification for trademark extended protection hence tarnishment could be primary.

5.4 Tarnishment

A mark will be tarnished if it is linked to the product of shoddy quality. The Mark will also be tarnished it is presented or portrayed in an unpleasant or insalubrious context. This will result reduction of the purchasing power and or power of attraction of the mark consequently damage to the reputation of mark. Therefore the tarnishment, a detriment to repute, is a form of dilution and it is arguably more justified compare to blurring. In tarnishment the mark is not merely weakened but actually degraded by the link which the public makes with the later mark. One of the oldest and a famous case of tarnishment is Lucas-Bols v. Colgate Palmolive [1976] from Benelux. In this case Lucas-Bols the owner of CLAERYN mark for gin objected to the registration of KLAREIN mark on ‘all-purpose cleaners’. Benelux court held that any use which impairs the ability of the senior mark to appeal to the senses of the junior mark would be regarded as tarnishing. Therefore the CLAERYN mark holder could prevent the registration of KLAREIN mark on ‘all-purpose cleaners’. However, in the EU a broader definition of the tarnishment was adopted in Loreal v Bellure NV case as the CJEU held that tarnishment is needed to determine by comparing the connotation of each mark by reference not only to the type of goods, but also the communicated messages. To illustrate the tarnishment in the EU the courts continue to define the tarnishment in the realm of dissonant goods however the interpretation for dissonant goods is very strict itself. For example, the oldest CLAERYN/KLAREIN model defined that dissonance was only found where junior or third party goods are unsavoury. However, in contrast to CLAERYN/KLAREIN model, if the goods are of low quality, and or goods are incompatible in natures then the tarnishment cannot be found as held in these cases.

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The Advocate General Sharpston in his opinion in *Intel Corporation Inc. v CPM United Kingdom Ltd.* case[^37] mentioned that in order to decide whether a link or unfair advantage or detriment is established, the national court must take account of all factors relevant to the circumstances of the case. He also mentioned that once the link has been established then the extent of the earlier mark’s reputation and ‘uniqueness’ will be relevant when assessing the occurrence of harm associated with tarnishment.

The present approach of the CJEU to define the tarnishment is highly subjective in nature because it changes from case to case, and it also ignores the possibility of harm which can arise from trademark use beyond the realm of dissonant goods[^34]. Therefore the end results are chaotic state of law comprising unpredictability, inconsistency, and irrationality. For example, in *L’Oréal* case significant focus was not placed on the fact that the *Bellure*’s products were of shoddy quality. Therefore irrespective of the tarnishment results, the possibility of a successful tarnishment claim in the context of goods of low quality cannot be overlooked. However, the expansion of the core zone of tarnishment might also increase the risk of restraining other freedoms, such as freedom of speech, which is, however, needed to consider before expanding the tarnishment core zone.

The tarnishment is also criticized for extended protection of trademark. The criticism for tarnishment are following, (i) language is not immutable, (ii) the harm is not actual but rather speculative, (iii) the consumers derive meanings from contexts. However, apart from criticism, tarnishment suffers some critical problems, i.e., the economical verification of the impact of tarnishment is almost unattainable; high subjectivity. Let’s say if a likelihood of tarnishment standard is employed in particular case even then unpredictability will certainly become a serious issue. This unpredictability is due to judgements which will, however, remain highly dependent on the economic prediction of courts about consumer behavious; tastes and their reactions to specific uses.

In *Environmental Manufacturing LLP v OHIM* case[^38] the CJEU held that the change in economic behavior of the average consumer could not be deduced solely from subjective elements such as consumer perceptions because it is an objective condition.

[^37]: Opinion of Advocate General Sharpston delivered on 26 June 2008 in Case C-252/07.
Further CJEU in this case stated that the proprietor of the earlier mark must present apparent and clear evidence of a future risk, which is not hypothetical, of detriment, and such finding have to be established on basis of “logical deduction” made form “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”\textsuperscript{38}.

Nonetheless, all the above discussion concludes that the tarnishment and blurring are probably overlapping function therefore both these functions can constitute compelling evidence for a successful claim of misappropriation. Therefore, understanding the misappropriation rationale doctrine might be critical to resolve the issues related to tarnishment and blurring.

\textsuperscript{38} C- 383/12 \textit{Environmental Manufacturing LLP v OHIM} [2013].
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6.1 Unfair advantages

Trademark plays a decisive role regarding competition in the market by establishing (i) a channel of communication between their owners and consumers, (ii) allowing consumers to distinguish between competitors; lower consumer search costs and (iii) allowing trademark owners to establish goodwill in the market. Thus, trademark is an important tool in companies’ ability to innovate. Trademark also guarantees market transparency, protecting clear channels of communication between innovative products and consumers. Therefore protection for trademarks is a prime requirement for a good market economy and competitions. However, extended protection for trademarks could also create obstacles to innovation. Therefore, the public interest is needed to balance against the interests of trademark holders. In this regard, Prof. Ohly suggested introducing more defences in trademark to maintain the fair balance in the market.

Nevertheless, unfair advantage only arises if the use of a mark by the third party causes reduction of the purchasing power, harm to the distinctive character or repute of the first mark. However, unfair advantages claims are mostly based on free riding, blurring, and tarnishment; for detail see Chapter 4 and 5. The uncertainty regarding the blurring concept results from the facts that in the post-modern consumer society, the blurring cannot be proved economically and measured quantitatively. On the hand, the criticisms against tarnishment, also considering the criticism of blurring, are that language is not immutable and that the harm is not actual but rather speculative. Whereas, it is also important to point out that attacks on unfair advantages are mostly driven by a rejection of broad unfair competition laws.

In ruling unfair advantages cases in the EU, two main factors have been decisive, first is if the products are presented as imitations or merely alternative, and second is intention of the competitors/third party. Supporters of the first factor, relates to whether the products are presented as imitations or merely as alternatives, suggest that imitation should be embraced because it is the lifeblood of competition. In *L’Oréal v. Bellure*, the advantage gained by *Bellure* should be regarded as unfair, only if evidence can be presented that, principally, *Bellure’s* goods are sold because of the importation of the *L’Oréal* reference. Therefore, irrespective of whether the goods offered are alternatives or imitations, courts should focus on the substantiality of the advantage because considering imitation as an element of unfair
advantage, the courts are prohibiting the use of an established mark to draw attention to the imitated product. The other decisive factor is intention of third party or competitors. For example in *Specsavers International Healthcare v. Asda* case Asda took benefit from the prestige, power of attraction and the reputation of the Specsavers International Healthcare mark. Specsavers International Healthcare put the extensive marketing effort to maintain the mark reputation and power of attraction whereas Asda exploited the Specsavers mark for its own financial gain without paying any compensation. This advantage is clearly an unfair use.

The unfairness of the advantages can be demonstrated by economic behaviour of the (reputed) trademark owner as CJEU courts noted in several cases that the impact of a trademark use on the economic behaviour of the first mark owner’s (defendant’s) customers is a key factor for determining the unfairness of advantage. However such determinations require consumer survey and global assessment, as discussed in chapter 3, though the credibility of the survey itself is doubtful.

Nevertheless, the challenge in trademark is to find the fair balance between instances where the advantage taken is unfair and should be prohibited, and when it is against social welfare or public interest to prevent such uses. In the unfair advantage cases, the legal ground of action should not only be based on trademark law but also should be opened for other grounds like unfair completion. Indeed the protection should be provided to the trademark of (i) certain level of reputation, (ii) if there is connection between the invoke trademark and third party, (iii) if unfair advantages, intentionally, of trademark are taken by the third party. However the parody, freedom of expression, comparative advertising without wrong intention, prior use in good faith and due cause and fair use are the ground which are predominantly needed to be consider for the defence against unfair advantages claim by reputed mark owner to have fair competition in the market. In the case of unfair advantages claim the burden of proof should be on the trademark holder who is invoking the taking unfair advantage.

### 6.2 Average consumer

The trademark formal recognition and protection via the infringement provisions depend on consumer perception. In EU variable consumer construct is used for different case to case doctrinal reasons, assessing distinctiveness or the likelihood of confusion; during
registration or when applying infringement tests, and because of co-existence of national and unitary trademark rights. As-per the notion of average consumer these variation of consumers can be expressed in divergent degree on which empirical evidences are based. For example, perceiving the inherent distinctiveness of the sign an average consumer can perceive a sign as a mark. On the other hand the analysis of acquired distinctiveness, to perceive sign as a mark, requires far more empirical evidence relating to how the mark has been used and its visibility in the marketplace.

If the mark is generic and cannot be protected because of loss of distinctiveness or mark is reputed and required greater protection in both cases empirical evidences are required. UK courts also suggested that consumer is a normative legal fiction. However, this normative consumer reaction cannot be determined only by statistical means. In UK court decisions it is unclear that how the content of this fiction is to be determined. However, CJEU recent debates, in the likelihood of confusion cases, about the admissibility and utility of survey evidences have foregrounded the extent to which the average consumer is a fictional construct. But the survey evidence cannot provide the complete answer that how a normatively infused ‘reasonable’ consumer would be confused. Here it is important to note that UK courts traditional approach to perceive consumer is mostly empirical whereas in EU this is not the case; for more detail see chapter 3.

Drifting too far from empirically or normative grounded consumer responses trademark registries courts can lost into contested territory hence a mixed approach is required.

Single notional consumer can result the cross contamination across EU law considering the diversity of consumer across each member states. There is a need to explore the source of normative in EU trademark law and subsequently expanding our horizon because normative approach is feeble in EU trademark. There is also need to balance the consumer’s conflict with other normative agenda.

The average consumer standard emerged initially from misleading advertising cases, but very less or little known for normative and empirical test for “consumer confusion” because misleading advertisement can change the consumer perception about the products. For achieving a function internal market and therefore fair completion community law are needed to protect consumers from misleading advertisement.
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Therefore, there is need to construct some unitary standard which could be used to assess whether consumers were being misled or confused by false claims in both national courts and union courts also.

Apart from that to understand the complex nature of consumer there is a need to adopt some research agenda for developing a more diagnostically accurate and nuanced, normatively robust and reflexive approaches.

6.3 Dilutive harms

The “free riding” linked claims for dilutive harm to trademark seems feasible to argue and prove by owners in courts. It is also possible to put forward the claims on the basis of “tarnishment”. However, it is evident form case law that the CJEU is reluctant to soften the strict guidelines of establishing dilution by blurring. It implies that the CJEU is concerned that protection for blurring claims and also extension of the dilution protection for similar goods or services can result the restriction on free competition in the market.

The CJEU opinions and judgements in recent cases, as discussed in preceding chapters, suggest that CJEU is shifting its approach from normative to empirical. Therefore, the CJEU is shifting the national courts from a “subjective basis of the state of mind” of average consumers to an objective “economic behaviour” of average consumers which seems good for fair competition in market. However, it is still not clear that what does it mean by change in “economic behaviour”, and what does this economic behaviour cover? Further it is still not clear how this change in economic behaviour could be proved or it is just “logical deduction” from the circumstances of the cases. Nevertheless, it is still challenging, and remains to see how the nation court will implement these guidelines of CJEU regarding dilutive harms.

6.4 Harmonization between Benelux and CTMR

The CJEU has inspired from the BCJ case-law in the case of double identity, global assessment of trade-mark, and the importance of distinctive character. In the CTMR the criteria of likelihood of confusion as “likelihood of confusion which includes the likelihood of association” is completely distinguish from the criteria of likelihood of association in BCJ. However, the words ‘which includes the likelihood of association’ in CTMR seem superfluous, and results ambiguity in certain cases.
Under Benelux law few point are completely different compare to EU like reputation among only relevant sector is sufficient, dilution can only be a matter of cancellation under Benelux trademark law, and there has been no provision for opposition and only registered trademarks are afforded any protection regardless of the nature of action instituted. Yet undoubtedly Benelux law are influenced by CJEU and the specific influence of CJEU on Benelux case laws has appeared obvious. For example after the judgement of Puma/Sable case, and even before common law amendment, the criterion of the likelihood of association for defining the protection of a trade mark in double identity case was abandoned by the Benelux court of justice. However, the harmonization regarding the dilution doctrine specially related to reputation issues is still required between Benelux court of justice and CTMR.
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